ANNUAL REPORT

of AFL for the period from January 1 to December 31, 2021

EDITORIAL BY THE CHAIRPERSON OF THE MANAGEMENT BOARD

Yves Millardet, Chairperson of the AFL Management Board

"2021 has enabled AFL to enter the second phase of the development of its activities. After the start-up phase, AFL is now in a steady growth phase. The year 2021 was marked in particular by a 16% increase in its loan production and a doubling of its financing commitments in three years, but also by the membership of 85 new local authorities during the financial year. Finally, 2021 ended with a higher gross operating income than the AFL business plan.

Created at the instigation of associations of local elected representatives, AFL now has an important place in the landscape of local authority financing with nearly 500 local authority shareholders, accounting for 20% of local public investment in France. AFL is also keeping its initial promise: that of being the bank for all local authorities, large and small, urban and rural areas, in mainland France and overseas. The business model of a bank with a lean organization, demonstrates its effectiveness every day, and continues to adapt as the business grows. Finally, in a context characterized by many uncertainties, the pooling of needs and resources is a remarkably effective lever for accessing markets under the best conditions, including via sustainable bonds and thus providing all member authorities with competitive access to the liquidity and responsible financing they need to finance their capital expenditure".

KEY FIGURES

496
member local authorities

€243
million of capital pledged

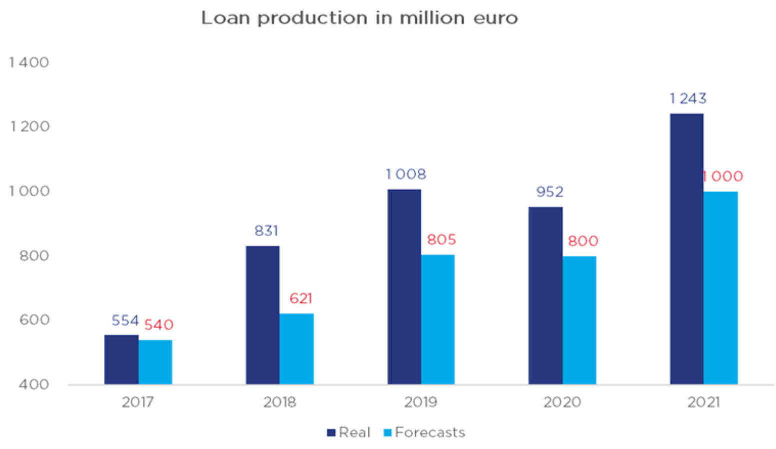
€5
billion in loans granted

41%
market share among member local authorities

€6.3
billion raised on the markets

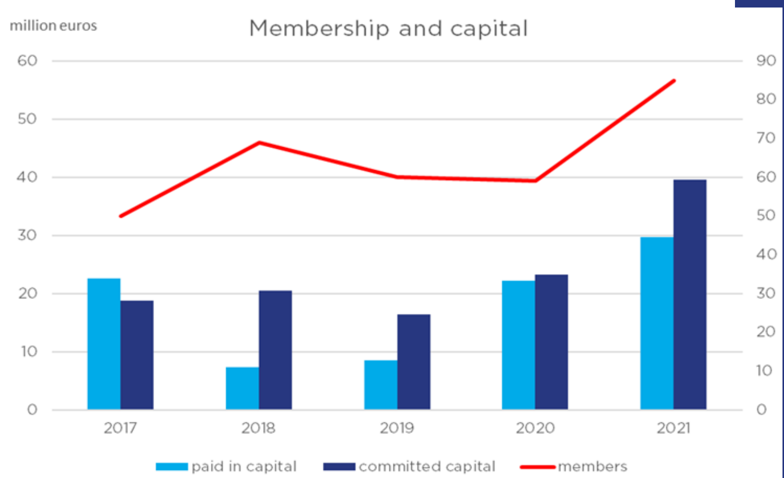
ACTIVITIES IN 2021

LOAN PRODUCTION



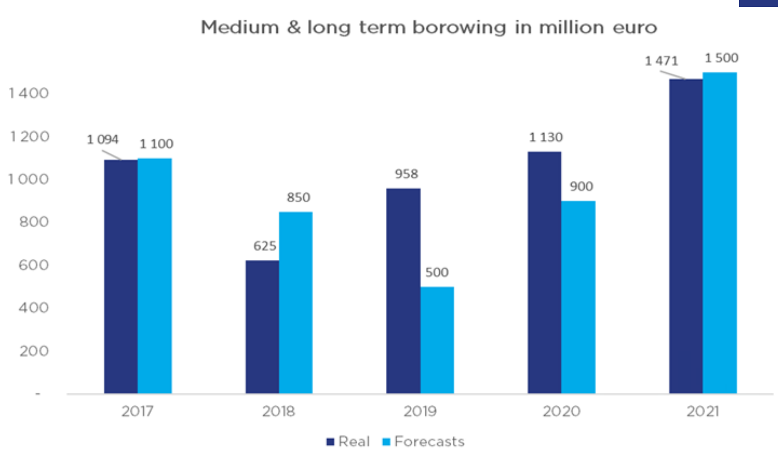
For the first time, loan production exceeded the €1 billion mark, reaching €1.24 billion, for a total outstanding amount of more than €5 billion. The growth in AFL's loan production is emblematic of its success since its creation.

MEMBERSHIPS



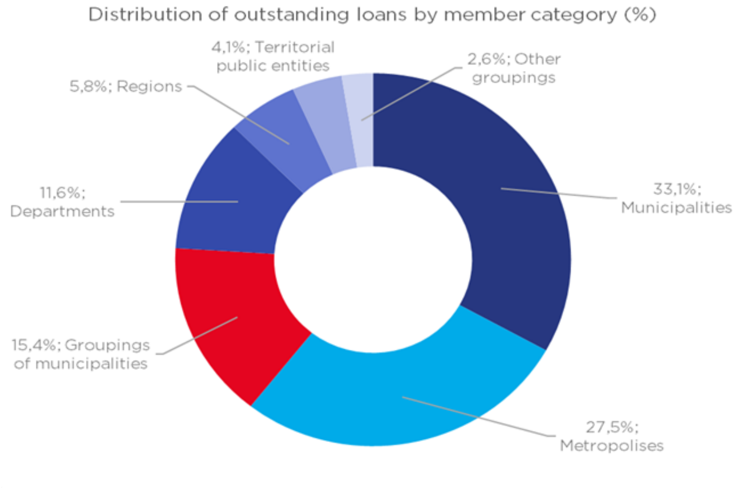
In 2021, new memberships accelerated with, for the first time, in one year, the arrival of 85 local authorities, for a record amount of capital contributions of nearly €40 million. In total, AFL's pledged capital amounts to €243 million for a total of 496 local authorities. As of December 31, 2021, four metropolitan regions were members of AFL as well as a very large number of large local authorities, including 14 out of 22 metropolitan areas.

RESOURCES



In 2021, AFL was financed under very good conditions thanks to the strengthened recognition of its signature on the Euro market and a greater diversity of instruments and currencies used for fund raising.

STATEMENT OF FINANCIAL POSITION AND NET INCOME

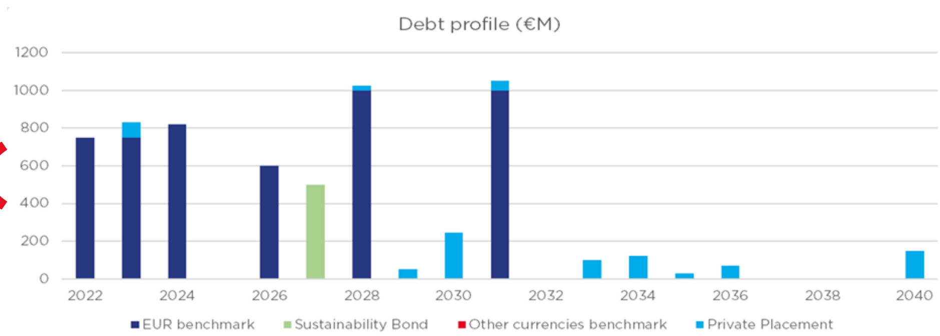


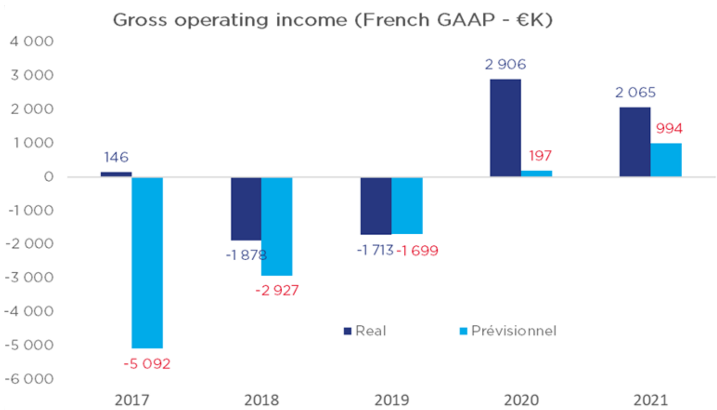
The growth in outstanding loans granted benefits all members of the AFL Group, regardless of their size and category. Thus, the smallest financing granted by AFL in 2021 amounts to €15,000 while the largest is €68 million.

AFL's financing capacity on the markets is growing year by year and acquires a depth and a strong recognition of domestic and international investors as underlined by the success of the public issues in euros, the multiplication of private placements and the diversification towards new currencies.

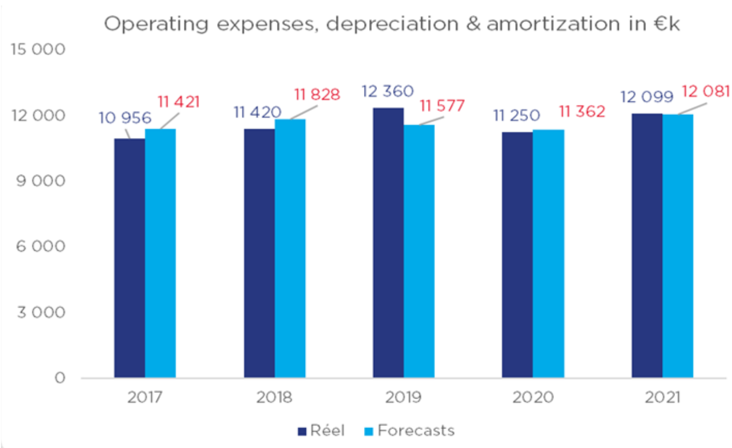
Thus, since **2015**, AFL has been able to mobilize €**6.3** billion from **206** investors over a wide range of maturities.

As part of its CSR strategy, and in accordance with AFL's commitments to embody responsible finance, AFL set up a sustainable issuance system in 2020 from which it carries out sustainable bond issues backed by financing or refinancing of capital expenditure by member local authorities dedicated to environmental and social projects.





The profitability of operations was confirmed with a second financial year in positive territory.



AFL maintains an efficient organization to serve its customers with a team of **32 permanent contracts** at December 31, 2021 and expenses stable year-on-year at **€12.1 million** en 2021.

THE HIGH BALANCE SHEET RATIOS ATTEST TO AFL'S FINANCIAL STRENGTH.

15.73%

CET 1 ratio

923%

LCR on a consolidated basis.

In 2021, the ACPR recognized AFL as a public development lending institution.

NOTATION

Moody's

Aa3 / P-1
stable outlook, reaffirmed on October 6, 2021

S&P Global Ratings

AA- / A-1+
outlook stable, reaffirmed on May 28, 2021

CSR STRATEGY

AFL has chosen to formalize its overall contribution to the sustainable development objectives by committing to a CSR approach. This approach is structured around three areas:

1 Reaffirm the identity and specificities of AFL's intrinsically virtuous model: a cooperative bank, with a short circuit, in which local authorities are the sole beneficiaries, the sole shareholders and the sole guarantors. This specificity was consolidated by the adoption of a purpose and values: expertise, transparency, solidarity.

2 Pay attention to the impact of banking activity: provide French local authorities with sustainable resources to finance their projects based on a responsible and low-risk fund-raising and investment policy.

3 Strengthen AFL's commitments as a company, at two levels:
- Limit the impact of its operation on the planet (mobility, recycling, remote working, electronic signature, etc.);
- Deploy internal social policies (training, integration of people with disabilities, employee well-being, diversity, professional integration of young people).

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GLOSSARY

ICC	Initial Capital Contribution
ACC	Additional Capital Contribution
ACPR	French Prudential Supervision and Resolution Authority
AFL	Agence France Locale
AFL-ST	Agence France Locale – Société Territoriale
ALM	Asset and Liability Management
AMF	Autorité des Marchés Financiers (French Financial Markets Authority)
ASW	Asset Swap
ECB	European Central Bank
CFO	Cash flow from operations
RAC	Audit and Risk Committee
ICC	Internal Control Committee
CET1	Common Equity Tier One
FGTC	French General Tax Code
GRC	Global Risk Committee
SRB	Single Resolution Board
CAVC	Corporate added-value contribution
ALT	Average lifetime
EAPB	European Association of Public Banks
ECP	Euro Commercial Paper
EMTN	Euro Medium Term Notes
EPCI	Établissement public de coopération intercommunale (Groupings of municipalities)
LPE	Local public entity
EPT	Territorial public entities
SRF	Single resolution fund
DRGF	Deposit and Resolution Guarantee Fund
OTG	Own tax group
HQLA	High Quality Liquid Assets
DTA	Deferred tax asset
IMR	Initial margin requirement
LCR	Liquidity Coverage Ratio
AFL	Amending Finance Law
LGFA	Local government funding agency
NIM	Net interest margin
ESM	European Stability Mechanism
NSFR	Net Stable Funding Ratio
OAT	Obligations Assimilables du Trésor (French Treasury bonds)
PEPP	Pandemic Emergency Purchase Programme
NBI	Net banking income
PSPP	Public Sector Purchase Program
GOP	Gross operating income

NI	Net income
RRD	Recovery and Resolution Directive
RWA	Risk Weighted Asset
SaaS	Software as a Service
OIR	Opportunity interest rate
NDS	Negotiable debt securities
TL-TRO	Targeted longer-term refinancing operations
NPV	Net Present Value

I. The Company's Activity

1. Background and shareholding model structure

Authorized by Law No. 2013-672 of July 26, 2013 on the separation and regulation of banking activities and created on October 22, 2013, AFL began its operational activities in March 2015, after obtaining, in January 2015, authorization to act as a specialized credit institution from the French Prudential Supervision and Resolution Authority and a rating by the Moody's agency.

The Agence France Locale Group (AFL Group) is organized around a dual structure consisting of Agence France Locale - Société Territoriale (AFL-ST, the parent company with the status of financial company) and of Agence France Locale (AFL, the subsidiary, a specialized lending institution). The Agence France Locale Group is formed by the combination of these two companies. The purpose of its two-tier governance is to separate the operational management, handled by the specialized credit institution (AFL), from the shareholder representation, the management of guarantees and the definition of strategic policies, handled by Société Territoriale (AFL-ST). This separation of responsibilities makes it possible to prevent conflicts of interest that may appear in the form of intervention by member local and regional authorities in AFL's day-to-day management activities, ensure stakeholder accountability for their tasks, and have adequate control and monitoring mechanisms.

Accordingly, AFL-ST's Board of Directors has adopted a rule stating that independent members must comprise a majority of the credit institution's Supervisory Board. In so doing, shareholders accept and acknowledge that it is important for banking and financial professionals to be responsible for the oversight of the credit institution. The main tasks of AFL-ST, the Group's parent company, are as follows:

- Representation of shareholders;
- Management of the guarantee mechanism;
- Appointment of the members of the credit institution's Supervisory Board;
- Setting of major strategic policies and the risk appetite framework; and
- Promotion of the model among local authorities, jointly with AFL, to increase the number of shareholder members.

The main tasks of AFL, a credit institution more than 99.99% owned by AFL-ST, are as follows:

- Granting of credit exclusively to shareholder member regional and local authorities;
- Fund-raising on capital markets; and
- Day-to-day operational management of financial activities.

1.1 A robust structure

AFL is an investment financing facility for local authorities in which they are the exclusive shareholders through Société Territoriale (AFL-ST), the majority shareholder and over 99.99% owner of AFL. Like the local authorities financing agencies in Northern Europe[1], which have existed for several decades, and agencies in New Zealand or Japan, AFL was established to be a long-term player in the financing of local investments. Whilst integrating French law constraints, the AFL model is broadly inspired by the Nordic agencies, and more specifically the Swedish and Finnish agencies, which have been financing local authorities in their respective countries since the end of the 1980s. This model, based on pooling the needs of local authorities and their credit ratings, enables them, by grouping together, to have sufficient size to borrow in the capital markets, through bond issues in particular, in order to grant simple fixed- or floating-rate loans to local authority shareholders.

The optimization of financing costs in the capital markets is based on AFL's high credit rating, which is built on prudent financial policies, the quality of its balance sheet assets and a dual mechanism of explicit and irrevocable first-demand guarantees.

[1] The local and regional authority financing agencies in Northern Europe are: Kommunekredit in Denmark created in 1899, BNG and NWB in the Netherlands, created in 1914 and 1954 respectively, KBN in Norway created in 1926, Kommuninvest in Sweden created in 1986 and MuniFin in Finland created in 1989/1993.

- On the one hand, the “Member Guarantees” granted by local authorities that are AFL-ST shareholders to any financial creditor of AFL providing the possibility to call on the local authority shareholders directly as guarantors. The amount of this guarantee is intended to be equal to the amounts of outstanding borrowings with a maturity more than 364 days contracted by each member local authority with AFL. Thus, a creditor can call the guarantee from several local authorities. A local authority whose guarantee has been called by a creditor has the obligation to inform AFL-ST, which may, in turn, call all other member guarantees in proportion to the amount of their credits contracted with AFL. This guarantee is organized to create solidarity between the member regional and local authorities in the payment of the amounts due while each of them is limited to its own outstanding medium- to long-term loan. In order to have sufficient liquidity, the amounts borrowed by AFL are intended to be higher than the amounts it lends to members, and the securities issued by AFL are not fully covered by the Member Guarantee mechanism:

    - In general, approximately 70% of the total amount of AFL borrowings issued on the markets is used to provide medium- and long-term loans to members,

    - As a result, almost 30% of the total amount of borrowings issued by AFL on the markets are retained, both to ensure AFL’s liquidity in accordance with its regulatory obligations and good management practices, and to offer lines of credits to members under the conditions and within the limits set by AFL’s financial policies;

- On the other hand, the “ST Guarantee” granted by AFL-ST to any financial creditor of AFL, which allows creditor(s) to call on AFL-ST directly as guarantor. The ceiling of the “ST Guarantee” is set by the Board of Directors. It was increased from €5 billion to €10 billion by the Board of Directors on September 28, 2018. It covers all of the commitments of its AFL subsidiary to its beneficiary creditors. As of December 31, 2021, the amount of guaranteed securities issued by AFL, corresponding to debt issues and financial transactions with counterparties, amounted to €8,56 billion.

This two-part mechanism allows the beneficiaries of these guarantees[2] to have both the option of (i) calling on the local authorities that are Group members as guarantors, and/or (ii) being able to operate the “ST Guarantee” which offers the advantage of simplicity in the form of a single point of contact.

It should also be noted that, in compliance with its provisions of Articles of Association, the “ST Guarantee” may be called on behalf of the creditors at the request of AFL under the terms of a protocol between the two companies. The main purpose of this mechanism under which third parties can call on direct beneficiaries of the “Member Guarantee” is to be able to mobilize guarantees to prevent non-compliance with the regulatory ratios or an event of default.

1.2 A very cautious liquidity policy

AFL has a liquidity policy with three objectives:

- The construction of a sufficient liquidity reserve to maintain operational activities, in particular lending activities, for a period of twelve months; this reserve is largely made up of liquid assets that can be mobilized for the regulatory liquidity coverage ratio (LCR);
- A funding strategy that encourages a diversity of debt instruments (including benchmark issues in euros traded in regulated markets, including Sustainable Bonds, public issues in foreign currencies, private placements, etc.) as well as the diversity of the investor base, both by type and geographical area;
- In order to reduce the risk of an unfavorable change in the price of liquidity, AFL closely monitors maturity gaps. It has undertaken to limit the difference in average maturity to life between its assets and liabilities to one and a half years until March 20, 2022, the year of repayment of its first benchmark issue and one year thereafter.

With regard to access to liquidity, it should be noted that AFL has a line of credit with the Banque de France, available at any time, through the mobilization of receivables from local authorities that AFL carries on its balance sheet, via the TRiCP (Traitement Informatique des Créances Privées - Data

[2] The guarantee models are accessible on the AFL Group’s internet site: www.agence-france-locale.fr

Processing of Private Claims) system and corresponding to an amount of nearly 70% of its outstanding loans.

1.3 A customer centric model

The purpose of the AFL Group: to embody responsible finance to strengthen the power of the local world to meet the present and future needs of residents.

The AFL Group was designed to better **serve its customers on three levels.**

Firstly, through AFL's unique status as shareholder borrower, which enables borrowers to ensure that their interests are at the heart of the AFL Group's objectives, through its position as shareholder of AFL-ST. AFL-ST's responsibility is to pursue the Group's strategy, defend the interests of all borrowers and pool each one's interests for the benefit of all local authorities.

Secondly, since its creation, AFL has chosen to implement online services that combine efficiency and speed and ensure users the highest levels of security to better meet the needs of its member borrowers.

Finally, a team dedicated to the relationships with local authorities sees to it that each of their specific expectations is met.

1.4 Rating of bonds issued by AFL

After its creation and the granting of its banking license, on January 29, 2015, AFL was awarded the long-term rating of Aa2 by Moody's, one slot below that of the French government, in recognition of the robust model that it embodies. Following the reduction in the State's rating by Moody's on September 18, 2015, AFL's rating was lowered by one slot to Aa3 with a stable outlook.

This rating has remained unchanged since. Moody's short-term AFL rating is P-1.

Since May 20, 2019, AFL has also been rated by S&P Global Ratings Europe Limited (S&P) at AA- for its long-term debt, stable outlook and at A-1+ for its short-term debt and stable outlook.

AFL's bond issuance program is equally rated by Moody's and S&P.

2. Review of activities over the 2021 financial year and highlights

2.1 Evolution of the situation in the face of the health crisis

- Economic and market situation

2021 was marked by a strong recovery in economic activity worldwide and particularly in all European Union countries. In France, growth in gross domestic product was very strong, reaching 7% after the historic decline of 7.9% recorded in 2020, following the health crisis linked to Covid-19, the largest decline in the history of French national accounts established since 1949. In 2020, the economy suffered numerous malfunctions caused by the epidemic, while measures to limit its spread (lockdowns, curfews, store closures, etc.), taken both in France and in many foreign countries, have in turn slowed down activity.

The strong recovery recorded in 2021 was the combined result of the initiatives of the European Central Bank, through the deployment of new monetary policy instruments, of the European Union with the Recovery Plan for Europe (Next Generation EU) of €750 billion and European Union countries including the France Relance plan of €100 billion. While this strong recovery has resulted in an increase in consumption and investment spending, which are back to levels close to those prevailing before the crisis, it is also reflected in a significant increase in inflation and a pronounced imbalance in the trade balance and public accounts.

The stimulus measures financed by governments weighed on public finances, leading to an increase in public debt.

Inflation increased in 2021, driven by supply chain disruptions around the world, industry bottlenecks and rising raw materials prices. The rise in inflationary pressures prompted, from the end of 2021, several central banks, to varying degrees, to commit to tightening monetary policies, in particular through announcements to reduce purchase programs. securities and rate increases.

With regard to the effects of the health crisis on the financial position of French local authorities, the mission carried out by Bernard Cazeneuve, since 2020, underlined the good resilience of the sector. Indeed, the situation at December 31, 2020 reflected a smaller deterioration than that initially anticipated, but with greater fragility depending on the type of local authority. As of December 31, 2020, operating revenues had decreased by 1.6%, and operating expenses had increased by 0.2%, resulting in a decrease of 10.8% in gross savings and an outstanding amount of debt, up by 3.3% to €201 billion, noting that the largest share of the increase in debt went to the regions with an increase of €2.5 billion for a total of €30.5 billion at December 31, 2020.

Initial figures on the landing for the 2021 financial year, from the latest Cazeneuve report of February 22, 2022, attest to a stronger-than-expected rebound in 2021 and - with some exceptions - better indicators than in 2019:

- A favorable trend in real operating revenues in 2021 (in particular tax revenues combined with stable state allocations) and limited growth in real operating expenses have enabled local authorities to post a remarkable increase in their savings capacity in 2021 to €36.6 billion. Up by €6 billion compared to 2020, the gross savings generated in 2021 were higher than in 2019 (€34.6 billion).
- A strong recovery in investment spending in 2021 to €71.7 billion in 2021 versus €69.2 billion in 2020 and €72.4 billion in 2019, the peak of local investment in the 2014-2020 electoral cycle.
- Despite the continued increase in local debt, the strong improvement in savings in 2021 enabled local authorities to show a significant improvement in debt reduction capacity at 4.3 years compared to 5 years in 2020.
- The cash position of local and regional authorities has been rising steadily for 10 years. Between 2017 and 2021, it increased from €41.5 billion to €56.6 billion, i.e. an increase of 36.4%. Moreover, over 10 years, it has practically doubled.

The latest analyses carried out on the outlook for local finances in 2022 (analysis before the outbreak of the war in Ukraine) are generally favorable and are illustrated mainly by:

- A sharp increase in local taxes expected (flat-rate revaluation of the bases will be 3.4%)
- A dynamism of the VAT favorable to local authorities (progression from 5 to 6%)
- The expected decrease in the CAVC largely offset for each of the levels of local authorities concerned (decrease of 4.7%, i.e. €400 million)
- Investment support allocations at a historically high level
- A limited inflation risk for local authorities (share of energy expenditure in local budgets, benefits from the price shield, etc.)

In conclusion, the financial resilience of local authorities, thanks in particular to the support of the State, has enabled them to maintain a high level of capital expenditure and consequently a sustained use of borrowing. In this context, AFL was able to continue very dynamic development during the 2021 financial year, resulting in improved results at all levels.

- Continuity of missions since the start of the health crisis:

AFL has shown that in a context of crisis, its economic and operating model is perfectly suited to continue all its missions and meet the needs of its borrowers. AFL has a very high level of resilience in terms of liquidity and solvency, which is based on prudent financial policies and an organization that intrinsically allows all of its employees to operate remotely.

- Organization in the face of the health crisis:

Since the start of the health crisis in March 2020, AFL has found an organizational method to meet the government's requirements through the generalization of remote working during periods of lockdown and the opening of its offices, with all the health protection measures required during the easing periods.

AFL initially made the strategic choice to organize its information systems in SaaS mode (software as a service) and when it moved in 2020 from a Flex office type organization, each employee has the ability to seamlessly connect to all of its business applications. As a result, the bank has not had to suffer any malfunctions since that date and no particular action has been taken during the periods when all employees are working remotely.

A crisis unit ensures the organization and monitoring of the system as events and government instructions occur.

2.2 Loan production

The production of medium- and long-term loans by AFL in 2021 amounted to €1,243 million compared to €937 million in 2020 for a total of 286 loan contracts compared to 220 in 2020. This 33% year-on-year increase in production volume underlines the good development momentum of AFL following the arrival of a growing number of local authorities as members of the Group. The average maturity of medium- to long-term loans produced in 2021 was 19 years compared to 17.2 years in 2020. This extension of the average maturity of loans reflects the decline in interest rates that continued in 2021. In addition to medium-term loans, €103.5 million in lines of credits were produced, compared with €72.5 million in 2020.

At the end of the financial year, outstanding customer loans, expressed in accordance with French accounting standards, amounted to €4,416 million in loans made available and €575 million in financing commitments, total commitments of €4,991 million, which also includes lines of credits.

For AFL, the increase in loan production and its market share in 2021 took place in an environment where recourse to borrowing by local authorities continued a good momentum, which had been initiated in 2020, as part of an increase in investment spending by public administrations, in the months following the outbreak of the Covid-19 crisis.

As an example, we would highlight the financing of €68 million over 30 years made to the Syndicat Mixte de Traitement des Déchets de la Région Sud et Ouest de la Réunion (Processing of Waste in the South and West Region of Reunion Island), following its membership of the AFL Group during the 28th capital increase carried out on March 23, 2021. These sums contribute to the financing of a project supported by the European Union on the implementation of a multi-channel waste treatment and recovery management tool covering the needs of more than 60% of the population of Reunion Island.

2.3 Membership

- Unprecedented development

The AFL Group had 496 members at the end of the financial year.

85 new local authorities joined the AFL Group during the past financial year, including the Grand Est and Bourgogne-Franche-Comté regions. Major cities such as Rennes and Dijon have also joined AFL, as well as many municipalities of all sizes, in mainland France and overseas. At the date of this report, 496 local authorities are shareholders, including five regions, 11 departments, 107 FEPCIs (groupings of municipalities) (including 14 metropolitan areas) and 373 municipalities.

The arrival of new shareholders in the 2021 financial year increased capital pledged[3] by €39.6 million, bringing the total to €243 million. As of December 31, 2021, the share capital of AFL-ST was increased to €206,415,500 and that of AFL to €196,800,000.

The table below shows the breakdown of AFL-ST's share capital and voting rights by category of local authority as of December 31, 2021 after the 31st capital increase.

Figures in € thousands	Number	Committed capital	Paid in capital	% of capital and voting powers
Region	5	49,422	24,634	11.93%
Department	11	34,305	34,305	16.62%
Municipalities	373	55,261	50,446	24.44%
Groupings	107	103,821	97,030	47.01%
Metropolises	*14*	*73,103*	*69,273*	*33.56%*
Territorial public entities	*6*	*6,077*	*4,807*	*2.33%*
Urban communities	*5*	*3,546*	*3,494*	*1.69%*
Suburban communities	*25*	*8,379*	*7,339*	*3.56%*
Municipality communities	*42*	*1,678*	*1,520*	*0.74%*
Other groupings	*15*	*11,037*	*10,597*	*5.13%*
TOTAL	496	242,808	206,416	100%

Information on AFL's capital and shareholder structure is presented in Section VII of the document hereafter and additional information on the new memberships is presented in AFL-ST's consolidated management report.

- Developing partnerships

In order to consolidate the relationship with the partners of its ecosystem, AFL renewed all its partnerships with associations of elected officials and associations of local civil servants for the year 2021. The aim is to strengthen the AFL Group's presence in the local public sector. New links have been forged with the SNDGCT (National Syndicate of Chief Executive Officers of Local Authorities) and ADGCF (Association of Chief Executive Officers of French Communities) to increase the visibility of AFL among chief executive officers in post in local and regional authorities.
AFL also carries out actions with the CNFPT (National Center for the Territorial Public Service) around three areas: the training of local civil servants, participation in the Strasbourg regional interviews and the initial training of INET students, which also includes the reception of student interns and the management of studies.
At the same time, AFL has strengthened its expertise on local finance issues with central players such as the OFGL (Observatoire des finances et de la gestion publique locale), Afigèse and the Réseau FiL (local finance network), and its commitment to more responsible finance through its relations with Comité 21 and I4CE (French Institute of Climate Economics).
Lastly, AFL has also committed to State bodies such as the ANCT (Agence Nationale de la Cohesion des Territoires), Cerema, ADEME, the Aides-Territoires platform and certain ministries, consolidating thus its notoriety at the national level.

[3] The capital pledged means the amount of capital contributions voted by the local authorities at the time they joined AFL-ST. For each local authority, the pledged capital corresponds to a capital commitment, the amount and the terms of payment of which are set out in the Company's Articles of Association.

- Broadening of the AFL-ST shareholder base

Since Law No. 2019-1461 of December 27, 2019 on involvement in local life and proximity to public action, the scope of local authorities that may become shareholders of AFL-ST has been extended to all groups of local authorities as well as local public institutions. Until that date, the authorities likely to join AFL-ST included municipalities, departments, regions, public inter-municipal cooperation institutions (FEPCI) with their own tax system and local public institutions (EPT). This change is an additional source of development for the AFL Group.

Decree No. 2020-556 of May 11, 2020 defines the eligibility criteria for new shareholders of AFL-ST, with thresholds that apply to the financial position and level of indebtedness of any entity entering into the capital after its publication.

The AFL General Meeting of Shareholders of May 7, 2020 and the AFL-ST Shareholders' Meeting of May 28, 2020, initially amended the Articles of Association of the two companies to include the trade unions, major players in the local public investment, and thus enable the membership of a significant number of trade unions. As of December 31, 2021, AFL-ST had 15 trade unions among its members.

The AFL General Meeting of Shareholders on May 6, 2021 and AFL-ST on May 27, 2021 amended the two companies' Articles of Association to include in the scope of the new local and regional authorities eligible to join the AFL Group, all entities authorized by law, namely local authorities, groupings thereof and local public institutions, in accordance with Article L. 1611-3-2 of the French General Local Authorities Code resulting from the law of December 27, 2019.

The AFL-ST General Meeting of May 27, 2021 accordingly modified the definition of the categories of local authorities referred to in the provisions of the Articles of Association on electoral colleges.

In this way, it is expected that the Board of Directors will approve the opening of each new category and define the category of attachment of each category of new authorities at the special meetings of shareholders (electoral colleges) called to appoint the members of the Board of Directors. administration according to the type of authority to which they belong, in accordance with the statutory rules.

Work is underway within the AFL Group's teams to sequence and prepare for this expansion.

2.4 Amendment of the terms and conditions applicable to the Capital Contribution

- Amendment of the definition of Total Debt taken into account for the calculation of the Initial Capital Contribution:

The AFL-ST General Meeting of Shareholders of May 27, 2021 amended the Company's Articles of Association to modify the definition of Total Debt taken into account for the calculation of the Initial Capital Contribution, in order to add to the categories debt already excluded from this calculation (a) debts relating to repayable advances (currently recorded in 1678), and (b) in the case of public housing offices, debts (currently recorded in 1641) contracted with the Caisse des Dépôts et Consignations.

- Staggering of the payment of the Initial Capital Contribution to ten years :

The AFL-ST General Meeting of Shareholders of May 27, 2021 amended the Company's Articles of Association to authorize the extension of the ICC payment for a maximum period of five to ten years as follows:

In accordance with the Shareholders' Agreement, when joining the AFL Group, new shareholders undertake to subscribe to one or more capital increases for a total subscription price equal to their Initial Capital Contribution (ICC). In accordance with the Articles of Association, the payment of the ICC may in principle be staggered, at the request of the Local Authority, over a maximum period of three (3) calendar years.

Pursuant to the provisions of the Articles of Association, by way of exception, the Board of Directors of the Company determines, on the proposal of the Management Board and the opinion of the Supervisory Board of AFL, the amounts of ICC from which the Local Authorities may request a payment spread over more than three years, provided that the coefficients *kn* and *kn'*[4] are applied corresponding to the calculation of their ICC, and within the maximum limit increased from five to ten calendar years.

- Change in the value of the indicators used to determine the amounts of the First Payment and the annual share of the initial capital contribution (ICC):

The AFL-ST Board of Directors, which met on June 23, 2021, after hearing the favorable opinion of the AFL-ST Audit and Risk Committee and the AFL Supervisory Board, decided to modify the value of the indicators referred to in Article 7.4.6 of the AFL-ST Articles of Association as follows:

With regard to the single flat-rate amount:
- The single flat-rate amount applicable to all Members paying an ICC of €12 million or more is reduced in the first year from €1.5 million to €1 million;
- The single flat-rate amount applicable to all Members paying an ICC of less than €12 million is reduced for the first year by €1 million to €500,000;

With regard to the "commitment to pay an annual share (the **Share**) of the balance of the overall ICC remaining to be paid (the **Balance**) the amount of which is determined each year objectively by the Société Territoriale according to the volume of borrowing made by the local authority with Agence France Locale", in accordance with the Articles of Association, the Share is equal to the highest amount of the following indicators, the values of which are determined by the Board of Directors on the proposal of the Management Board and the opinion of the AFL Supervisory Board:

- A percentage of the Borrowing Volume (regardless of the volume of the ICC), unchanged at 3%; and
- A single lump sum applicable to all members paying an ICC equal to or greater than €12 million, unchanged at €500,000, and
- A single lump sum applicable to all members paying an ICC of less than €12 million, increased from €250,000 to €125,000.

These changes are applicable to any entity deliberating to subscribe to a capital increase of AFL-ST since June 23, 2021.

2.5 CSR strategy

Since its creation, AFL has been designed by French local authorities as a responsible bank aimed at providing them with resources in a sustainable manner. In 2020, AFL decided to formalize its overall contribution to the sustainable development objectives by committing to a CSR approach. This approach is structured around three areas:

- Reaffirm the identity and specificities of AFL in the local authority financing landscape by adopting a corporate purpose and values and by deepening governance and transparency vis-à-vis stakeholders;

- Strengthen AFL's commitments as a company; and

- Providing French local and regional authorities with sustainable resources through the issuance of sustainable bonds by AFL.

In December 2020, AFL adopted the following three values to underpin its operations and guide its activities:

[4] The amount of the ICC expressed in euros is equal to Max (*kn* x 0.80% x Total debt; *kn'* x 0.25% x operating revenue) where kn and kn' are coefficients greater than or equal to 1, set by the AFL-ST Board of Directors on the proposal of the Management Board and the opinion of the AFL Supervisory Board, with the aim of ensuring the adequacy of the AFL Group's equity capital with its mission.

- Expertise: provide local authorities with expertise in local authority financing and have experts in the management of the lending institution.

- Solidarity: pooling between all local authorities, regardless of their size or geographical location, access to resources under equivalent conditions, to optimize their cost.

- Transparency: as shareholders of Société Territoriale and borrowers of the lending institution, the member local authorities have access to all information concerning the activity of the AFL Group.

2.5.1 A rich and diversified governance

- A rich governance

In addition to the AFL and Société Territoriale bodies, dialog with member local authorities was strengthened by the holding in December 2020 of a strategic seminar between the AFL Supervisory Board and the Board of Directors of Société Territoriale. This strategic seminar aims to be part of the long term to strengthen the Group's development and its CSR trajectory.

Since November 2019, the meeting of the 40 major shareholders has been set up, an informal meeting of representatives of the 40 largest shareholder communities. These meetings are a place for discussion, information and consultation with shareholders in order to help the Board of Directors of Société Territoriale. In 2021, four meetings were organized.

- Composition of the Supervisory Board

The independence of the members of the Supervisory Board of AFL is a key element in guaranteeing the managerial autonomy of the Management Board with respect to AFL-ST. This is why the AFL Articles of Association stipulate that the number of independent members making up the Supervisory Board must at all times be strictly greater than the number of representatives of AFL-ST and the local public sphere, in accordance with the provisions of the AFEP-MEDEF Code.

In terms of diversity, AFL voluntarily complies with the AFEP-MEDEF Code and the Copé Zimmermann law, adopted in January 2011, which imposed gender diversity on the boards of directors of listed companies and companies with more than 500 employees and a total balance sheet or revenue in excess of €50 million. Although the Company does not strictly fall within the scope of this text, the ARCGC and the Company's Supervisory Board reaffirmed, in December 2020, the objective of 40% female representation among the members of the Supervisory Board, while acknowledging that the Company enjoys a certain degree of flexibility in achieving this objective and in particular in the implementation schedule. Gender parity, and diversity more generally, is an important aspect of the values promoted by the Company and the AFL Group.

At the end of the 2021 financial year, the Supervisory Board was composed of four women and six men, i.e. a proportion of 40% / 60%, marking a clear increase compared to that observed at the end of the previous financial year (i.e. 27% / 73%).

2.5.2 Transparency and fair practices

AFL attaches great importance to the day-to-day relationship it has with all of its stakeholders; member and non-member local authorities, investors, banks, rating agencies, Statutory Auditors and suppliers.

With local authorities, AFL cultivates a relationship of natural proximity and transparency given the composition of its shareholders and the mission entrusted to it to lend to its shareholders. This relationship is illustrated by the principle of equity, which means that all French local authorities, regardless of their size or geographical location, may become members if their financial position is satisfactory. This is assessed on the basis of two criteria established by decree[5] and an internal rating.

[5] Decree No. 2020-556 of May 11, 2020 published on May 12, 2020.

- The two criteria established by decree for a local authority to be a member of AFL are as follows:
  - Its debt reduction capacity calculated over an average of three years must be less than a threshold of nine years for the regions and single local and regional authorities, 10 years for the departments, and 12 years for the municipalities and groups;
  - Alternatively, its current cash flow, also calculated over a three-year average, must be less than 100%.

- A local authority can only join Agence France Locale if its financial score is between 1 and 5.99 inclusive; the financial score is calculated according to AFL's own methodology validated by the AFL-ST Board of Directors on a scale ranging from 1 (best score) to 7.

Nearly 95% of French local authorities are eligible to join the Group. For the others, membership may be considered as soon as their financial position improves. The financial rating obtained is communicated to each local authority in complete transparency.

This system does not a priori exclude any local authority. AFL thus contributes to combating the regional divide.

The capital contribution of local authorities, which enables AFL to build up the equity capital required for its banking activities, is based on a single calculation formula. Each local authority participates, in proportion to its economic weight, in the constitution of capital.

The close and transparent relationship is also illustrated by a prudent and regulated credit granting policy. Indeed, any member local authority can consult AFL for its borrowing needs. The granting of credit is based on a strict and transparent assessment of the local authority's financial position. Thus, each request for financing is studied individually according to the criteria of solvency and financial health of the local authority (consolidated in the financial note), without discrimination with regard to its size, its geographical location, the political color of its executive or supposed relevance of the financed object. AFL only lends to local authorities with a rating of less than 6, which makes the borrowing more sustainable for local authorities and promotes the solidity of AFL and its quality of credit on the financial markets.

As part of its credit activity, AFL does not offer its members any structured loans or complex products to local authorities. AFL does not offer variable-rate loans to municipalities with fewer than 3,500 inhabitants.

In order to ensure long-term, high-quality refinancing for local authorities, AFL attaches great importance to the relationship it has with investors and banks, which are its market counterparties.

AFL carries out its financial activities within the framework of conservative policies validated by the AFL Group's bodies. AFL ensures the diversification of its investor base in terms of nature and geographical origin or via the various refinancing vehicles it offers. It is mainly refinanced on a long-term basis, reflecting the maturity of the loans it grants, in order to reduce the refinancing risk. AFL prudently manages its liquidity reserve designed to cope with a possible interruption of its access to the financial markets for one year. Each investment in the liquidity reserve is analyzed by the Credit Committee to ensure that it meets AFL's management objectives.

With regard to the placement of its debt securities on the primary bond market, AFL applies over the long-term principles that it considers essential to achieve its objectives of diversification and retention of its investor base and price optimization. These principles are included in the responsible refinancing policy on the origin of funds that AFL adopted in 2021.

Another aspect of transparency and fair practices is the importance of risk management and internal control. Indeed, the solidity of the AFL model is an integral part of its performance and underpins the relationship of trust it wishes to have with its stakeholders. This solidity is made possible by the control and risk management framework that it has put in place since its creation in accordance with banking regulations. This is placed under the supervision of the Group's bodies.

Thus, the AFL Group strives to prevent any risk of conflict of interest that may arise in its activities. By placing the exercise of operational activities in the subsidiary, the organization on two levels makes it possible to prevent the risks of conflicts of interest that may arise between the shareholder and the borrower in lending activities.

In order to prevent any risk of conflict of interest between the AFL Group companies and the members of their governance bodies, the latter applies strict control rules both at the date of appointment of directors and during their term of office, described in the Directors' Code of Ethics.

In its operational activities, AFL has implemented rules for managing conflicts of interest applicable to all its employees, described in the AFL Compliance Manual.

This Compliance Manual also contains the rules of professional conduct for its employees that it considers essential to the conduct of its activities.

2.5.3 Responsible refinancing for investments with a local and global impact

- Investments with a local and global impact

As a partner of French local authorities, AFL contributes alongside them to the trajectory desired by France on the implementation of the UN Sustainable Development Goals (SDGs). By developing sustainable bonds, AFL is helping to develop sustainable finance.

In France, recourse to medium-long-term local authority borrowing can only cover capital expenditure and cannot be used to balance the operating section of local budgets. AFL was created for the sole purpose of financing the investment budgets of French local authorities, in order to enable them to produce local public goods and services for residents and businesses within the framework of public policies.

French local authorities account for nearly two-thirds of all French public sector investments. The French local public sector thus plays a key role in infrastructure investments, for development to the benefit of all, with a wide range of skills. This is why, through the financing it grants to local authorities, AFL contributes directly to the investment expenditure in social services and in favor of the environment of the member authorities. These investments help to achieve the sustainable development objectives of local authorities and the country.

The 17 UN Sustainable Development Goals and 169 Agenda 2030 goals must be achieved at global, national and sub-national levels. The achievement of the Sustainable Development Goals depends in part on the ability of local authorities to promote integrated, inclusive and sustainable regional development. The municipal block, the departments, the French regions and their groups are therefore involved in translating the 2030 Agenda into concrete and effective measures in favor of sustainable growth.

AFL has classified the sustainable expenditure of the main budget of shareholder communities with more than 3,500 inhabitants into three main investment categories:

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

These three investment categories are interfaced with one or more of the UN Sustainable Development Goals (SDGs).

MAIN INVESTMENT AREAS		CONTRIBUTION TO THE UNITED NATIONS' SDGs
Access to basic and essential social services	Contribution to improved access to education and culture through educational, sporting and cultural facilities and equipment Support for the development of economic activity in order to promote and preserve employment in disadvantaged areas Help with access to essential healthcare services Promotion of social inclusion by giving vulnerable populations equal access to essential services	Education and culture Employment Access to essential healthcare services Social inclusion
Energy and ecological transaction	Contribution to the energy transition and sustainable development by promoting a low-carbon economy that is resilient to climate change (low-carbon public transportation, renewable energy, etc.), and pollution prevention and control	Low-emission public transportation Pollution prevention and control Renewable energies
Sustainable infrastructure, development of municipalities and regional cohesion	Promotion of regional development, urban transformations, the reduction of the regional divisions, the development of infrastructure and essential public services Priority for disadvantaged regions	Sustainable water and wastewater management Affordable housing Affordable and sustainable infrastructure

On the basis of this methodology, within this scope, AFL identified that nearly 40% of local authorities' capital expenditure directly contributed to sustainable development.

- Of these, nearly 60% concern access to essential and basic social services and a little more than 30% sustainable infrastructure, the development of municipalities and regional cohesion.
- 50% of these investments support the UN Sustainable Development Goal 4 of "ensuring equal access to quality education for all and promoting life-long learning opportunities throughout the world".
- More than 20% of these investments serve SDG 11 "Make cities and human settlements inclusive, safe, resilient and sustainable".
- Slightly less than 10% of these investments are used for Goal 9 of "building resilient infrastructure, promoting sustainable industrialization that benefits everyone and encouraging innovation".
- Lastly, 8% contributed to achieving Goal 10 aimed at "Reducing inequalities within and between countries".

- ### Access to sustainable finance

As a responsible financing tool for local authorities, AFL channels the savings of investors operating on the financial markets towards the financing of the investment of French authorities.
In line with the social and environmental commitments of its shareholder members, AFL set up a sustainable bond issuance program in 2020.
Sustainable bonds are offered to sustainable investors or investors with sustainable investment pockets or simply anxious to allocate their savings to investments serving the transition to a sustainable world. The issuance of sustainable bonds therefore contributes to disseminating the principles of sustainable finance. To this end, AFL has developed its own methodology. This methodology consists of assessing, for each local authority with more than 3,500 inhabitants, the share of eligible capital expenditure of their main budget. This assessment is based on an analysis of the budget nomenclature of the local authority's administrative accounts. It does not involve any specific reporting of information related to the specifications of the financed investments, which is time-consuming, complex and of little relevance in the context of a project of this nature. This investment portion is cross-referenced with the amount of funding granted each year by AFL to determine the portion of sustainable investment actually funded by AFL.

AFL's methodology thus gives direct access to sustainable refinancing to all AFL members with more than 3,500 inhabitants. It also serves the entire structure, and thus all its shareholders, through its contribution to the refinancing of AFL.
In January 2020, Vigeo Eiris reviewed the system put in place and considered that it was aligned with the four main principles applicable to green and social bonds in their latest version of June 2018 and expressed "reasonable assurance 4" (the highest level of assurance) on AFL's commitments.
On July 9, 2020, AFL carried out its first sustainable bond issue, in the amount of €500 million with a maturity of seven years. After the closing of the financial statements for the year 2021, AFL carried out on January 18, 2022 a new sustainable bond issue of the same size and also with a maturity of seven years. These two issues, 18 months apart, were a resounding success with the investor community, who appreciated the quality and transparency of the system put in place.

2.5.4 Internal deployment of social policies

- Mobility plan

As part of its internal policies and in a voluntary approach to contribute to the development of soft mobility[6], AFL set up a Company Travel Plan adapted to its situation which came into effect in June 2021. Through this mobility plan, AFL wants to encourage its employees to travel in a more sustainable way, whether on a daily basis for home, business or private travel. This plan includes 15 actions, the main ones being:

  - Creation of a system for the provision of eco-responsible vehicles,
  - Installation of charging stations for electric vehicles,
  - Development of a Charter on the right to disconnect,
  - Application of the Sustainable Mobility Plan,
  - Revision of the Remote Working Charter,
  - Very significant deployment of the Video-conference,
  - Integration of a sustainable approach in the policy for the reimbursement of business expenses.

- Financing of the ecological transition - First AFL study - INET

On the occasion of World Environment Day, June 5, 2021, AFL published its first study on the financing of the ecological transition in local authorities, carried out by nine student regional administrators from INET, with the support of the Institut de l'Économie pour le Climat (I4CE). Qualitative study based on testimonials and an analysis of existing systems, it aims to draw up an inventory of the obstacles and opportunities for the financing of the ecological transition in the regions.
In line with this study, AFL and the Association of Small Towns of France (APVF) conducted a study in 2021 on the financing of the ecological transition in small towns.

- Establishment of an incentive agreement

AFL signed a profit-sharing agreement for all its employees, approved by the Supervisory Board of the Company on March 29, 2021 and ratified by a two-thirds majority of employees, according to the minutes of the meeting of May 11, 2021.

The system is supported by the underlying employee savings plans, i.e. an inter-company savings plan (PEI) and an inter-company collective retirement savings plan (PERECOI), managed by the Societe Generale.
These funds are scheduled to be opened in 2022 to receive any profit-sharing bonuses paid in 2022 in respect of the 2021 financial year.

- Conclusion of a company agreement Time Savings Account (CET)

Since December 1, 2015, AFL has set up a Time Savings Account (CET) in accordance with the provisions of the Bank Collective Agreement.

[6] The Mobility Guidance Act of December 2019 made it mandatory for companies with more than 50 employees on the same site to set up a Company Travel Plan. Although AFL has fewer than 50 employees, it wanted to adopt such a plan as part of a voluntary approach to contributing to the development of soft mobility for its employees.

As part of the implementation of an employee savings scheme within the Company in June 2021, a company agreement on the Time Savings Account (CET) was signed on September 28, 2021, so as to develop the existing system and adapt it to the needs of AFL and employees. It provides for employees to use the CET to build up savings or to donate days of leave to another AFL employee.

2.6 The Company's financial market operations

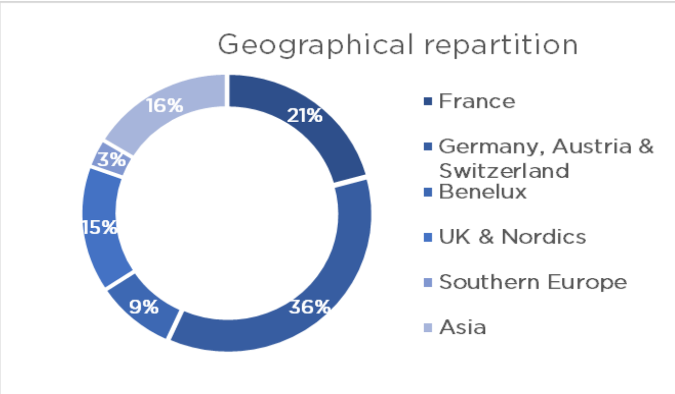
- The Company's borrowing program

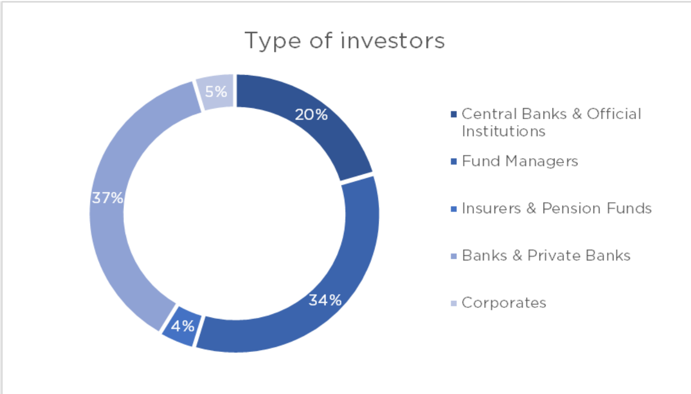
AFL's medium- and long-term borrowing program for 2021, approved by the Supervisory Board on December 14, 2020, was set at a maximum amount of €1.8 billion (compared to €1.2 billion for the 2020 financial year) of which €300 million related to the possible pre-financing of the borrowing program for 2021.

- Bond issues

AFL has a bond issue program, called the EMTN program, under which it carries out its bond issues. On January 14, 2021, AFL completed a new €500 million benchmark issue maturing on March 20, 2031 on excellent terms. The new benchmark issue, the seventh since AFL was founded, was an unprecedented success, with demand totaling more than €2.2 billion from nearly 90 investors. The securities were placed with a margin of 31 basis points above the French government bond curve (Obligations Assimilables du Trésor – OAT).

The geographical distribution of this issue by type of investor is shown in the charts below.





This issue was topped up twice in 2021 for a total of €500 million at an average margin of 23 basis points above the OAT curve, bringing the issue to a total of €1 billion. In addition, several private placements were executed: a private placement of US $100 million, with a maturity of two years, two private placements denominated in Australian dollars of 50 million at 10.5 years and 110 million at 15 years, a private placement denominated in euros of €20 million for 10.5 years, a private placement denominated in Swedish krona of 2 billion and with a maturity of nine years, and a matching contribution of €70 million of the issue AFL 2024. In total, as of December 31, 2021, AFL had raised €1,471 million. With a weighted average margin of 24.9 basis points above the OAT curve and a weighted average maturity of 9.3 years, the 2021 borrowing program contributes to maintaining a very good balance sheet backing and at competitive terms.

- Money market issues as part of the ECP (Euro Commercial Paper) program

In addition to AFL's medium- to long-term borrowing program, €500 million was authorized for the issuance of debt securities under the ECP program for the 2021 financial year (compared to €400 million for the previous financial year).

As part of its short-term securities issuance program, AFL issued several ECPs in euros and in foreign currencies during the period in order to optimize its cash management.

These issues were carried out under favorable conditions at a rate lower than the ECB deposit rate.

The average ECP outstandings over the period amounted to €206 million.

2.7 Governance

- ### AFL Supervisory Board

At its meeting of February 4, 2021, the AFL General Meeting of Shareholders ratified the co-option of Sacha Briand as a member of the Supervisory Board, and appointed Sophie L'Hélias as a member of the Supervisory Board. A Supervisory Board meeting held on the same day following the General Meeting of Shareholders appointed Sophie L'Hélias as a member of the AFL Appointments, Remuneration and Corporate Governance Committee (ARCGC).
The terms of office of the members of the Supervisory Board expiring at the end of the Annual General Meeting of Shareholders, and Daniel Lebègue and Jacques Pélissard (due to their age) and Melanie Lamant (for personal reasons) having expressed their wish not to apply for the renewal of their duties within the AFL Group, the AFL General Meeting of Shareholders of May 6, 2021 decided to:

- Renew, for the statutory term of four years, the terms of office of the members of the Supervisory Board whose terms were then expiring: Lars Andersson, Victoire Aubry, Sacha Briand, François Drouin, Nicolas Fourt, Olivier Landel, Rollon Mouchel-Blaisot, and Carol Sirou; and
- Appoint two new members of the Supervisory Board, for the statutory term of four years, namely Pia Imbs and Barbara Falk.

The AFL Supervisory Board, which met on May 6, 2021 at the end of the General Meeting of Shareholders, appointed:

- Regarding the Chair of the Board:
  - Sacha Briand as Chairperson of the Supervisory Board,
  - Pia Imbs as Vice-Chairperson of the Supervisory Board.

- For the Audit and Risk Committee:
  - François Drouin, as member and Chairperson of the Committee;
  - Victoire Aubry, as a member of the Committee;
  - Carol Sirou, as a member of the Committee;
  - Olivier Landel, as a member of the Committee.

- For the Appointments, Remuneration and Corporate Governance Committee:
  - Sophie L'Hélias, as a member and Chairperson of the Committee,
  - Rollon Mouchel-Blaisot, as a member of the Committee,
  - Olivier Landel, as a member of the Committee.
  - Carol Sirou, as a member of the Committee.

- For the Strategy Committee:
  - Lars Andersson, as member and Chairperson of the Committee,
  - Barbara Falk, as a member of the Committee,
  - Olivier Landel, as a member of the Committee.
  - Nicolas Fourt, as a member of the Committee.

At its meeting of December 13, 2021, the Supervisory Board noted the resignation of Barbara Falk, for personal reasons, from her duties as a member of the Supervisory Board and the Strategy Committee. With these changes, the composition of the AFL Supervisory Board as of December 31, 2021 is as follows:

		Specialized committees

	Independence[7]	Audit and Risk Committee	Appointments, Remuneration and Corporate Governance Committee (ARCGC)	Strategy Committee
Sacha Briand Chairperson of the Board				
Pia Imbs Vice-Chairperson of the Board				
Lars Andersson	▲			■
Victoire Aubry	▲	◊		
François Drouin	▲	■		
Nicolas Fourt	▲			◊
Olivier Landel		◊	◊	◊
Rollon Mouchel-Blaisot			◊	
Carol Sirou	▲	◊	◊	
Sophie L'Hélias	▲		■	

■ Chairperson of the Committee
◊ Committee members

2.8 Results of the past financial year – Key IFRS figures

NBI for the 2021 financial year amounted to €13,960 thousand compared to €13,759 thousand for the 2020 financial year. This change can be explained by the following items: on the one hand, the increase in the net interest margin, which is the result of a further increase in outstanding loans and, on the other hand, the decrease in non-recurring income from the disposals of loans and securities. NBI for 2021 corresponds to an interest margin of €12,715 thousand compared to €11,791 thousand for the previous financial year and to €1,867 thousand in net capital gains from the disposal of loans and investment securities compared to €2,192 thousand in the 2020 financial year, to which is added net income/expense from hedge accounting of -€631 thousand.

General operating expenses amounted to €11,137 thousand over the period, compared with €9,733 thousand the previous financial year. After depreciation and amortization allowances of €971 thousand compared to €1,514 thousand at December 31, 2020, the gross operating loss was €1,852 thousand compared to a loss of €2,512 thousand at December 31, 2020.

The cost of risk relating to ex-ante impairments for expected losses on financial assets under IFRS 9 increased by €95 thousand compared to €352 thousand for 2020. This change is mainly due to the change in the weighting of the macroeconomic scenarios underlying the calculation model, which takes into account the strong recovery in economic activity after the 2020 recession following the health crisis linked to the Covid-19 epidemic. The increase in outstanding loans has only a very limited impact on the amount of impairments because they are low risk. For other financial assets, i.e. securities and deposits made by AFL, the amount of impairments increased slightly because the increase in liquidity is mainly due to deposits in Banque de France which by nature are low provision due to a very short maturity. In total, the stock of ex ante provisions increased by 12% to €872 thousand compared to €777 thousand at December 31, 2020.

The 2021 financial year ended with a positive net income of €1,730 thousand compared to €2,295 thousand for the year 2020, thus confirming for the second consecutive year the sustainability of the economic model on which AFL was built and its entry into a new phase of development.

[7] The independence of the members of the Supervisory Board is established with regard to the criteria of the AFEP-MEDEF Code, as detailed in the report on corporate governance appended to the annual report.

3. Significant events since the end of the financial year

3.1 Market operations

On January 13, 2021, AFL carried out a new benchmark issue of sustainable bonds under the EMTN program for an amount of €500 million and a maturity of seven years under exceptional conditions. This eighth benchmark issue since the creation of AFL has once again been very successful with an order book of nearly €2.3 billion, i.e. an oversubscription of 4.5 times the amount offered, bringing together 75 different investors. The securities of the transaction were placed with a tight margin of 25 basis points against the French government bond curve (OAT).

Secondly, for the first time since its creation, AFL issued an issue denominated in pounds sterling in the amount of £250 million, thus opening a second market after that of the euro. This three-year issue was carried out at a margin of 47 basis points below the UK government bond curve, i.e. after currency hedging, the equivalent of 26 basis points above the OAT curve.

3.2 Financing sustainable investments in local authorities at the heart of AFL's activities

The second sustainable bond issue (sustainable bonds), carried out by AFL in January 2022, for an amount of €500 million, follows a first issue of €500 million in July 2020. This represents a total of €1 billion in resources that have been allocated to sustainable investment spending by AFL member local authorities.

With this second issue of €500 million, AFL provides all of its member local authorities, regardless of their size, with access to sustainable financing.

3.3 Membership

On December 14, 2021, the Nouvelle-Aquitaine Region voted to join the AFL Group, of which it will become the fifth member Region following its participation in the 32nd capital increase to be submitted to the Board of Directors for approval on March 28, 2022. This new membership confirms AFL's growth momentum and the relevance of its model, offering local authorities a diversification of their sources of financing in a period of revival of local public investments.

3.4 Governance

At its meeting of March 28, 2022, the Supervisory Board co-opted Delphine Cervelle as a member of the Supervisory Board and the Strategy Committee, replacing Barbara Falk.

4. Expected situations and future prospects

AFL continued its growth after seven years of activity, with the effect of a rapid increase in the size of its balance sheet, driven by the increase year after year in the loan production granted to its members and due to a supported new members of local authorities in the AFL-ST. This development automatically leads to increased use of AFL refinancing on the capital markets. Given the results obtained during the year 2021, AFL was able to exceed the objectives that had been set in the 2017-2021 strategic plan.

Since 2020, following the law of December 27, 2019 on commitment to local life and proximity to public action, which extended the scope of entities authorized to join the AFL Group, a significant number of trade unions decided to join the AFL Group. With the gradual implementation of conditions to accommodate the various types of local public institutions, other local authorities are expected to join the AFL Group.

Due to the strong resilience of the financial position of local authorities, the effects of the health crisis linked to the Covid-19 pandemic on AFL's activities and development were very limited. 2021 will also be a year of acceleration in AFL's growth. Indeed, during the past financial year, many local authorities were encouraged to accelerate their membership of the AFL Group, considering that the AFL model offered great resilience in a context of increasing uncertainties, and at the time where the State support measures for local authorities have encouraged an increase in local public investment and therefore a need for additional borrowings[8]. This situation should continue in 2022 after the successes recorded by AFL in previous years in its ability to best serve the interests of its members.

The entry of Russian troops into Ukraine on the night of February 23 to 24, 2022, plunged Europe into a situation it had not experienced since the Second World War. After the Covid-19 health crisis, this war situation at the gates of the European Union will have multiple and profound consequences at the political, social, economic and financial levels. Political, as many countries on the continent that are not members of the EU or the North Atlantic Treaty Organization may wish to accelerate their request to join these organizations. Social, because a considerable exodus of the Ukrainian population, which could reach 7 million people according to the United Nations, is underway towards the neighboring countries of Ukraine, such as Poland, Romania, Hungary and Slovakia. Economic and financial, because the interruption of trade in commodities, particularly agricultural commodities with Ukraine, due to the war, and with Russia due to economic sanctions, will inevitably lead to a significant increase in prices and a slowdown in the economic growth of the countries of the European Union, and even of the global economy.

For central banks that had undertaken to normalize their monetary policy with the aim of combating price increases, the equation is complicated by the need to stabilize the functioning of the financial markets by extending securities purchase programs and injections of liquidity into the banking system, thereby delaying the rapid deployment of measures to combat inflation. However, it is still too early to have a complete vision of the impacts of this crisis on activities in France, on the situation of local authorities and on AFL.

[8] See page 32 of this report, paragraph on political or macroeconomic risks or risks related to the specific financial circumstances of the State where AFL carries out its activities.

II. Balance sheet assets as of December 31, 2021 (IFRS)

As of December 31, 2021, AFL's assets consisted in steadily growing loans to member local authorities, but also assets, mainly in the form of securities, held in the Company's liquidity reserve and in the Banque de France deposits.

Excerpts of main assets (IFRS)

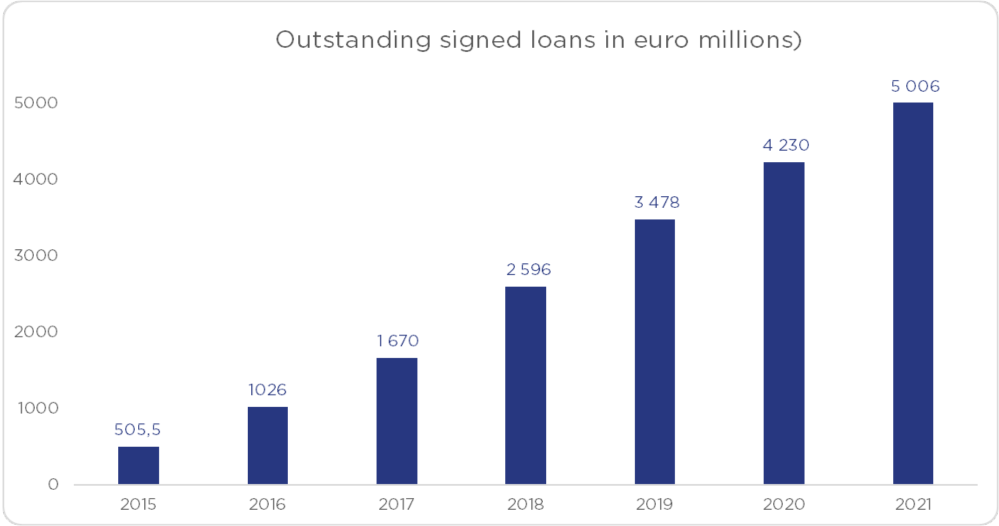
In thousands of euros	Dec. 31-21	Dec. 31-20	Dec. 31-19	Dec. 31-18	Dec. 31-17	Dec. 31-16
Loans and customer transactions	4,431,048	3,831,563	3,160,500	2,229,911	1,430,829	892,227
Securities at fair value through other comprehensive income	721,146	614,697	535,900	502,487	358,964	354,081
Securities at amortized cost	205,979	166,864	135,387	175,152	-	-
Loans and receivables from credit institutions	217,554	196,955	110,632	57,101	211,233	23,412
Margin calls	50,195	49,954	79,190	52,841	68,376	20,682
Cash and central banks	1,175,917	601,746	165,604	121,650	420,351	57,929
Hedging derivative instruments	172,891	211,916	130,957	44,661	15,629	16,777

1. Loans granted to local authorities

The loan portfolio, recognized at amortized cost, of the assets on AFL's balance sheet represents an outstanding amount of €4,431 million at December 31, 2021 compared to €3,831.6 million at December 31, 2020 after taking into account the impact from changes in interest rates, due to hedge accounting. This portfolio must be supplemented by loans signed but not disbursed and which appear off-balance sheet, in order to have a full view of AFL's outstanding loans. At December 31, 2021, the amount of financing commitments recorded off-balance sheet amounted to €574.7 million compared to €398.8 million at December 31, 2020. Accordingly, at December 31, 2021, the total loan commitments to local authorities carried by AFL amounted to €5,005.7 million compared to €4,230.3 million at December 31, 2020. This increase in outstanding loans demonstrates the competitiveness of AFL for its members in its ability to offer them liquidity under the best conditions and within the framework of the prudent financial policies that AFL imposes on itself.

The monthly change in the average loan portfolio outstanding is presented in the graph below.

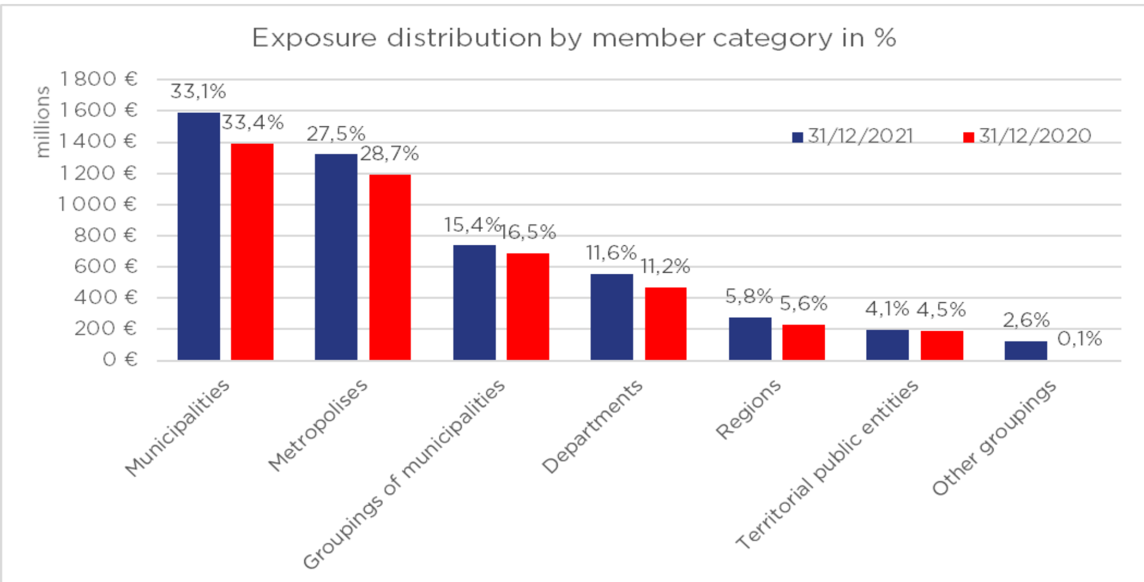
Outstanding loans at December 31, 2021



AFL lends exclusively to French local authorities that are shareholders of AFL-ST. At December 31 2021, 79% of the loan portfolio was made up of exposures for the entire municipal block, i.e. a level equivalent to that on December 31, 2020, of which 43% on own-tax groups and 28% on only major cities. Exposure to the departments amounted to 11.6%, i.e. a stable level compared to that reached at the end of the previous financial year and 5.8% to the regions. Trade unions, eligible for AFL-ST membership since the end of May 2020, grew rapidly to 2.6% at December 31, 2021, i.e. an exposure amounting to €122.8 million compared to €2.4 million at December 31, 2020.

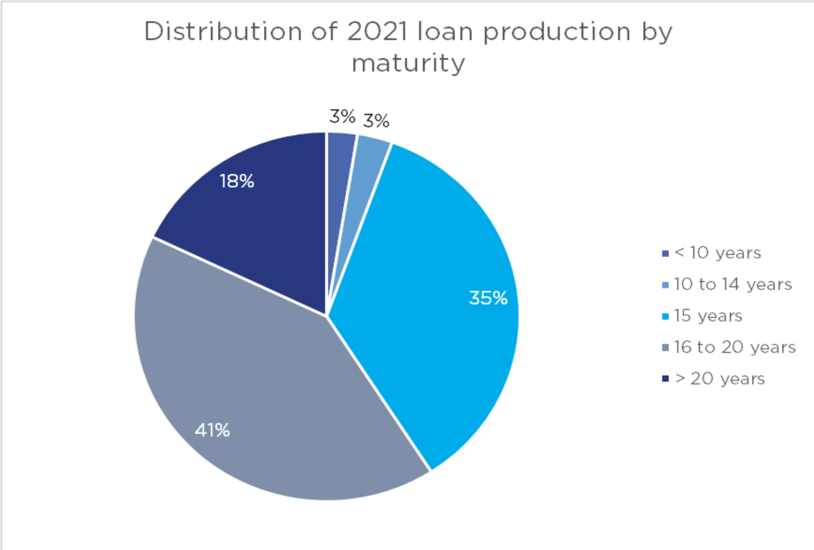
The chart below shows change in exposure by category of local authorities between 2020 and 2021 in millions of euros and percentage.

Exposures by member's type



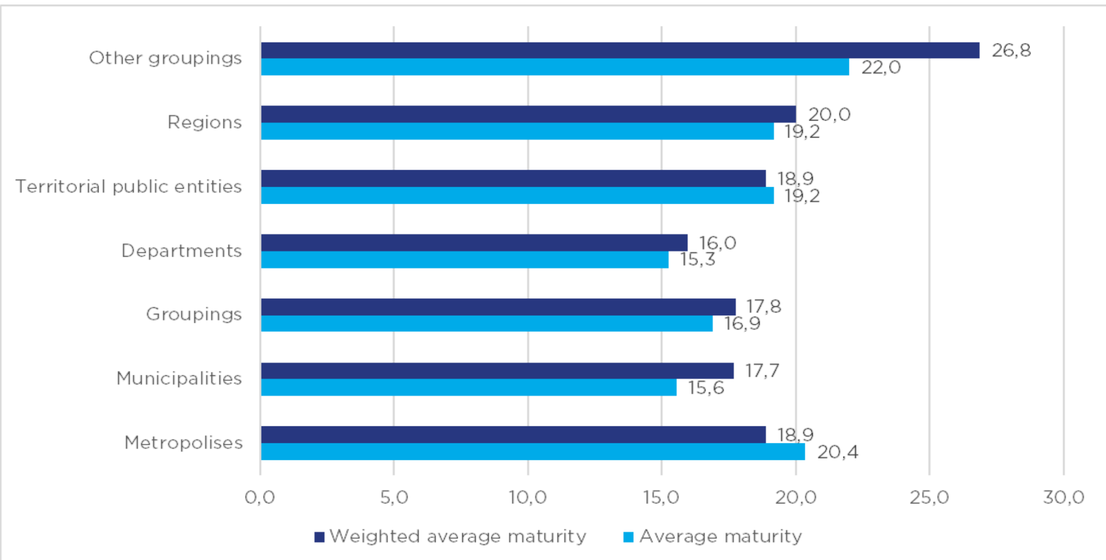
As shown in the chart below, 80% of the loans produced by AFL in 2021 have a maturity of between 10 and 20 years, of which 35% at 15 years. 3% of the production was on loans at less than 10 years and 18% on loans at more than 20 years. This breakdown shows an increase in the average maturity of loans produced in 2021 compared to 2020. In fact, in 2020, 13% of production had been in excess of 20 years.

Breakdown of the production of loans to local authorities by maturity in 2021



The graph below shows, as of December 31, 2021, by category of local authority, the average maturities and volume-weighted average maturities of the AFL loan production carried out in 2021. There is considerable consistency from one category to another, with the exception of trade unions whose average loan maturity, weighted or not by volume, is longer than for the other categories.

Average maturity of loan production in 2021 by local authority segment, at December 31, 2021 (in years)



2. Liquidity reserve

Other assets in the balance sheet mainly include the liquidity reserve that corresponds to the portion of the resources not yet distributed in the form of credits and kept for the purpose of liquidity of the credit institution, in accordance with the regulatory obligations, AFL's liquidity policy guidelines and good management practices.

AFL's liquidity reserve primarily covers the institution's cash requirements, with the main aim of providing liquidity for credit activities, debt service and margin calls that AFL may have to face, due to the significant use of interest rate and foreign exchange risk hedging instruments in accordance with its financial policies and management objectives. This liquidity has to be available regardless of market circumstances, with the understanding that the only resources that can be mobilized by AFL are funds raised on the capital markets.

As of December 31, 2021, the assets comprising the liquidity reserve amounted to €2,321 million compared to €1,580 million at December 31, 2020. This liquidity reserve is divided into two main segments:

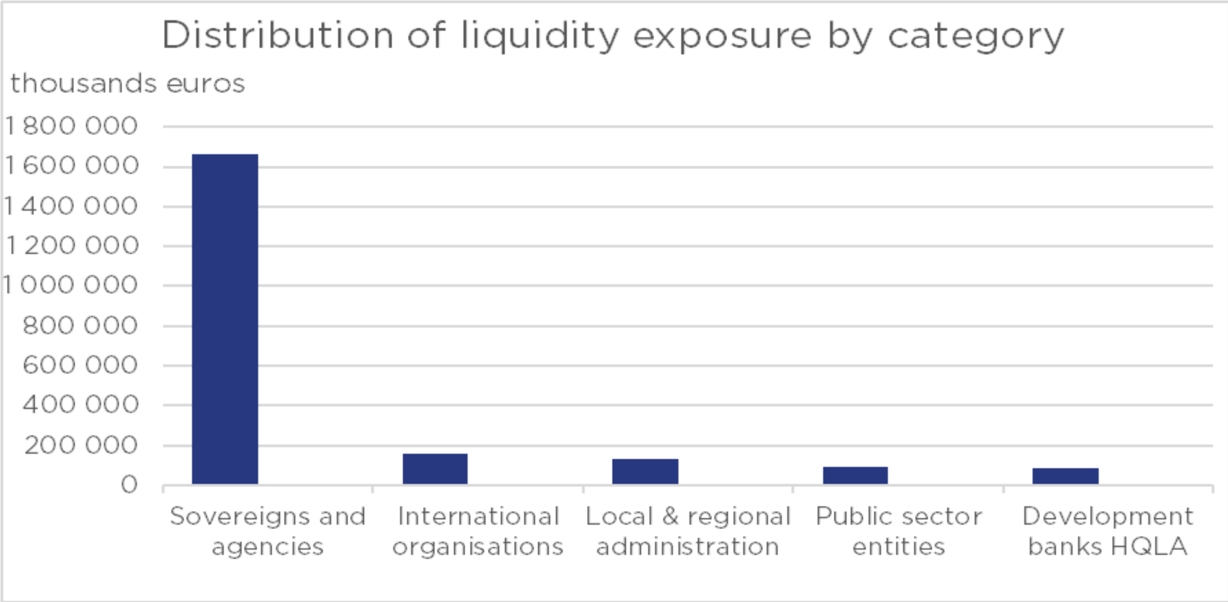
- One segment invested in very short-term instruments, and comprising debt securities, deposits on nostri accounts, term accounts, and deposits with the Banque de France for a total of €1,393.5 million[9]; and
- One segment consisting mainly but not exclusively of HQLA-accredited securities, due to their high rating and high degree of liquidity for a total of €927.1 million[10].

Due to the investments carried out as part of the liquidity reserve, AFL supports a credit risk on the issuers of assets that it acquires or exposures that it takes. However, this credit risk is limited in view of the quality of the counterparties, which all enjoy excellent rating levels from the major rating agencies. As of December 31, 2021, 84% of the liquidity reserve consisted of so-called "HQLA" assets, with a predominance of sovereign issuers and public agencies. The remaining 16% mainly represents nostri accounts, term deposits with banks as well as some securities exposures to the banking sector. The securities acquired as part of the liquidity reserve include securities issued or guaranteed by the French State, or States of the European Economic Area or third countries with very high credit ratings, or supranational institutions with high ratings, as well as securities issued by financial institutions, some of which are guaranteed by European States.

The graphs below show the breakdown of the exposures for the liquidity reserve by type of counterparty, country, rating and risk class.

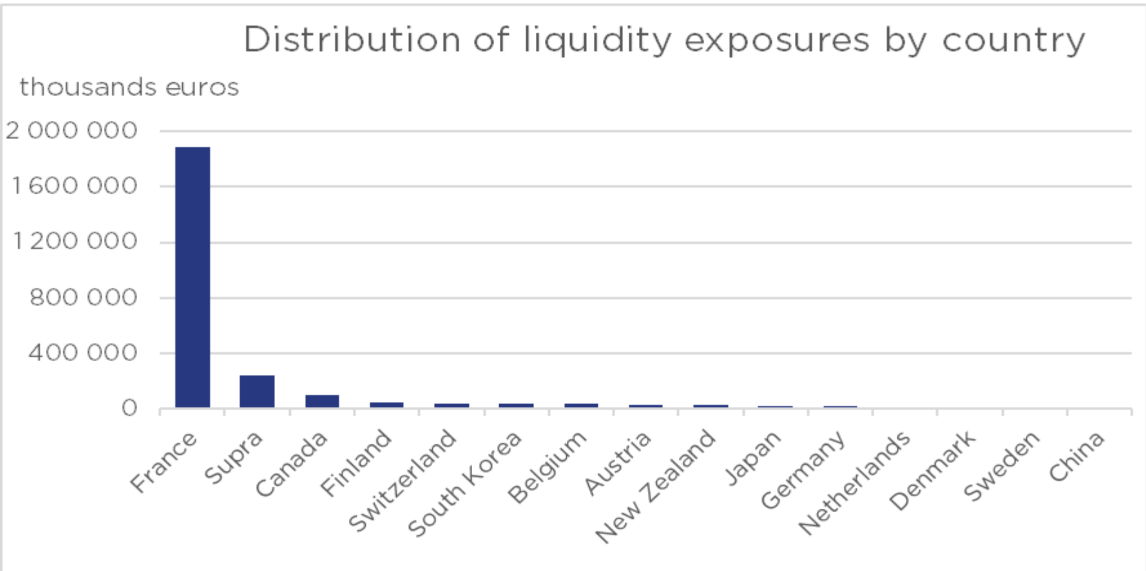
Breakdown of liquidity reserve exposures by type of counterparty[11]

[9] €1,176 million for central bank deposits, €267.8 million for bank deposits from which must be deducted €50.2 million of margin calls paid.
[10] €721 million of securities at fair value through equity and €206 million of securities at amortized cost.
[11] Public development credit institutions: (refer to the European Commission Delegated Act on the LCR liquidity coverage ratio of October 10, 2014 and CRR2 published on June 7, 2019), represent a category of financial institutions eligible for the HQLA classification in view of their specific features.



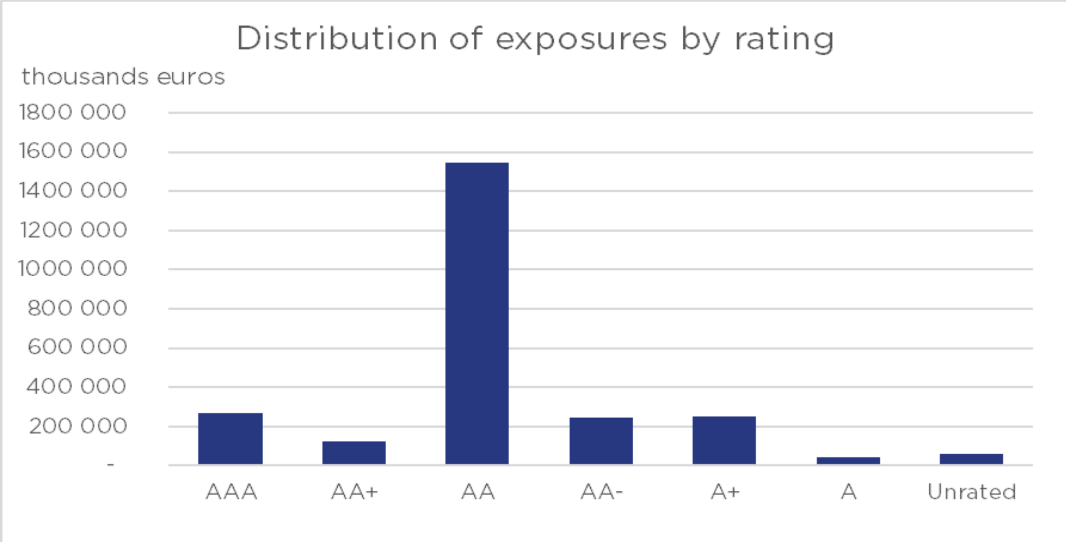
As shown in the chart below, the assets making up the liquidity reserve mainly concern French but also European and international issuers, so as to provide a diversification allowing a good resilience of the portfolio as observed in 2020, when Market conditions had been severely disrupted by the effects of the health crisis linked to the Covid-19 epidemic. The high proportion for France is explained by deposits with the Banque de France, which represents €1,176 million, out of a total amount for the liquidity reserve of €2,321 million as indicated above.

Breakdown of liquidity reserve exposures by country



The exposure carried by AFL in its liquidity reserve has very high ratings. Unrated assets correspond to low-risk exposures to the public sector and term deposits with the banking sector.

Breakdown of liquidity reserve exposures by rating



3. Margin calls paid

Excluding loans to local authorities and assets in the liquidity reserve, most of the balance of financial assets on AFL's balance sheet consists of margin calls on interest-rate hedging activities, which are paid (net of margin calls received) to the LCH Clearnet clearing house, bearing in mind that AFL clears virtually all of its production of interest rate derivatives. These margin calls, which also include guarantee deposits (IMR[12]), in securities or in cash, with the clearing house amounted to €107.5 million at December 31, 2021, compared with €108.7 million at December 31, 2020, of which €50.2 million in cash and the remainder in securities. This amount remained stable year-on-year, while the hedging swap outstanding continued to grow rapidly in line with AFL's balance sheet growth. The explanation lies mainly in the natural offsetting resulting from all the hedges of paying and receiving interest rates that it carries on the balance sheet. However, due to imperfect netting, the AFL is structurally in a fixed-rate payer position, which automatically reduces the amount of margin calls paid in the event of a rate increase.

4. Subsidiaries and shareholdings

4.1. Activities of Company subsidiaries and companies under its control

AFL has no subsidiaries or shareholdings in other companies.

4.2. Equity investments and takeovers

AFL had no shareholdings in companies with registered offices in France or abroad during the financial year ended December 31, 2021.

AFL did not control any company as of December 31, 2021, as defined by Article L. 233-3 of the French Commercial Code. Therefore, no treasury shares are held by a controlled company.

4.3. Cross-shareholdings

AFL did not have to dispose of any shares in order to terminate the cross-shareholdings prohibited by Articles L. 233-29 and L. 233-30 of the French Commercial Code.

5. Returns on assets

As AFL's net income at December 31, 2021 was positive under both French and IFRS standards, the return on assets was consequently positive. The growth in AFL's banking activities has led to a significant increase in outstanding loans to local authorities, for which interest received net of interest paid covers all of the Company's current operating expenses and depreciation and amortization. In

[12] Initial margin requirement.

addition to these revenues, there are non-recurring revenues, which correspond to capital gains on the sale of loans and securities, and which contribute to increasing the profitability of AFL's activities.

III. Balance sheet liabilities and debt management (IFRS)

AFL's liabilities consist mainly of debts incurred in connection with bond issues that have been made since the beginning of AFL's activities and have not yet matured. At the end of 2021, outstanding debt recorded at amortized cost amounted to €6,572 million, compared with €5,296 million at December 31, 2020, after taking into account the consequences of the changes in interest rates since the day of issue, under the rules of hedge accounting.

After the four AFL equity capital increases carried out during 2021, subscribed capital stood at €196.8 million, compared with €168.4 million at December 31, 2020, and equity capital under IFRS amounted to €180.3 million, compared with €149.7 million at December 31, 2020.

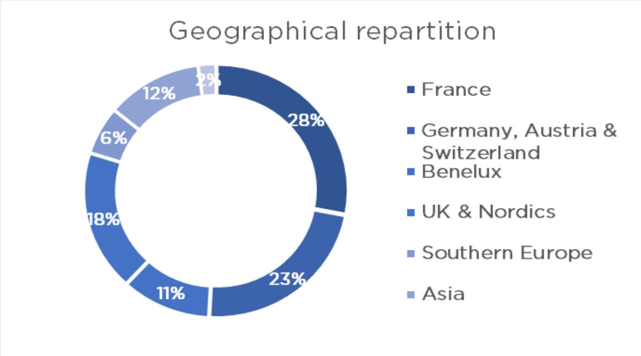
Excerpts of the main liabilities (IFRS)

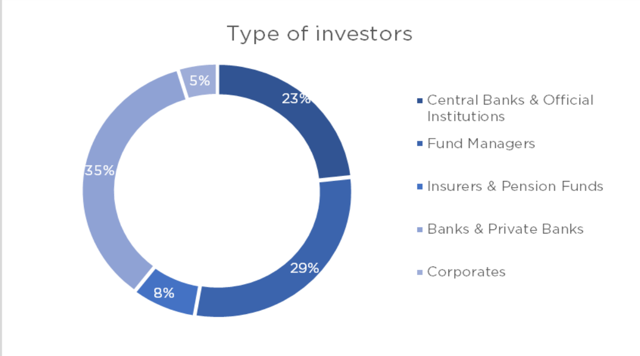
In thousands of euros	Dec. 31-21	Dec. 31-20	Dec. 31-19	Dec. 31-18	Dec. 31-17	Dec. 31-16
Debt securities issued	**6,571,730**	**5,295,982**	**4,036,974**	**2,996,909**	**2,335,802**	**1,259,073**
Equity	**180,352**	**149,728**	**123,854**	**117,309**	**114,856**	**93,529**

1. Financial debt of AFL

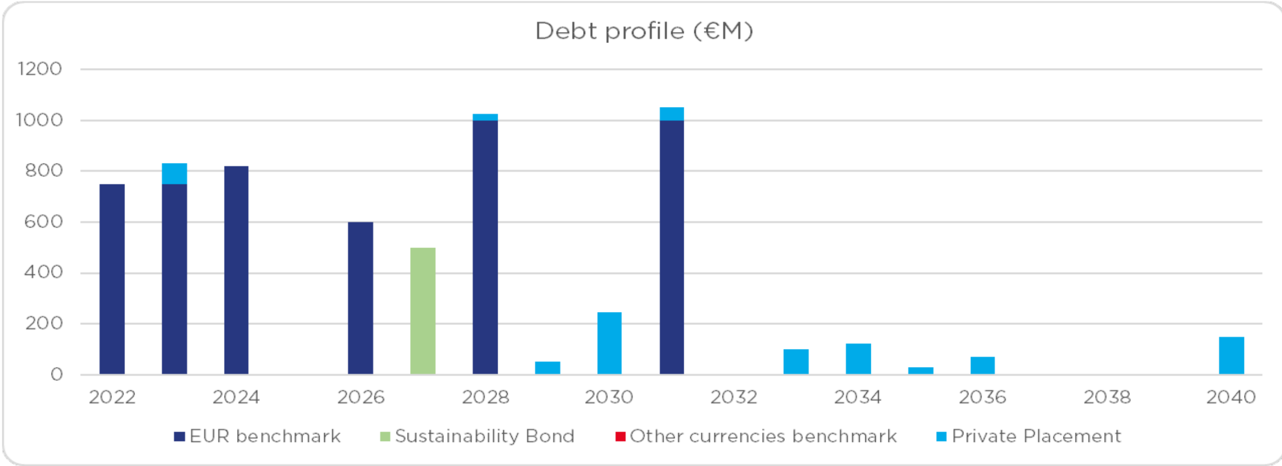
The debt portfolio in AFL's statement of financial position liabilities represented an outstanding amount of €6,572 million at December 31, 2021 compared to €5,296 million at December 31, 2020. As of December 31, 2021, this portfolio consists of bonds issued by AFL to finance the growth of its loan activities and its liquidity reserve as part of its financial policies. This portfolio consists of seven major benchmark loans denominated in euros, AFL having made one new issue of this type each year since its creation, and various private placements denominated in euros and in currencies, including the US dollar, the Australian dollar and the Swedish krona. This mix reflects AFL's issuance strategy, which consists in favoring benchmark-sized public issues denominated in euros in order to establish its signature on the markets and thus be able to have access to the resources needed for its development on a sustainable basis, while making private placements denominated in euros or foreign currencies, when demand permits. Private placements are resources that offer a very valuable supplement to syndicated issues by further diversifying the placement of AFL debt, and generally on optimized cost and maturity terms. The breakdown of the portfolio of public issues denominated in euros is shown in the charts below.

Breakdown of AFL's euro issues by region and type of investor





At December 31, 2021, the average life to maturity of AFL's debt was 5.30 years, compared with 5.72 years at December 31, 2020. The debt maturity profile is shown in the graph below:



2. Breakdown of accounts payable

The figures presented below refer to the breakdown at the end of the financial year ended December 31, 2021 of the balance of debts to AFL suppliers, in accordance with Article D. 441-4 of the French Commercial Code. Accounts payable are characterized by a settlement period of less than 30 days.

It should be noted that given the nature of AFL's activities, the figures presented in the table only represent accounts payable, as AFL's accounts receivable result exclusively from the loan contracts described in paragraph II.1 above.

Breakdown of AFL's accounts payable (amounts including tax)

Total amount of accounts payable (including tax in euros)						
Dec. 31-21	Dec. 31-20	Dec. 31-19	Dec. 31-18	Dec. 31-17	Dec. 31-16	Dec. 31-15
€1,043,284	**€1,464,312**	€1,101,026	€490,869	€449,140	**€747,054**	**€707,874**

The table below shows the number and amounts excluding tax of supplier invoices received and not yet paid at the closing date of the financial year. Information on late payments is provided by late payment tranches as a percentage of the total amount of purchases and revenue during the financial year. The benchmark terms of payment used to prepare this table are the contractual terms of payment.

Invoices received but not paid at December 31, 2021 for which the term has expired (excluding tax in euros)						
	Article D. 441-6 I, 1°: Invoices received and not paid at the end of the financial year and whose term is past due					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total of invoices (1 day and over)
(A) Late payment tranches						
Number of invoices concerned	62	-	-	-	-	-
Total amount of invoices concerned (excl. tax)	€216,121,42	-	-	-	-	-
Percentage of the total amount of purchases in the financial year (excl. tax)	2.97%	-	-	-	-	-
Percentage of sales in the financial year (excl. tax)	1.52%	-	-	-	-	-
(B) Invoices excluded from (A) as relating to disputed or unrecognized payables						
Number of invoices excluded	-	-	-	-	-	-
Total amount of invoices excluded	-	-	-	-	-	-
(C) Reference payment terms used (contractual or legal terms – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Terms of payment used to calculate late payments	Contractual					

The table below shows the number and amounts excluding tax of invoices relating to disputed or unrecognized payables and receivables.

Invoices that have had a late payment during the financial year						
	Article D. 441-6 II : Invoices received having experienced a payment delay during the financial year					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day or more)
(A) Late payment tranches						
Number of invoices concerned	881	69	22	11	18	120
Total amount of invoices concerned (excl. tax)	€6,573,094	€468,719	€111,941	€76,232	€50,994	€707,885
Percentage of the total amount of purchases in the financial year (excl. tax)	90.28%	6.44%	1.54%	1.05%	0.70%	9.72%
Percentage of sales in the financial year (excl. tax)	46.37%	3.31%	0.79%	0.54%	0.36%	4.99%
(B) Invoices excluded from (A) as relating to disputed or unrecognized payables						
Number of invoices excluded						
Total amount of invoices excluded						
(C) Reference payment terms used (contractual or legal terms – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Terms of payment used to calculate late payments	Contractual					

3. Margin calls received

Excluding debt instruments, financial liabilities on AFL's balance sheet consist of margin calls on interest rate and currency hedging activities received from banks counterparty to hedging transactions (from which margin calls paid to those counterparties should be subtracted). Margin calls received amounted to €5.4 million at December 31, 2021 compared to €8.2 million at December 31, 2020.

IV. Profit (loss) for the period ended December 31, 2021

The reporting rules and accounting valuation methods comply with the regulations in force.

The annual financial statements were prepared in accordance with French GAAP, unchanged from the previous financial year, and in accordance with the provisions of the general accounting plan for credit institutions. AFL also prepared IFRS financial statements, on a voluntary basis, for the financial year ended December 31, 2021, which are discussed in this report.

Additional explanations are provided in the notes to the annual financial statements.

The 2021 financial year is AFL's seventh financial year, which closes seven years of operational activities, mainly focused on the loan production to local authorities.

1. French GAAP financial statements

Key events of the past financial year

The year 2021 marks a further significant increase in the results in credit activity, which is part of the Company's development trajectory in accordance with its 2017-2021 strategic plan. Earnings growth excluding non-recurring items is reflected in revenue generation momentum coming from credit production since 2015, when AFL's lending activity began, and is proven especially by the regular and constant increase in the value of the portfolio of loans granted to member local authorities.

At the end of the 2021 financial year, NBI generated by the activity amounted to €14,174 thousand compared to €14,157 thousand at December 31, 2020.

NBI for 2021 mainly corresponds to a net interest margin of €12,659 thousand, an increase of 8.3% compared to €11,693 thousand achieved during the previous financial year, in capital gains on the disposal of investment securities from the management of the liquidity reserve, in the amount of €806 thousand, to capital gains on loan disposals of €1,234 thousand net of the cost of unwinding interest rate hedges and from impairments of investment securities of €360 thousand. Indeed, in accordance with the principle of prudence that governs French accounting standards, impairments on short-term investment securities were recorded in 2021. However, these provisions are not indicators of proven counterparty risk; these provisions represent only 0.05% of the outstandings concerned.

The interest margin of €12,659 thousand achieved in 2021 saw a significant change in its composition due to the continuous decline in interest rates into negative territory. Indeed, the fall in the 3-month Euribor rate against which most of AFL's exposure is swapped mechanically leads to a contraction in income from the loan portfolio, which fell to €3,856 thousand from €7,144 thousand at December 31, 2020. However, this contraction is only apparent, as outstanding loans continue to increase with a steady credit margin compared with the average cost of debt. In fact, the contraction in income from the loan portfolio is to be compared with the sharp increase in income from debts on the statement of financial position, which are swapped against 3-month Euribor and amounted to €18,638 thousand at December 31, 2021 compared to €9,494 thousand at December 31, 2020, after taking interest on hedges into account . Lower interest rates have accordingly resulted in a reversal of flows, transforming expenses into income and income into expenses. Income related to the management of the liquidity reserve now constitutes interest expense in the amount of -€9,834 thousand, compared with -€4,946 thousand as of December 31, 2020. This deterioration is due both to the increase in the amount of the liquidity reserve and, above all, to the continued fall in the 3-month Euribor rate into negative territory.

Also, during the period, the liquidity reserve portfolio management generated €2,024 thousand in income on the disposal of short-term investment securities, €8 thousand in income on the disposal of investment securities and €1,227 thousand in losses on the cancellation of interest rate hedging instruments on the disposal of securities, i.e. an amount net of capital gains on disposals of €806 thousand.

The heading “Other banking income”, which represents an amount of €2,146 thousand, corresponds to capital gains on loan disposals. The cost of canceling the hedging swaps on these loans for an amount of €912 thousand must be deducted from these capital gains. In total, these disposals generated net income of €1,234 thousand.

For the financial year ended December 31, 2021, general operating expenses came to €11,292 thousand as compared to €10,090 thousand at December 31, 2020. They include €5,931 thousand in employee benefits expenses, compared with €5,018 thousand in 2020. General operating expenses also include administrative expenses which amounted to €5,360 thousand compared with €5,072 thousand at December 31, 2020, after re-invoicing between AFL and AFT-ST and deferred charges. The increase in operating expenses is due to the following items:

- An increase in the payroll that results from several factors: an increase in gross fixed compensation of 3.9% on average for all staff after a three-year blockage, two recruitments, some targeted salary increases with a view to catch-up or alignment, an increase in variable compensation due to the good results recorded by the company, the implementation of a profit-sharing scheme, the impact of the company agreement on the Time Savings Account (CET) and lastly, the revaluation of post-employment benefits;
- An increase in IT fees due to the deployment of the IT system dedicated to market activities;
- An increase in custody, account management and valuation fees by bank service providers;
- An increase in communication expenses after a particularly frugal year in 2020 due to the distancing and confinement measures

At the end of the financial year, depreciation and amortization amounted to €818 thousand compared to €1,160 thousand at December 31, 2020, a decrease of €342 thousand. This change in depreciation and amortization mainly reflects two opposite movements; on the one hand, a decrease in depreciation of €612 thousand corresponding to the end of the amortization of the AFL portal, the construction of core banking and project management assistance carried out in 2015 and, on the other hand, an increase of €215 thousand corresponding to the investments made in the implementation of an information system dedicated to capital markets activities. In 2021, AFL completed the deployment of a system dedicated to market transactions and asset-liability management, which covers the entire market transaction processing chain.

After depreciation and amortization, gross operating income as of December 31, 2021 stands at €2,065 thousand, compared to €2,906 thousand at December 31, 2020. After taking into account gains and losses on non-current assets and corporate income tax, net income at December 31, 2021 amounted to €2,073 thousand compared to €2,887 thousand for the previous financial year.

Excluding exceptional items, revenues generated by AFL’s recurring activities increased and covered all operating expenses and depreciation for the second consecutive year. Thus, at December 31, 2021, the cost / income ratio, calculated on the basis of AFL recurring income, reached 95.7% and the cost / income ratio, taking into account all operating income, amounted to 85.4%.

In accordance with the reporting practices of financial institutions, profit (loss) for the period are presented in the paragraph below in accordance with IFRS. The difference between the French standards and IFRS mainly concerns deferred tax assets not recognized under French GAAP, hedge accounting and restatements related to IFRS 16 on leases.

Transition from French GAAP to IFRS

Transition from French GAAP to IFRS (In thousands of euros)	Dec. 31-20
Net profit – French GAAP	2,073
IFRS restatements	
Cancellation of provisions for unrealized losses on investment securities	360
Ineffective micro-debt hedging	-635
Ineffective coverage of hedged loans	459
Ineffective macro-hedging of loans	-496
Ineffective micro-hedging of securities at amortized cost	47
Difference in valuation due to the ESTER transition	-6
Transition to effective interest rate on term deposits	60
IFRS 9 restatements (JV securities through OCI, loans and bank accounts)	-95
IFRS 16 restatements	-3
Deferred tax adjustments	-28
Net profit under IFRS	1,730

2. IFRS financial statements

Key events of the past financial year

2021 marked a further significant increase in net banking income related to the lending activity, which is in line with the development path set out in the company's 2017-2021 strategic plan. Earnings growth excluding non-recurring items is reflected in revenue generation momentum coming from credit production since 2015, when AFL's lending activity began, and is proven especially by the regular and constant increase in the value of the portfolio of loans granted to member local authorities.

At the end of the 2021 financial year, NBI generated by the activity amounted to €13,960 thousand compared to €13,759 thousand at December 31, 2020.

NBI for 2021 mainly corresponds to a net interest margin of €12,715 thousand, up 7.8% compared to €11,791 thousand the previous year, and capital gains on the disposal of investment securities, the management of the liquidity reserve, in the amount of €806 thousand, to capital gains on loan disposals of €1,234 thousand net of the cost of unwinding interest rate hedges and to a hedge accounting result of -€631 thousand.

The interest margin of €12,715 thousand achieved in 2021 saw a significant change in its composition due to the continuous decline in interest rates into negative territory. Indeed, the fall in the 3-month Euribor rate against which most of AFL's exposure is swapped mechanically leads to a contraction in income from the loan portfolio, which fell to €3,856 thousand from €7,144 thousand at December 31, 2020. However, this contraction is only apparent, as outstanding loans continue to increase with a steady credit margin compared with the average cost of debt. In fact, the contraction in income from the loan portfolio is to be compared with the sharp increase in income from debts on the statement of financial position, which are swapped against 3-month Euribor and amounted to €18,632 thousand at December 31, 2021 compared to €9,494 thousand at December 31, 2020, after taking into account interest on hedges. Lower interest rates have accordingly resulted in a reversal of flows, transforming expenses into income and income into expenses. Income related to the management of the liquidity reserve now constitutes interest expense in the amount of -€9,773 thousand, compared with -€4,843 thousand as of December 31, 2020. This deterioration is due both to the increase in the amount of the liquidity reserve and, above all, to the continued fall in the 3-month Euribor rate into negative territory.

Also, during the period, the liquidity reserve portfolio management generated €2,024 thousand in income on the disposal of securities at fair value through OCI, €8 thousand in income on the sale of securities at amortized cost and a €1,227K loss on the cancellation of interest rate hedging instruments on the disposal of securities, i.e. net capital gains on disposals of €806 thousand.

The item "Net gains or losses resulting from the derecognition of financial assets at amortized cost", which represents an amount of €1,834 thousand, corresponds to €1,825 thousand in capital gains on the disposal of loans. The cost of terminating the hedging swaps on these loans for an amount of €597 thousand must be deducted from these capital gains. In total, these disposals generated net income of €1,229 thousand.

Net income from hedge accounting came to -€631 thousand. It comes from two items. It represents the sum of the fair value differences of the hedged items and their hedging. Among these difference, -€496 thousand relate to valuation differential charges on instruments classified as macro-hedges, €506 thousand from the valuation of instruments classified as micro-hedges and -€627 thousand to expenses from debts classified as micro-hedges.

There are still latent valuation differences between the hedged items and the hedging instruments, one of the components of which stems from a market practice that led to the recognition of a valuation asymmetry between the daily collateralized hedging instruments, which are discounted on the basis of an €STER curve[13], with reference to the new monetary index, and the hedged items, which are discounted on the basis of a Euribor curve. According to IFRS, this causes a hedge ineffectiveness to be recognized in the income statement. However, it should be noted that this corresponds to latent income.

For the financial year ended December 31, 2021, general operating expenses came to €11,137 thousand as compared to €9,733 thousand as of December 31, 2020. They include €5,906 thousand in employee benefits expenses, compared with €5,018 thousand in 2020. General operating expenses also include administrative expenses, which amounted to €5,231 thousand compared to €4,715 thousand after re-invoicing between AFL and Société Territoriale, AFL-ST. The increase in operating expenses is due to the following:

[13] The reform of monetary indices resulted in the replacement of the EONIA index by the €STER index. The latter is determined and published daily by the European Central Bank. Since October 2, 2019, the daily rate of the EONIA is equal to that of the €STER, increased by 8.5 basis points. The European Money Markets Institute (EMMI), the administrator of EONIA and EURIBOR, announced that the EONIA will cease to be published as of January 3, 2022.

- An increase in the payroll that results from several factors: an increase in wages for all employees after a three-year lockdown, two recruitments, some targeted wage increases with a view to catching up or alignment, an increase in variable compensation due to the good results recorded by the Company, the implementation of a profit-sharing scheme, the impact of the company agreement on the Time Savings Account (CET) and finally the revaluation of post-employment benefits;

- An increase in IT fees due to the deployment of the IT system dedicated to market activities;

- An increase in custody, account management and valuation fees by bank service providers;

- An increase in communication expenses after a particularly frugal year in 2020 due to the distancing and confinement measures

At the end of the financial year, depreciation and amortization amounted to €971 thousand compared to €1,514 thousand at December 31, 2020, a decrease of €543 thousand. In addition to the decrease in provisions due to the relocation of AFL's registered office, this change in depreciation mainly reflects two opposite movements; on the one hand, a decrease in depreciation of €612 thousand corresponding to the end of the amortization of the AFL portal, the construction of core banking and project management assistance carried out in 2015 and, on the other hand, an increase of €215 thousand corresponding to the investments made in the implementation of an information system dedicated to capital markets activities. In 2021, AFL completed the deployment of a system dedicated to market transactions and asset-liability management, which covers the entire market transaction processing chain.

After depreciation and amortization, gross operating income as of December 31, 2021 stands at €1,852 thousand, compared to €2,512 thousand at December 31, 2020.

The cost of risk relating to ex-ante impairments for expected losses on financial assets under IFRS 9 was down in 2021 compared to 2020 with an allocation to provisions of €95 thousand compared to €352 thousand in 2020. This decrease is due to the re-estimation of the parameters of the macroeconomic scenarios underlying the AFL model, which take into account a solid economic recovery and favorable forecasts. The increase in outstanding loans only resulted in a slight increase in impairments because they are low risk. For other financial assets, including the liquidity reserve, i.e. securities and deposits made by AFL, the change in the cost of risk is explained by the significant increase in the liquidity reserve allocated to deposits in the Banque de France.

As of December 31, 2021, AFL has a total amount of deferred tax assets of €5,156 thousand which covers €4,944 thousand in deferred tax assets arising from tax loss carryforwards accumulated from the creation of AFL until the end of 2016, as well as temporary differences related to IFRS restatements. It should be recalled that since the end of 2016, AFL no longer activated deferred taxes on its tax losses. The 2021 financial year recorded, for the first time since that date, a deferred tax expense of €87 thousand, which testifies to AFL's ability to generate recurring positive operating income, and this since 2020, leading to the reduction in deferred taxes on tax loss carryforwards of €5,031 thousand at December 31, 2020 to €4,944 thousand at December 31, 2021.

AFL closed the 2021 financial year with a net income of €1,730 thousand compared to €2,295 thousand in the previous financial year. Excluding exceptional items, revenues generated by AFL's recurring activities increased and covered all operating expenses and depreciation for the second consecutive year. Thus, at December 31, 2021, the cost / income ratio, calculated on the basis of AFL recurring income, was 95.2% and the cost / income ratio, taking into account all operating income, amounted to 86.7%.

3. Proposed allocation of profit

It has been proposed that entire net income for the financial year ended December 31, 2021 (annual financial statements prepared in accordance with French standards), which amounted to €2,072,787, be allocated to retained earnings.

4. Dividends distributed (Article 243 bis of the French General Tax Code)

No dividends are distributed in respect of the financial year ending December 31, 2021 and none were distributed over the previous three financial years.

5. Non-tax-deductible expenses (Articles 39-4 and 39-5 of the French General Tax Code)

During the financial year ended December 31, 2021, AFL incurred no expenses as defined by Articles 39-4 and 39-5 of the French General Tax Code.

V. Risk management

1. Risk appetite

Since its creation, the AFL Group has set up a comprehensive risk management system aimed at identifying, measuring, managing and controlling all types of risks weighing on its activity. This system covers all risks to which the AFL Group is subject.

Risk appetite represents the level of risk that the Group is prepared to take in order to be able to achieve its strategic objectives. The AFL Group's risk appetite is conservative; AFL, like comparable institutions in Northern Europe, conducts its lending activities to French local authorities while limiting all the risks associated with its activity. Reviewed annually, the risk appetite is validated by the AFL-ST Board of Directors and the AFL Supervisory Board.

Risk appetite includes a risk management system based on limits and is translated into financial policies. The internal capital adequacy and liquidity assessment processes make it possible to assess the sensitivity of the AFL Group's risk situation to contingencies.

The AFL Group has a parent company - AFL-ST - which has a limited investment portfolio based on a prudent investment policy and strictly defined limits. Most of the activities and risks are located in AFL itself, which is the lending institution.

The main characteristics of the AFL Group's risk appetite are as follows:

Credit risk on French local authorities

All French local authorities - regions, departments, municipalities - and their groups, regardless of their size - can join Agence France Locale, provided they have a sound financial position. This financial position is assessed on the basis of an AFL internal rating system and, since May 2020, on the basis of two criteria established by decree.

The two criteria established by decree for a local authority to be a member of AFL are as follows:

- Its debt reduction capacity calculated over an average of three years must be less than a threshold of 9 years for the regions and single local authorities, 10 years for the departments, and 12 years for the municipalities and groups.
- Alternatively, its current cash flow, also calculated over a three-year average, must be less than 100%.

A local authority can only join Agence France Locale and receive loans from it if its financial score is between 1 and 5.99 inclusive; the financial score is calculated according to AFL's own methodology validated by the AFL-ST Board of Directors on a scale ranging from 1 (best score) to 7.

The following limits govern the granting of a loan.

AFL offers its members a range of simple loans: medium- and long-term fixed-rate or variable-rate loans over the entire term of the loan, with or without a mobilization phase, and cash lines. The distribution of any structured product is prohibited. Membership is a necessary condition for AFL to obtain a loan, but does not in itself confer a right to a loan. In particular, member local authorities with a final rating of 6 or more will not receive any loan from AFL.

The outstanding debt granted to a local authority by AFL is limited to an amount that may not exceed 50% of the total outstanding debt of the local authority (except for local authorities for which the amount of debt is less than €10 million) with a decreasing ceiling according to the rating.

The average rating weighted by the outstanding amounts of the loan portfolio must be less than 4.5.

The average maturity of the loan portfolio weighted by outstandings must be less than 20 years; on an exceptional basis, AFL will grant loans with a maturity of up to 30 years or even 40 years.

Credit risks related to the liquidity reserve

The investment of securities in the liquidity reserve follows strict rules. The management of the liquidity reserve has two objectives:

- Ensure AFL's liquidity in all circumstances, in order to be able to deal with all cash outflows related to its banking activity, regardless of market conditions;
- Protect AFL's earnings under risk management constraints, by preventing liquidity carrying from being impaired.

To this end, the liquidity reserve is mainly invested in bonds and money market securities issued by sovereigns, supranationals, public agencies and local authorities in the European Economic Area and North America, covered bonds as well as in bank securities and deposits. Additional sources of diversification are possible to a limited extent:

- Investment in securities of the same sectors outside the EEA and North America;
- Investment in the securities of other public sector issuers;
- Investment in securities of public sector issuers with less liquidity or not rated for a limited portion of the liquidity reserve.

Authorized issuers must have a rating of at least A- on the S&P scale.
The average life to maturity of the reserve is limited to three years. Depending on their category, rating and geographical area, the maximum maturity of eligible securities is variable and less than or equal to 10 years; this limit is 15 years for the best-rated securities whose issuers belong to the sovereign, supranational and public agencies sector.

The main limits to which the management of the reserve is subject are as follows:

- Exposure to issuers not domiciled in the EEA or North America is limited to 25% of the reserve;
- Exposures to banks (excluding those guaranteed by sovereigns) are limited to 30% of the liquidity reserve;
- Investment in covered bonds is limited to 25% of the reserve;
- Exposure to securities issued by public sector companies and entities is limited to 30% of the reserve;
- The liquidity reserve comprises a maximum of 25% of securities in foreign currencies;
- For liquidity purposes, at least 70% of the liquidity reserve is made up of assets of very high credit quality and very high liquidity (known as "HQLA" for "High Quality and Liquidity Assets");

This management - although defensive - cannot exclude the default of a counterparty or an issuer.
The hedging of interest rate risks in place leaves AFL exposed to the spread risk of the securities in the reserve, which reflects changes in the credit risk of issuers. This risk is likely to weigh on the bank's regulatory prudential capital through the possible existence of unrealized capital losses.

Liquidity risk

As AFL refinancing is totally dependent on the financial markets, AFL has a particularly conservative liquidity policy. AFL's financial strategy in terms of liquidity is based on three areas, the purpose of which is to limit the three components of liquidity risk: illiquidity risk, financing risk and liquidity transformation risk:

- The establishment of a significant liquidity reserve.
  - AFL has a liquidity reserve at its disposal at all times, the size of which represents one year of activity. The tool used to measure this objective is the NCRR (or "Net Cash Requirement Ratio"), which verifies that the reserve of liquid assets is sufficient to meet foreseeable needs over a rolling 12-month horizon. The minimum that AFL intends to achieve is 100%.
  - In order to secure the repayment of future medium- and long-term issues three months in advance, AFL undertakes to hold an amount of cash in its Banque de France account corresponding to the debt repayments for the period net of certain cash inflows.

- At the same time, the regulatory LCR ratio must be respected ("Liquidity Coverage Ratio"); this makes it possible to verify that the AFL reserve enables it to meet its 30-day liquidity requirements under stress assumptions. The regulatory requirement is 100%.

- A diversified financing strategy.

  - Agence France Locale pursues an issuance strategy that aims to diversify its sources of financing by type of investor, maturity, geographical area and currency in order to avoid any excessive concentration of refinancing falls and to limit its financing risk. These issues mainly comprise listed bonds, in the form of benchmarks or private placements, under a program known as EMTN (Euro Medium Term Note), but also, and to a lesser extent, money market negotiable debt securities, under a program known as ECP (Euro Commercial Paper). AFL may also issue debt repayable before maturity for a maximum of 10% of its liabilities.

- Limiting the transformation of the statement of financial position;
  - The statement of financial position includes amortizable loans on its assets side and debts on its liabilities side, in both cases hedged against interest and exchange rates. Unlike the loans on the assets side, the debts on the liabilities side are not amortizable, so AFL is subject to a transformation risk or price risk in liquidity. AFL severely limits its transformation, measured by two ratios:
    - The average life to maturity or "ALT difference" corresponds to the average maturity gap between assets and liabilities and measures the transformation practiced by AFL; the activity will be managed in order to limit this gap to one year with an additional buffer for limited periods, increasing the limit to 1.5 years to absorb the possible drift of this indicator during the production of end-of-year loans).
    - The "Net Stable Funding Ratio" or "NSFR" compares AFL's stable funding (at more than 12 months) to long-term funding requirements. AFL imposes a minimum ratio of 100%.

This policy, while conservative, cannot fully protect AFL from liquidity risks. It remains sensitive, for example, to refinancing risk, i.e. the risk of not being able to raise resources at competitive levels for long maturities, or to the liquidity risk associated with the margin calls inherent in the hedging derivatives required for its hedging policy.

Interest rate and foreign exchange risks

AFL does not want the income generated by its activity or its equity capital to be sensitive to interest rates or exchange rates. To this end, AFL has implemented an almost systematic policy of hedging its statement of financial position instruments via derivatives.

Hedging of foreign exchange risk: the systematic subscription, at the time of issues or investments in currencies, of swaps relating to currencies - in mirror - reduces the entire AFL statement of financial position to a single exposure to the euro.

Interest rate risk hedging: AFL fluctuates almost all fixed-rate items on its statement of financial position on a 3-month Euribor reference, in particular through interest rate swaps, with the exception, in particular, of a portion of loans to reinvest equity, certain bridging loans, certain short-term securities from the reserve or sums on deposit with banks, this to a limited extent.

These policies enable AFL to largely limit the sensitivity of its income and equity capital to changes in interest rates or exchange rates, but they do not completely reduce the sensitivity of the Group. In particular, the statement of financial position remains sensitive to changes in interest rates when they are in negative territory, to the ineffectiveness of the hedges put in place, and to the basis risks between the various rates to which statement of financial position items remain exposed. They also have the effect of transforming the foreign exchange or interest rate risks to which AFL is initially exposed into a counterparty risk due to the resulting exposures on the counterparties of the swap contracts and a liquidity risk related to margin calls. The counterparty risk associated with hedging transactions is mainly limited by the fact that exposures related to these hedging transactions are collateralized to the first euro and by the fact that a large proportion of these transactions are processed through a clearing house.

The sensitivity to interest rate risk is governed by the regulatory indicator of the sensitivity of the net present value of the economic value of AFL to a change in interest rates.

In the event of a change in rates of plus or minus 2%, the change in the AFL Group's net present value must not change by more than 15%.

The counterparty risk associated with hedging transactions is mainly limited by the fact that exposures related to these hedging transactions are collateralized to the first euro and by the fact that a large proportion of these transactions are processed through a clearing house.

Non-financial risks

The non-financial risks to which AFL is exposed consist of operational risks (loss related to a defect in processes, people, systems or external events), non-compliance risk, legal risk and reputational risk.
Due to its public banking model, AFL has a very low appetite for all of these non-financial risks. This very low appetite does not prevent the possible materialization of non-financial risks, which are inseparable from the completion of AFL transactions, particularly in the context of a sharp increase in volumes traded.
To illustrate this appetite for non-financial risks of AFL, the following points will be noted:
AFL has set itself the objective of setting the deductible of its main insurance policies at a percentage of its net banking income, while ensuring coverage of a majority of the types of feared events that could lead to extreme losses, this within the limit of a ceiling.
In accordance with regulations, AFL has set up a system for the systematic analysis of operational incidents which provides for the reporting of significant incidents to the supervisory bodies according to criteria set by them and reviewed every year. The threshold for reporting significant incidents is set at €500 thousand, a level that is more conservative than the minimum level required by the regulations.
Calculated according to the standard regulatory approach, the equity capital requirement for operational risk represents 15% of the average of its last three annual net banking income and amounted to €1,732 thousand at December 31, 2021.

Solvency and leverage ratio floor requirements

In order to have sufficient capitalization, the AFL Group undertakes to comply with a minimum level of equity capital according to its statement of financial position size as well as the level of its risk-weighted assets.
The AFL Group is committed to maintaining a solvency ratio above 12.5%.
In terms of the leverage ratio and in order to take into account the specificities of its model, which provides for the payment of capital contributions by local authorities and a very high level of liquidity, a large part of which is invested in central banks, the AFL Group follows a leverage ratio calculated on the basis of the ICC promised in the numerator by deducting from the denominator the assets placed with the central bank. AFL aims to maintain this leverage ratio, known as the AFL leverage ratio, above 3%.
As a public development lending institution, AFL undertakes to maintain its leverage ratio (the so-called “leverage ratio of public development lending institutions”, which allows for the deduction from the denominator of medium to long-term loans granted to local authorities) at the regulatory floor of 3%.
In addition, AFL imposes a leverage ratio limit according to the traditional formula of 2.25%.

2. Description of the main risks and uncertainties faced by AFL

This section describes the main risk factors which could, according to AFL’s estimates at the date of this report, impact AFL’s activity, financial position, reputation, results or outlook.

The risks specific to the business are presented by main categories, in accordance with Article 16 of Regulation (EU) No. 2017/1129 known as “Prospectus 3” of June 14, 2017, as amended.

Within each of the risk categories listed above, the risk factors that AFL considers the most important are listed first. The exposure figures presented provide information on AFL’s degree of exposure but are not necessarily representative of future risk trends.

1. Strategic risk

A. The geopolitical and economic consequences of the entry of Russian troops into Ukraine could negatively affect AFL’s financial performance

On February 22, 2022, Russian forces entered Ukraine. At the time of writing this report, it is too early to assess the consequences of this war situation for AFL.

At March 1, 2022, Europe and the United States responded with very significant economic sanctions (blockades, asset freezes). A significant exodus of the Ukrainian population had begun. There was an interruption in trade, particularly in raw materials - including agricultural - with Ukraine - due to the war - and with Russia due to economic sanctions.

Developments are currently difficult to predict: this invasion of a country neighboring Europe, reflecting a change in power relations at the global level, is unprecedented since the Second World War and could profoundly destabilize the global geostrategic balance. Due to the weight of Ukraine in the raw materials sector and the interruption of trade with Russia, there should at least be a sharp increase in the price of certain raw materials. This trend could accentuate the surge in inflation already observed so far. In this context where global geopolitical balances could be threatened, with an additional surge in inflation, central banks could face a greater dilemma than initially expected, regarding their timetable for exiting accommodative policies.

The impacts in terms of risks for AFL are limited at this stage: the portfolio of securities in the reserve is mainly invested in sovereign, supra or agency debt securities, a sector that is generally benefiting from a shift in investor appetite. Within this portfolio, AFL has a few sovereign or supra or agency exposures from issuers in countries neighboring Ukraine for an amount of less than €100 million. In the context described above, at the date of writing of this report, it cannot be ruled out that issuers of debt securities will be weakened in the liquidity reserve, which would weigh on AFL's prudential capital. The reserve's securities portfolio is nevertheless resilient due to its diversification and composition.

In terms of exposure to the risk of changes in interest rates, AFL is not initially affected by interest rate movements, given its statement of financial position variability strategy against the 3-month Euribor. In the second order, tensions on the money market could negatively affect AFL's net interest margin.
In terms of liquidity risk, AFL's liquidity position is satisfactory: the liquidity reserve stands at nearly €3 billion, of which €2 billion in cash only on March 1, 2022. This situation makes it possible to cope with 12 months of activity without any call to the market.
At the date of writing this report, no impact on local authorities has been identified.

The uncertainty about the consequences of this war makes it difficult to predict the impacts that could negatively affect AFL's activity and financial performance. The consequences on AFL will depend mainly on the impact for Europe and France of this war, the possible start of non-temporary inflation (see risk factor C), as well as its impact on the financial markets.

B. The economic consequences of the Covid-19 epidemic could adversely affect AFL's financial performance.

In December 2019, a new strain of coronavirus (Covid-19) appeared in China. The virus has spread out to many countries becoming pandemic in March 2020. Very important health measures have been taken in many countries to combat the spread of the virus. They have had significant direct or indirect impacts on the economic situation of countries around the world.

During 2021, the roll-out of vaccination made it possible to slow the spread of the pandemic without stopping it. The emergence of variants of the virus has been observed, the contagiousness and dangerousness of which are variable. Smaller health measures have been introduced.

The year 2021 was marked by a strong recovery in economic activity, particularly in European Union countries, generating bottlenecks in supply chains and an increase in raw material costs. A significant inflation rate was observed in 2021.

This situation could generate pressure on the spread of sovereigns, including that of France, to which the AFL spread is linked, for several reasons:

- Government-financed stimulus measures weighed on public finances, leading to an increase in public debt. These debt levels weaken the financial position of governments.
- Inflationary pressures, if accompanied by a rise in interest rates, could increase the burden of high government debt
- The end of extraordinary asset buyback programs by central banks would require purchases of public debt to be carried out within a certain period of time by private agents.

At the time of writing, the health crisis has had a very limited effect on the French local authority financing market, which is the market in which AFL carries out all of its credit operations. If the health crisis were to last, it cannot be ruled out that additional impacts could be observed. According to a note dated February 21, 2022 from J.-R Cazeneuve on the 2017-2022 statement of financial position of local finances, recourse to local authority borrowing increased by €5 billion in 2020 (flows of €23 billion) and would have increased further in 2021 with an increase in the main budget outstandings of around €2 billion. In a context of gradual exit from the health crisis, and thanks to a rebuilding of their savings capacity and the massive support of the State for local public investment (Recovery plan, matching capital allocations, etc.), local authorities strongly revived their capital expenditure in 2021 (€71.7 billion)[14].

This context led to a decrease in AFL's cost of risk in 2021. This decrease reflects the impact of the ex-ante provisioning for expected losses under IFRS 9 in connection with the health crisis. For AFL, the cost of risk amounted to €98 thousand for the year 2021 for a stock of provisions of €872 thousand on all outstandings and corresponds to 1.2 basis points of exposures to be compared with 1.4 basis points as of December 31, 2020.

Insofar as the pandemic is not contained, the level of provisioning is likely to increase in the future. It should be noted that inflationary pressures, if they were to continue, could weigh on the operating expenses of companies, including AFL, and therefore on AFL's profitability.

The uncertainty about the continuation of the Covid-19 pandemic, even though the situation seems to be stabilizing, makes it difficult to predict the impacts that could adversely affect AFL's activity and financial performance. In a context marked by a war situation in Ukraine, the exact consequences on AFL are second-rate and will depend mainly on the strength of the economic recovery, the possible start of non-temporary inflation, the date of the end of the support measures taken by governments and central banks and the ability of players to adapt to the situation.

C. The economic, financial, political, geostrategic and health context worldwide as well as countries and markets in which AFL conducts its activities or is financed may have a significant impact on the business and financial position of AFL and on its net income.

AFL, which is financed on the international financial markets, would be strongly affected by a significant deterioration in market conditions and the global economic environment, which could result from crises affecting the capital or credit markets, liquidity constraints, regional or global recessions, geostrategic imbalances, significant volatility in interest rates or exchange rates, a sovereign default, the downgrade of France's rating, on which the rating of local authority members depends, both guarantors of AFL borrowings on the financial markets and counterparties of AFL in the context of the medium-long-term loans granted to them, pandemics or climate change (see also the risk factor "A. The economic consequences of the war situation in Ukraine could negatively affect AFL's financial performance").

AFL's exposure to the French local public sector also exposes it to risks from the economic and social situation in France, which may influence the local authority budgets, and to risks from changes in public policies (local or national) relating to the local authority financing, which are likely to restrict the debt capacity of local authorities and reduce their budgets. Both of these could significantly affect AFL's loan production.

These various events may occur suddenly and could impact AFL on a one-off or longer-lasting basis and have a material adverse impact on its financial position and results.

In addition, if one of these events were to lead to the downgrading of France's and/or members' and/or AFL's credit ratings, a deterioration in AFL's financing conditions and an increase in the cost of loans granted to members could be identified, thus significantly exacerbating the impact of these events on AFL's activity, its financial condition, the results of its activity and weakening its competitive position.

A deterioration in market confidence in sovereign bonds, whether public or supranational, could also generate unrealized capital losses in AFL's liquidity portfolio, which holds significant sovereign risk exposures.

D. The competitive environment could impact AFL's activities; this may not drive the expected interest among local authorities. AFL carries out these activities for the exclusive benefit of its member local authorities and therefore has no ability to diversify.

Existing and/or growing competition in the local public sector financing market, resulting in particular from players such as the LBP-SFIL-CAFFIL group, CDC, BEI, BPCE group, could lead to (i) AFL's profit margins being sharply reduced and (ii) the production of new loans for AFL being very limited, which would negatively affect AFL's net banking income.

[14] J.-R. Cazeneuve, *Five-year review - Local finances*, 02/21/2022.

Although AFL was created by law and satisfies a strong and consistent demand in recent years by a significant number of local authorities, the development of AFL's activities depends on interest in the model used by AFL for local authorities. In 2021, AFL accounted for a market share estimated at nearly 40% of its members' financing needs.

Development could be affected by the reluctance of local authorities to become members of Agence France Locale, which requires them to become shareholders of AFL-ST, make capital contributions and act as guarantors under the member guarantee, or by the restrictions they may be subject to on the use of debt.

A lack of interest from local authorities could delay the acquisition by AFL of the equity capital necessary for the development of its activity, and in the absence of sufficient ICC payments, jeopardize its sustainability.

In accordance with Article L. 1611-3-2 of the French General Code Local and Regional Authorities Code, AFL carries out these activities for the exclusive benefit of its member local authorities and therefore has no prospect of diversification. Even though the number of local authority members of the Agence France Locale Group has grown consistently, if the market for funding local authorities loses its appeal, AFL may not be able to develop alternative activity, which could jeopardize its sustainability.

E. AFL is supervised by the prudential control authority and subject to a constantly changing regulatory framework, which could have an impact on its financial position.

AFL was approved by the French Prudential Supervision and Resolution Authority (ACPR) on January 12, 2015 as a specialized credit institution. This authorization is essential to the exercise of AFL's activity. This authorization subjects AFL to a certain number of regulatory requirements, including the obligation to comply with specific textual provisions and prudential ratios.

Changes in the regulatory framework may disrupt the forecasts made by AFL as part of its business plan, strengthen some of its obligations and therefore negatively impact its results.

Directive 2014/59/EU of May 15, 2014, as amended (the "**RRD**"), and Regulation No. 806/2014 of July 15, 2014 as amended by Regulation (EU) 2019/877 of May 20, 2019 on the single resolution mechanism (the "**SRM**"), establish a framework for the recovery and resolution of lending institutions and investment firms that aims to enable a wide range of actions that may be taken by the competent regulatory authorities in connection with lending institutions and investment firms that are considered to be at risk of default. The objective of the RRD is to provide the resolution authorities, including the ACPR in France, with common and effective tools and powers to preventively tackle banking crises, preserve financial stability and minimize exposure of taxpayers to losses. The resolution powers granted to the authorities by the RRD and the SRM are divided into three categories: (i) powers to take preparatory measures and plans to reduce the risk of potential problems arising; (ii) if problems arise in an institution, powers to stop the deterioration of the situation, so as to avoid insolvency; and (iii) if the insolvency of an institution is a matter of concern to the public interest, powers of reorganization or orderly liquidation while preserving critical functions and limiting exposure as far as possible to taxpayers' losses.

The SRM Regulation provides for the application of several resolution instruments that can be used separately (subject to the separation of assets, which can only be implemented together with another resolution instrument) or together, if the authority resolution considered that (a) the default of AFL or Agence France Locale Group is proven or foreseeable, (b) there is no reasonable prospect that another private measure or supervisory action would prevent the default within a reasonable period of time and (c) a resolution measure is necessary in the public interest.

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

- Disposal of activities - allows resolution authorities to sell under normal conditions either the institution itself or all or part of its activity, without the consent of the shareholders and without complying with the procedural requirements that would apply in normal times;
- Bridge institutions - allows resolution authorities to transfer all or part of the institution's activities to the "bridge institution" (an entity under public control);
- Separation of assets - allows resolution authorities to transfer impaired or toxic assets to a structure that can manage and, ultimately, restore them; and
- Bail-in - allows resolution authorities to write down certain subordinated and non-subordinated debt (including principal and interest on the Notes) of a defaulting institution and/or convert them into equity securities, the latter may then also be subject to other reduction or impairment

measures. The resolution authority must apply the impairment and conversion powers first to Common Equity Tier 1 (CET1) instruments, then to Additional Tier 1 equity capital instruments, and finally to Tier 2 instruments and other subordinated receivables to the extent necessary. If, and only if, the total reduction thus made is less than the amount sought, the resolution authority will reduce the unsubordinated debt of the institution (including the principal and interest on the Notes) by the necessary proportion.

The level of minimum capital requirements and eligible liabilities of each lending institution is determined by the Resolution College on the basis of the following criteria: the need for the resolution measures taken to fully meet the objectives of the resolution; the need, where applicable, for the lending institution to have a sufficient amount of eligible liabilities to ensure that losses can be absorbed and that the basic equity capital requirement of the lending institution subject to a resolution procedure can be brought to the level necessary for it to continue to fulfill the conditions of its authorization and to carry out the activities for which it was authorized and to ensure that the markets have sufficient confidence in this lending institution; the size, business model, financing model and risk profile of the lending institution; the negative effects on the financial stability of the default of the lending institution in question, due in particular to the contagion effect resulting from its interconnection with other institutions or with the rest of the financial system.

The powers granted to the resolution authorities, or the non-compliance by AFL with the requirements under the MREL, could have an influence on the way in which it is managed as well as on its financial position and its business plan.

Failure to comply with regulatory requirements could also require AFL to implement one or more reinstatement measures or even lead to the revocation of AFL's authorization and jeopardize the sustainability of AFL's existence.

2. Financial risks

A. AFL is exposed to liquidity risk in its three aspects:

- Liquidity price risk: this is the risk of a deterioration in the refinancing conditions of certain assets that could generate a loss in net banking income due to a maturity mismatch between the assets refinanced and the liabilities; this mismatch most commonly occurs with assets whose maturity is longer than the liabilities.
  At December 31, 2021, the ALT gap between AFL's assets and liabilities was 0.68 years and the NSFR ratio was 179.26%;

- Financing risk: this is the risk that AFL will be unable to raise the necessary liquidity to meet its commitments and the financing needs related to its development.
  As of December 31, 2021, AFL had a liquidity reserve of €2,017 million, enabling it to meet its cash flow requirements for more than 12 months[15]. The regulatory 30-day liquidity ratio (LCR) stood at 923%;

- Illiquidity risk: this is the risk of a disruption in short-term cash flow, related in particular to the risk that AFL may be unable to sell an asset on a market without loss.
  At December 31, 2021, on the only portfolio of financial assets at fair value through other comprehensive income, the net carrying amount of which was €721 million, the impact of gains and losses recognized directly in equity amounted to -€2,024 thousand.

Since 2020, AFL has had access to TRiCP (TRaitement Informatique des Créances Privées), which provides it with a line of credit, available at any time, from the Banque de France for nearly 70% of its outstanding loans in the medium- to long-term loan statement of financial position. Nevertheless, if AFL were to experience, for example, an unexpected outflow of cash or assets pledged as collateral (e.g. assets pledged as part of its interest rate or foreign exchange derivative transactions) and/or if it could not access the debt market on terms deemed acceptable for an extended period, its financial position could be adversely affected.

A deterioration in macroeconomic conditions (refer to risk factors A, B and C above) or a lack of interest by local authorities in the products offered by AFL (refer to risk factor D above), or an operating loss could

[15] Estimated by AFL on the basis of AFL's central business plan scenario.

also lead to a downgrade of AFL's credit rating affecting its funding access, which would impact its financial position.

B. Changes in interest rates and exchange rates are likely to adversely impact AFL's financial position.

Interest rate risk

Interest rate risk includes the risk that AFL will suffer losses due to unfavorable changes in interest rates due to all of its balance sheet and off-balance sheet transactions, in particular in the event of a mismatch between the interest rates generated by its assets and those arising from its liabilities.

In order to protect itself from interest rate risk, AFL entered into hedging contracts.

AFL's interest rate risk hedging policy consists of micro-hedging or quasi-systematic macro-hedging of AFL debts, loans granted by AFL and securities held in the liquidity reserve to transform them into variable-rate instruments indexed to the 3-month Euribor reference using interest rate swaps. The hedging in place protects AFL against a uniform rise in the yield curve and generates a liquidity risk - depending on changes in interest rates - due to margin calls as well as a credit risk on swap counterparty bank or the LCH Clearnet clearing house.

At December 31, 2021, the interest rate hedging strategy was reflected in an outstanding notional amount of swaps of €13.2 billion. The amount of margin calls paid, net of the amount of margin calls received, with respect to interest rate derivatives, stood at €44.8 million.

Nevertheless, there remains an exposure to interest rate risk that may result in particular from (i) the use of a portion of AFL's equity capital in fixed-rate loans granted to local authorities or (ii) certain short-term positions and (iii) the indexation gap between certain assets - in particular AFL deposits at the Banque de France with overnight interest, which at December 31, 2021 amounted to €1,176 million - and the bank's liabilities.

As a result, a change in rates could have a negative impact on its future results and on the net present value of AFL.

At December 31, 2021, the sensitivity of the net present value (NPV) of AFL's equity capital was +2.2% assuming a parallel shift of more than 100 basis points and +4.4% assuming a shift of more than 200 basis points in the yield curve.

	12/31/2021	06/30/2021	12/31/2020	12/31/2019	12/31/2018	Limit
Parallel shock up + 100 bps	2.2%	2.3%	0.4%	-3.2%	-3.8%	±15%
Parallel shock down - 100 bps	-2.2%	-2.4%	-0.3%	4.0%	4.6%	±15%
Parallel shock down - 100 bps (floor)	0.1%	-0.1.%	0.0%	2.0%	2.4%	±15%
Parallel shock up + 200 bps	4.4%	4.6%	1.0%	-5.8%	-7.1%	±15%
Parallel shock down - 200 bps	-4.3%	-4.9%	-0.3%	8.9%	10.0%	/
Parallel shock down - 200 bps (floor)	0.1%	-0.1%	0.0%	2.0%	2.6%	±15%

AFL implemented scenarios for calculating the sensitivity of the net present value (NPV) of its equity capital to assumptions of interest rate risk in the banking book (IRRBB). At December 31, 2021, NPV sensitivity to the various scenarios is shown in the table below.

	12/31/2021	06/30/2021	12/31/2020	12/31/2019	12/31/2018	Limit
Parallel shock up + 200 bps	4.4%	4.6%	1.0%	-5.8%	-5.7%	±15%
Parallel shock down - 200 bps	-4.3%	-4.9%	-0.3%	8.9%	8.6%	±15%
Short rates shock up	6.1%	5.3%	3.0%	2.4%	-8.4%	±15%
Short rates shock down	-6.3%	-5.5%	-3.1%	-2.5%	9.0%	±15%
Steepener shock	-4.3%	-3.4%	-2.7%	-5.4%	-8.2%	±15%
Flattener shock	5.1%	4.2%	3.0%	4.8%	8.9%	±15%

During 2021, the sensitivity of AFL's net present value to various scenarios of interest rate changes remained less than 15% of equity capital.

Foreign exchange risk

Foreign exchange risk includes the risk that AFL may incur losses on borrowed or loaned assets in currencies other than the euro.

In order to protect itself from foreign exchange risk, AFL entered into hedging contracts. AFL's policy aims to hedge this risk systematically through the implementation of micro-hedging currency swaps. As a result, assets and liabilities denominated in currencies other than the euro are systematically swapped into euros when recorded on the statement of financial position and until their final maturity.

At December 31, 2021, the notional outstanding amount of currency swaps stood at €728 million. The hedges implemented introduce a liquidity risk, based on margin calls sensitive to changes in currency rates, as well as a credit risk on the swap counterparty banks. The amount of margin calls paid, net of the amount of margin calls received, with respect to these hedging instruments, stood at €44.8 million at December 31, 2021.

C. AFL is exposed to the credit risk of its borrowers and counterparties.

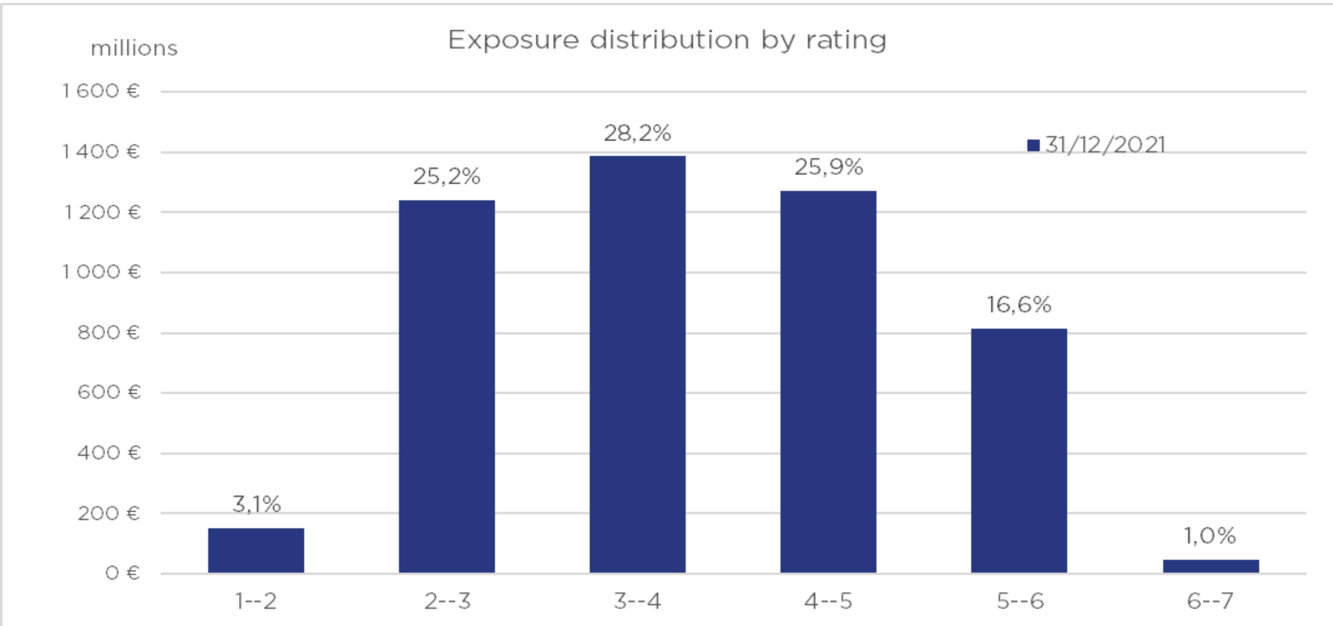
The credit risk of its borrowers

Pursuant to Article L. 1611-3-2 of the French General Local and Regional Authorities Code, AFL carries out its activities for the exclusive benefit of the local authorities that are shareholders of AFL's parent company and guarantors of the debt securities issued by AFL up to the amount of their respective medium- to long-term loans outstanding (the member authorities). As of December 31, 2021, all credit commitments to local authorities carried by AFL amounted to €4,431 million.

In accordance with the Commitment and Proximity Act, the member local and regional authorities are all local authorities, their groups and local public institutions. As of the date of this report, no local public institution is a member of AFL.

The breakdown by rating of AFL's portfolio of loans to local authorities shows a diversified and good quality portfolio.

At December 31, this portfolio was more than 30% exposed to local authorities with ratings between 1 and 2.99. The five largest exposures represent 15.7% of the portfolio. The first exposure represents 3.79% of the portfolio and the fifth 2.78%. At December 31, 2021, the average rating of loans granted by AFL to its members, weighted by outstanding amounts, was 3.80 on a scale of 1 to 7, with 1 representing the best rating and 7 the lowest. This rating has deteriorated over one year due to the integration of financial data from local authorities taking into account the 2020 impacts of the Covid-19 crisis.



Local authorities, whether current or future members, are considered as having a very limited risk profile due to the institutional rules governing their operations, which are similar for all categories of local authority member, and consequently the credit transactions carried out by AFL have this same profile. Nevertheless, a default by a member on its obligations to AFL or on its obligations under the member guarantee cannot be ruled out. This risk is increased in the context of a deteriorated economic and financial situation such as that linked to the war situation in Ukraine or the Covid-19 epidemic.

As of December 31, 2021, AFL's outstanding doubtful receivables amounted to €4 million, i.e. 0.08% of AFL's loan portfolio. This level has remained stable due to the vigorous actions implemented by central banks, national governments and donors since the start of the Covid-19 crisis.

Breakdown according to IFRS 9 Stages	Agence France Locale -SO Solo - IFRS				Agence France Locale -SO Solo - IFRS			
	Gross exposures (€)		Provisions (€)		Gross exposures (€)		Provisions (€)	
Stage 1	7,214,062,788	99.68%	852,014	97.74%	5,742,425,084	99.8%	768,036	98.9%
Stage 2	18,962,442	0.26%	18,112	2.08%	6,788,989	0.1%	5,847	0.8%
Stage 3	3,981,080	0.06%	1,562	0.18%	4,413,883	0.1%	2,62	0.3%
Total	7,237,006,310	100%	871,687	100%	5,753,627,956	100%	776,503	100%

To the extent that AFL grants loans only to local authority members, AFL naturally shows a high concentration of its credit risk on a unique type of market participant. AFL is therefore exposed to the potential deterioration of this sector's situation (see also risk factor C).

The occurrence of such risks could result in a write-off for AFL.

The credit risk of its counterparties

Due to its cash investments, AFL has a credit risk on the issuers of securities in its cash portfolio. Although AFL's investment policy is prudent, AFL remains exposed to the risk that issuers of securities in which it has invested are unable to meet their financial obligations, an increased risk in the context of a deteriorated economic and financial situation such as that related to the Covid-19 epidemic. The occurrence of such an event may generate a loss in net income and/or adversely impact AFL's equity capital.

The ratings of AFL's exposures are of very high quality, with over 75% of exposures rated equal to or greater than Aa2 on Moody's scale at December 31, 2021. The weighted average risk of this portfolio is 4.5%. The liquidity reserve exposures are heavily weighted on very low risk classes: 78% of the portfolio is invested in risk categories weighted at 0%, 16% in risk categories weighted at 20% and 2% in risk categories weighted at 50%.

In addition, AFL clears almost all of its interest rate derivatives through clearing houses and its exchange rate derivatives bilaterally. AFL cannot ensure that its counterparties to hedging contracts will be able to meet their obligations, whether clearing houses or banks, and their default could impact AFL's financial position.

D. Financial risk due to the effects of climate change

Since 1988, the Intergovernmental Panel on Climate Change (IPCC) assess the state of knowledge on global climate change, its impacts and the means to attenuate it and adapt to it.

The IPCC has just published its sixth report. It comes in three volumes: it mainly concerns the physics of climate and analyzes past, present and future climates. It establishes different possible scenarios depending on the greenhouse gas emissions emitted by the world's population. The second volume, published in February 2022, analyzes the vulnerability of human societies, ecosystems and socio-economic systems to climate change, the consequences of climate change, and adaptation options. Finally, a third volume scheduled for April 2022 will deal with ways to mitigate global warming and its consequences.

French local authorities are variably exposed to climate events. Given the growing vulnerability of certain regions and the public and private infrastructures they host, the AFL Group - whose mandate is to finance French local authorities - could be affected by the consequences of climate change.

Also, AFL has initiated work to measure the vulnerability of French local authorities to climate events and to integrate climate risks into its credit risk analysis.

3. Non-financial risks

AFL is exposed to non-financial risks.

- ***A. AFL is exposed to risks related to human resources.***

Due to its model and the context of the start-up of its activities, AFL relies on a limited number of people (39 employees of whom 32 permanent contracts and seven work-study trainees at December 31, 2021 and one non-employee representative) to ensure its operational operation. The loss of one or more key persons, whether due to outside solicitation or temporary or permanent unavailability (accident, sickness) is therefore likely to have a material impact on its activity or to jeopardize its continuity.

- ***B. An operational failure, interruption or incident affecting AFL's partners, or a failure or breach of AFL's information systems could result in losses.***

The amount of equity capital requirements for operational risks amounted to €1.9 million at December 31, 2021 for the AFL Group.

The communication and information systems are key to the activity and to AFL's ability to operate due to its activity as a lending institution. AFL has chosen to largely outsource these. Any breakdown, malfunction, interruption or breach of its systems or those of its external service providers (including cyber-risk), or those of other market participants (such as clearing houses, intermediaries and financial services providers), even if brief and temporary, could lead to significant disruptions in AFL's activity.

Such incidents could have a material impact on AFL's ability to operate and would be likely to lead to significant direct or indirect operating losses and damage AFL's reputation.

During the past financial year, no significant operating loss has occurred.

These risks are increased in the context of the resurgence of cyberattacks related to the war situation in Ukraine or the health crisis related to the Covid-19 epidemic as mentioned in the risk factors in sections A and B.

- ***C. Failure by AFL to comply with the regulations applicable to it could result in losses.***

Given its activity as a credit institution, AFL must comply with numerous laws and regulations, including regulations applicable to credit institutions and issuers of listed securities, data confidentiality rules, European and US laws and regulations on money laundering, corruption and sanctions. In this respect, AFL is exposed to the risk of legal. administrative or disciplinary penalties if it does not comply with these various regulations. The control and compliance framework that AFL has implemented cannot fully guarantee that such a risk will not occur. In addition, AFL does not control the use made by members of the loans granted to them, and could thus indirectly, as a result of activities carried out by the members, be in non-compliance with certain regulations applicable to it. The occurrence of such a risk could result in a write-off or damage AFL's reputation, or even the withdrawal of its authorization as a specialized credit institution or its authorization to issue listed securities, thus making it impossible for AFL to conduct its business.

- ***D. The risk of litigation between AFL and one of its counterparties could result in losses.***

AFL has not been the subject of any litigation with one of its counterparties during the financial year ended December 31, 2021. Nevertheless, it cannot be ruled out that litigation may arise in the context of its activities, in particular with a local authority member, which would damage AFL's reputation and could result in a loss of value for AFL.

3. Prudential ratios and equity

Capital requirements

AFL is monitored for consumption of equity at consolidated level. The AFL Group has already imposed an internal solvency ratio limit of 12.5% since its creation.
On December 21, 2021, the ACPR notified the AFL Group of its obligation to hold equity capital enabling it to comply with a total prudential capital requirement of 9.25% including:

- A minimum capital requirement of 8%; and

- An additional equity capital requirement (Pillar 2) of 1.25%.

In addition, the AFL Group is required in principle to hold equity capital enabling it to comply with the capital conservation buffer requirement set at 2.5%, a situation that may be re-examined in light of the crisis. Lastly, on December 14, 2021, the High Council for Financial Stability decided to maintain the level of countercyclical capital buffer applicable to French exposures at 0%, unchanged since April 2, 2020.

- MREL:

On December 17, 2020, the ACPR Resolution College determined the AFL Group's minimum equity capital requirement and eligible commitments (MREL). Due in particular to its risk profile and its activity, the liquidation strategy has been chosen as the resolution strategy for the Group, the MREL requirement is therefore limited to the amount of loss absorption, calculated as the sum of capital requirements seen in the previous paragraph.

- Methods of calculating capital ratios

On June 7, 2019 a large corpus of banking regulations was published in the Official Journal of the EU. More specifically this includes Regulation (EU) 2019/876 of the European Parliament and of the Council of May 20, 2019 amending Regulation (EU) No. 575/2013 (the CRR). This regulation requires that the leverage ratio of credit institutions be greater than 3% and requires public development credit institutions to exclude from their exposures those arising from assets that are receivables from central, regional or local governments. This provision entered into force on June 28, 2021.
At its meeting of March 11, 2021, the ACPR's College of supervisors recognized AFL's status as a public development lending institution.

- Prudential ratios and equity capital at December 31, 2021

AFL reports regulatory equity capital to the ACPR on a consolidated basis only, in accordance with IFRS, for its parent company, AFL-ST.

At December 31, 2021, prudential capital equity stood at €179.9 million. Given the credit quality of the assets carried by the AFL Group, the solvency ratio reached 15.73% on a consolidated basis.

At December 31, 2021, the AFL Group's leverage ratio was 7.28% according to the method applicable to public development banks, well above the 3% threshold required by the regulations. It amounts to 2.45% according to the method applicable to all lending institutions.

Solvability	31/12/2021	30/6/2021	31/12/2020
CET1 (K€)	179,953,457	172,346	149,255
Solvability ratio	15.73%	17.66%	15.13%

Leverage	31/12/2021	30/6/2021	31/12/2020
Leverage ratio (CRR 2)	7.28%	7.09%	8.63%
Leverage ratio (CRR)	2.45%	2.62%	2.83%

4. Risk management and internal control system

4.1 General principles

1.1. Definition and objectives

The internal control system is a framework deployed by the AFL-ST Board of Directors, the AFL Supervisory Board, the AFL Management Board and the AFL Group staff intended to enable AFL to control the various risks to which it is exposed through its activities and to verify their compliance with the regulations governing them.
With resources adapted to the size and nature of its activities, it is organized in accordance with legal and regulatory requirements as well as to be adapted to the AFL model.

Because its objective is to prevent and control the risk of not meeting the objectives set by AFL in terms of development, profitability and risk management, the internal control and risk management systems play a key role in the management and steering of AFL's various activities.

1.2. Applicable legal and regulatory context

AFL's internal control system is rooted in the legal and regulatory texts applicable to lending institutions: the French Monetary and Financial Code, the Decree of November 3, 2014 on the internal control of companies in the banking sector, payment services and investment services subject to the supervision of the French Prudential Supervision and Resolution Authority and the directly applicable European provisions amended by the Decree of February 25, 2021 (entered into force on June 28, 2021), the EBA on internal governance (EBA GL/2017/11), the Decree of January 6, 2021 relating to the system and internal control in terms of combating money laundering and the financing of terrorism and the freezing of assets and prohibition of the provision or use of funds or economic resources.

1.3. Group organization and responsibilities

In accordance with the Decree of November 3, 2014, AFL-ST, a financial company directly owned by French local authorities as shareholders, with more than 99.9% ownership of AFL, a specialized lending institution, must:

- implement the necessary means to ensure compliance within AFL with the applicable regulatory provisions;
- ensure that the systems put in place within the AFL Group enable the risks incurred by the AFL Group to be measured, monitored and managed;
- verify the implementation of an organization and control system, as well as the adoption, within AFL, of adequate procedures for the production of information and intelligence useful for the purposes of monitoring the AFL Group.

The structure of the Agence France Locale Group means that the vast majority of staff and processes are housed at AFL and the vast majority of risks are borne by AFL. As a result, risk monitoring is mainly consolidated by AFL.
In June 2015, an agreement was signed between AFL-ST and the AFL lending institution, delegating to the latter the internal control missions within the scope of the AFL Group. Under this agreement, internal control missions are performed by AFL's Commitments and Risks Department on behalf of the Group.
The AFL-ST Board of Directors is the supervisory body of AFL-ST; its work is supported by an Audit and Risk Committee and an Appointments, Remuneration and Corporate Governance Committee under its responsibility.

1.4. Governance

The AFL Management Board and Supervisory Board are responsible for setting up and monitoring the adequacy and effectiveness of the internal control framework, procedures and mechanisms, as well as the supervision of all lines of activity, including internal control functions (such as risk management, compliance and internal audit).

The Supervisory Board

The AFL Supervisory Board - in particular:
- regularly reviews the policies put in place to meet regulatory requirements, to assess their capacities, the systems implemented and the corrective measures taken in the event of failure;
- approves the annual program of internal audit missions and examines the reports drafted following the missions;
- determines the materiality criteria and thresholds to identify the incidents that must be brought to its attention;
- analyzes the results twice a year and changes in the systems put in place to monitor the liquidity risk. Once a year, it also examines the results of the stress tests and the consumption of limits on other risks.

It is informed by the Management Board at least once a year:
- of essential elements and main lessons that can be drawn from the analysis and monitoring of risks associated with the activity and results;
- of measures taken to ensure business continuity and control of outsourced service providers and the assessment of the effectiveness of the systems in place;
- It approves the limits proposed by the Management Board;

- It receives the report on the conditions under which internal control is carried out and the report on risk measurement and monitoring.

In accordance with the Decree of January 6, 2021 on the fight against money laundering and the financing of terrorism, the Supervisory Board of AFL regularly reviews the AML-CFT policy, the governance and the systems and procedures put in place to comply with regulatory provisions and corrective measures to remedy significant incidents or deficiencies.
The Supervisory Board relies on an Audit and Risk Committee and an Appointments, Remuneration and Corporate Governance Committee under its responsibility.

The Management Board

The AFL Management Board is responsible for the **consistency and efficiency** of the overall internal control system.
It ensures that sufficient resources are used to carry out and promote the function; it ensures that the Commitments and Risks Department's budget for internal control assignments is sized to provide it with sufficient resources, taking into account proportionality criteria, to carry out its assignments. It ensures that the Commitments and Risks Department has a sufficient number of qualified staff, who benefit from the regular training available. It ensures that the internal control functions have IT and support systems.
In particular, the Management Board ensures that sufficient resources are allocated to the Internal Audit function to conduct a complete cycle of investigations of all activities for the number of financial years planned.
It is the responsibility of the Management Board to ensure the dissemination and promotion of the **risk culture** within AFL, which includes:

- defining and communicating to employees AFL's main values and expectations in this area, which everyone's behavior must reflect;
- a positive attitude towards risk control, compliance verification and internal audit within AFL;
- an environment of open communication and effective questioning in which decision-making processes encourage a broad exchange of opinions, test current practices, stimulate a constructive and critical attitude among staff and promote a climate of open and constructive participation throughout the organization.

The Management Board attaches particular importance to disseminating and promoting this culture among all employees.

The Commitments and Risks Department

Responsibility for the Risk management function, the Compliance Audit function, the Internal Audit function and the second-level Permanent Control function is carried by the Commitments and Risks Director, a member of the Management Board and effective manager of the AFL Group. Operationally, the internal control system is placed under her responsibility.
The Commitments and Risks Director has been a member of the Management Board since the creation of AFL. This choice is the result of the initial desire to place risk management at the heart of the bank. Thus positioned, the Commitments and Risk management Department has the authority, significant status and sufficient independence to question decisions affecting AFL's risk exposure.
In the performance of her duties, she relies on various managers who come under her line management.

The Commitments and Risks Director participates in the various AFL and AFL-ST supervisory bodies: the AFL Audit and Risk Committee, the AFL-ST Audit and Risk Committee, the AFL Supervisory Board, the AFL-ST Board of Directors, the AFL Appointments, Remuneration and Corporate Governance Committee and the AFL-ST Appointments, Remuneration and Corporate Governance Committee as well as the AFL Strategy Committee.

In accordance with the Decree of November 3, 2014:

- The Commitments and Risks Director does not carry out any commercial, financial or accounting transactions.
- As head of the Risk management function, in the event of a change in risks, the Commitments and Risks Director can report directly to the Supervisory Board and the Audit and Risk Committee without reporting to the Management Board.
- As Head of the Compliance Function, she also reports directly to the Supervisory Board and the Board of Directors.
- As Head of the Internal Audit function, the Commitments & Risks Director reports on the conclusions of her assignments to the Management Board, the Supervisory Board and the Board

of Directors of AFL-ST; in addition, she may directly, and on her own initiative, inform the Supervisory Board and the Board of Directors of any failure to implement the corrective measures taken following the recommendations of the periodic control.

The organization put in place makes it possible to guarantee, in accordance with the regulations, the distinction between operational support functions and control functions.

Internal comitology

Chaired by the Chairperson of the Management Board, two committees were set up to oversee the internal control system and risk monitoring system:

- The **Global Risk Committee**, which meets quarterly, is responsible for monitoring the exposure of AFL to risks of all kinds. On an annual basis, it validates risk appetite, risk policies, measurement indicators and risk management. It also oversees the risk management system and decides on the related action plans;
- The **Internal Control Committee**, which meets half-yearly, is responsible for overseeing the control system across all its functions and assessing its effectiveness.

Several operational committees are involved in the overall internal control system. Their main mission is mentioned here:

- The Credit Committee meets at least monthly to decide on the granting of a loan to a customer member and to approve the risk class;
- The Provisions Committee and Provisions Expert Committee meet on a quarterly basis. The Provisions Committee validates the amount to be provisioned and its adequacy with AFL's risk profile. The Provisions Expert Committee defines the weighting of the change scenarios at the reporting date, parameters used to calculate provisions;
- The ALCO Committee meets at least monthly and is responsible for managing AFL's treasury activities, fund raising and asset-liability management as well as monitoring ALM risks;
- The New Products - Significant Changes Committee meets as necessary and its objective is to decide on the implementation of any new product or on significant changes to the AFL Group;
- The Organization and Procedures Committee, which meets as necessary and whose purpose is to approve the processes and procedures that describe the activities of AFL;
- The Information System Security Committee meets at least half-yearly and is responsible for overseeing the risk management and internal control systems relating to risks linked to the integrity, consistency and confidentiality of the Information System data;
- The Outsourcing Committee meets at least once a year and as often as necessary. Its purpose is to coordinate the outsourcing strategy, to ensure the compliance and completeness of the system at all times and to ensure that the risks related to outsourcing are assessed and controlled;
- The HR Committee meets at least quarterly to discuss, in particular, personnel management, recruitment strategy, labor relations, in support of AFL's strategy and objectives;
- The Information Systems Governance Committee meets at least half-yearly to conduct IT projects and programs in line with AFL's strategy, and in particular to prioritize, rank and manage the annual portfolio of IT projects and maintenance, set and control the IT budget and the management of the information system;
- The Financial Communication Committee meets once a quarter and deals with the production and management of permanent and periodic information.

These committees are chaired by the Chairperson of the Management Board or a member of the Management Board. They are governed by internal regulations.
In the first two operational committees, the Commitments & Risks Director has a right of veto. In the event that this is exercised, the decision is either postponed to a subsequent Committee, or is subject to a decision by the Management Board in a vote for which the Chairperson of the Management Board, in the event of a tie, decides. with a casting vote.

2. Internal control functions

In order to carry out its various missions, and in accordance with the regulations in force, the internal control framework is organized around three main functions:

- The Risk management function:
- The Compliance review function
- The Internal Audit function

The risk management and compliance verification system is deployed at several levels:

- AFL's business lines are responsible for managing the risks to which they are exposed while conducting their activities. They identify the risks associated with their activity and comply with the procedures and limits set; the Commitments and Risk management Department assists them in defining the risks related to their activity and the controls to be considered.
- A first level of permanent control is carried out by employees carrying out operational activities; they must have the means of control for this purpose.
- A second level of permanent control is carried out by employees who work in the Commitments & Risks Department. In particular, these employees check that the risks have been identified and managed by the first level of control according to the rules and procedures laid down. This second level of control is carried out by the Risk management function and the Compliance Audit function, whose missions are specified below.

2.1. The Risk management function:

Objectives

The Risk management function ensures the implementation of the AFL Group's risk measurement and results systems and its risk monitoring and control systems. It also ensures that the level of risks incurred is compatible with the strategies, internal policies and limits.

Scope

The Risk management function:

1. **Participates in the development of AFL's risk strategy and proposes a level of risk appetite for AFL, validated by the Management Board. It ensures that risk issues are given due consideration.**
2. **Evaluates the impact of new products, significant changes, and/or exceptional transactions.**
3. **Ensures that all risks are detected, assessed, measured, monitored, managed and duly reported by the business lines.**
4. **Assesses any violation of risk appetite or risk limits. It recommends corrective measures with the departments concerned and monitors them.**
5. **The Risk management function is responsible for the implementation of a sound management plan for AFL's business continuity**, in order to guarantee their ability to operate without interruption and to limit losses in the event of a serious disruption to their activities.

   As such, it implements and maintains operational conditions:
   - Response and business continuity plans that ensure that AFL responds appropriately to emergencies and is able to maintain its most important activities in the event of disruption to its ordinary operating procedures;
   - Recovery plans for critical resources enabling the institution to restore its ordinary operating procedures within an appropriate time-frame;
   - AFL insurance coverage.
6. **The risk management function is in charge of the incident system;** it performs:
   - The collection and monitoring of incidents reported by the business lines and, more specifically, significant incidents within the meaning of the Decree of November 3, 2014;
   - The overall monitoring of incidents and resulting action plans through the Internal Control Committee and feeds into the risk mapping with regard to these elements;
   - The restitution of these analyses in the form of regular reporting and recommendations to strengthen the risk management system.

7. **The Risk management function assesses the amounts of appropriate internal capital** given the nature and level of risks to which AFL could be exposed, which is validated by the Management Board.
8. **To carry out these missions, the risk management function performs second-level permanent control reviews.**

Organization

Responsibility for the Risk management function is borne by the Head of Commitments and Risks.
The Risk management function is carried out for financial risks by the Prudential and Financial Risks Department, which includes the Prudential and Risk Director and an employee.
The Risk management function for non-financial risks is performed by the Non-Financial Risks and Compliance Department, which includes the Director of Non-Financial Risks and Compliance - who is also responsible for information systems security - and an employee.
The Risk management function is in charge of the system independently of operational staff. It provides guidance, supervision and general monitoring. It relies on the compliance function on the risk of non-compliance and operational departments to identify, analyze and monitor the risks that it supervises on a consolidated basis.

The ALM division is in charge of measuring, monitoring and managing the AFL Group's liquidity and interest rate risks within the Finance Department. The liquidity and interest rate risk management and monitoring system is subject to controls by the Commitments and Risk management Department and a monthly report by the ALM Committee. The role of this Committee, chaired by the Chairperson of the AFL Management Board, is to monitor and analyze financial activities and ALM management and related risks through risk indicators, management, market analyses, overseeing decision-making for the implementation of financial policies (management of the liquidity reserve, execution of issues under the borrowing program, execution of hedges, etc.), validating the measurement processes and monitoring the asset and liability management system, analyzing changes in short- and long-term risks, and then, if necessary, overseeing management decisions in line with the level of risk desired by the Group within financial policies and ensuring the adequacy of the management system (procedures, limits, systems and tools for identifying, measuring and managing risks).

Related resources

The Risk management function relies on various resources and tools that enable it to oversee the risk management of AFL on a permanent basis:

- a risk mapping which lists and classifies the risks incurred by AFL throughout its activity (impact, occurrence, degree of control), assesses the adequacy of the risks incurred in relation to changes in the activity. This will be updated on a biennial basis;
- the risk mapping is prepared using an expert approach on its component dealing with financial and strategic risks; in the case of non-financial risks, AFL deploys a mapping methodology involving the operational departments;
- risk appetite defined and periodically reviewed by the AFL-ST Board of Directors and the AFL Supervisory Board. This defines the overall level and types of risk that AFL is prepared to accept to achieve its strategic objectives detailed in its business plan, in line with its level of equity capital, risk control and management capabilities, and the prudential and regulatory constraints to which it is subject;
- the definition of financial and Risk management policies developed by the business lines and the Risk management function, reviewed regularly, adapted to each business line, setting the rules and limits adapted to the activities; these policies are reviewed annually and validated by the AFL Global Risk Committee as well as approved by the AFL Supervisory Board;
- the definition of an information systems security policy, validated by the Management Board, which determines the principles implemented to protect the confidentiality, integrity and availability of AFL's data, assets and IT services;
- risk and activity indicators including stress tests developed by the Risk management function or reported by the operational departments, which give rise to regular reporting, enabling the Management Board to have a reliable view of the risks incurred;
- the analyses and recommendations of the second-level permanent control reviews and the analyses and recommendations of the missions carried out by the Internal Audit function as well as those carried out by the supervisory authorities and the overall monitoring of the resulting action plans;
- operational and IT incidents and compliance malfunction reports from the departments, which are centralized in an incident database;
- permanent control reviews.

The risk management system is monitored by the Global Risk Committee: it is based on summary views of the risks taken by AFL, which should enable the Management Board and operational departments to have a reliable and up-to-date view of the risks incurred.

Risk management activities in 2021

In 2021, AFL reviewed and amended the financial policies applicable to its activities to include new management products for its financial activities. Adaptations were made to the relative importance of the various risks as part of the quarterly GRCs. Responsibilities were confirmed. The main risk measurement indicators and reports set up have evolved to follow the development of AFL. The Global Risks Committee met four times.
The workforce was reinforced or positions opened, reducing the key human risk and strengthening the back-up system.
Several IT projects have been launched to industrialize and make the production of regulatory and risk and regulatory reports as well as published data.
The challenges of IT Risk were the subject of increased analysis in parallel with the strengthening of regulatory requirements in this area.

The outsourcing monitoring system has been set up in line with regulatory obligations, which will allow better control of the risks associated with outsourced service providers.

2.2. The Compliance function

Objectives

The Compliance function ensures that AFL's current and future activities comply with the legal, regulatory and ethical obligations in force or with the instructions of the Management Board taken in accordance with the guidelines of the Supervisory Board and the Board of Directors.

Scope

In its role as **guarantor of compliance with these rules within AFL**, the Compliance function is responsible for:

- the proper application of applicable laws, regulations and texts;
- compliance with AFL's ethical rules and the management of any conflicts of interest;
- regulatory monitoring, which enables it, together with the business lines, to provide advice to the Management Board on the measures to be adopted in order to ensure compliance with applicable laws, rules, regulations and standards;
- as part of this monitoring, the Compliance function informs the business lines of the various major regulatory changes;
- assessing with operational staff the potential impact of any changes to the legal or regulatory framework on AFL's activities and the compliance verification framework.

These prerogatives concern all of AFL's day-to-day activities, as well as the monitoring of future product and service developments throughout the production chain.

1. **The Compliance function is in charge of managing the New Products - Significant Changes system**. On this subject, the Compliance function performs a systematic prior assessment and provides a documented, written opinion for new products or significant changes to existing products.

2. **The Compliance function is responsible for managing the updating of the body of procedures** listing all existing procedures (describing in particular the procedures for recording, processing and reporting information, accounting schemes and procedures for validating transactions), it ensures in particular:
   - its completeness at all times;
   - validation as part of the Organization and Process Committee by all stakeholders; and
   - it relies on the operational departments to carry out these procedures.

   It keeps the policies and procedures available to employees in a documentary database, so that everyone can refer to them whenever significant changes are made.

3. **The Compliance function can be contacted by any manager or employee on possible compliance issues** according to the process specified by the Compliance Manual. These malfunctions are centralized in a database.

4. The Compliance Function is responsible for **second-level permanent control missions targeting non-compliance risk**s and ensures their consistency and effectiveness.

5. As part of the various compliance recommendations and regulations (Monetary and Financial Code, GAFI, ACPR and AMF regulations and positions), **the Compliance function defines and implements an anti-money laundering and anti-terrorist financing system and a system for due diligence and suspicious transaction reports**.

Organization

Responsibility for the Compliance function is borne by the Head of Commitments and Risks (DER), effective manager of AFL. The Compliance and Verification function is performed by the Non-Financial Risks and Compliance Department and includes, in addition to the Director of Non-Financial Risks and Compliance, an employee.

Related resources

As part of its various missions, the Compliance function relies on:
- External reference texts (legal provisions, regulations, standards, opinions of the authorities) monitored as part of its watch;
- Internal reference texts (policies, procedures, accounting schemes, etc.);
- a permanent control system.

Activities of the Compliance Function in 2021

In 2021, the Compliance function continued to consolidate AFL's non-compliance risk management system.

With this in mind, the main measures developed were subject to compliance maintenance and operational implementation, in particular:

- The system for combating money laundering and the financing of terrorism and compliance with embargoes - in a context of significant regulatory changes;
- The authorization process for new products and significant changes;
- The professional ethics and market abuse prevention system;
- The personal data protection system;
- The reinforcement of the compliance monitoring system.

2.3. Permanent operational and accounting control system

Permanent accounting control

The accounting structure aims to verify the quality of accounting, financial and management standards information, whether intended for the Management Board, the Supervisory Board, the Board of Directors or the ACPR or appears in the documents intended for publication.
The organization put in place must guarantee the existence of a set of procedures, called an audit trail, which makes it possible:
- to reconstruct the transactions in chronological order;
- to justify any information by an original document from which it must be possible to go back uninterruptedly to the summary document and vice versa;
- explain the change in balances from one reporting period to another by keeping track of the movements that affected the accounting items.

To this end, permanent accounting control reviews are implemented to ensure the completeness, quality and reliability of the information and the valuation and accounting methods.

Organization of the accounting system and internal control procedures relating to the preparation and processing of financial accounting information

i. Organization of the accounting system

The Accounting Department comes under the Finance Department. In 2021, it includes two FTEs, namely the Accounting Director and his deputy. The Accounting Department is supported by a service provider in charge of accounting for overheads.

Permanent accounting controls (levels 1 and 2)

The permanent accounting control system is organized around two levels of controls that aim to ensure the regularity, security and compliance of the accounting translation of the transactions carried out and the monitoring of risks for the associated processes.

The first ***level of accounting control*** is provided by the operational back-office and accounting teams. It consists of the self-checks carried out by employees in charge of the various accounting tasks, supplemented by relevant line management supervision. **The various types of checks carried out are the following:**

On a daily basis:

- Operational controls for the correct accounting of operations, via flow control procedures, such as the offloading of events from management applications (credit chain, cash, market transactions) into the accounting software which is checked daily;
- Cash-settled amounts are recalculated and verified (IBAN verifications, coupon payments, purchases and sales of securities, swap-offs, etc.);
- Banking flows from market activities are also checked daily with account holders; bank reconciliations are formalized daily.

On a monthly basis:

- Inventory checks are carried out monthly: completeness of outstanding credit lines, reconciliation with the custodian for securities inventories and outstanding swaps;
- The reconciliations of accounts for general expenses are carried out at bi-weekly intervals.

Other checks are carried out internally with a periodic frequency, in particular the following:

- Verification of third-party payer databases (SIRET, name, address and IBAN);
- Verification and control of accounting system authorizations;
- Review of accounting schemes; Reconciliation of the accounting position to the positions held by the Back Office and the Middle Office;
- Reconciliation of the accounting position to the positions held by the Back Office and the Middle Office;
- Preparation of account statements;
- Preparation of a half-yearly accounting control file analyzing and documenting the balances of the general balance (documentary reviews, variance and likelihood checks);
- Development of reconciliations between accounting and management (reconciliation of outstanding loans, outstanding swaps, portfolio performance);
- Control is carried out by the Chief Financial Officer, with the analytical review of the quarterly consolidated and separate financial statements.

The purpose of ***second-level accounting*** controls is to ensure the execution of the control procedures implemented by the accounting and back-office teams upstream, the regularity of transactions, the compliance of their registration with regard to existing benchmarks (accounting plan, accounting schemes) and compliance with procedures. These consist of accounting consistency checks (such as analytical accounting reviews), cross-checks (reconciliation of accounting results/analytical results). This level of control is provided by a service provider reporting to the Commitments and Risks Director and is carried out every six months.

In detail, it involves:

- Ensuring the reliability of the production of accounting information.
- Ensuring the justification of accounting balances and their consistency.
- Checking that each process is subject to an up-to-date procedure and that this procedure is applied by the teams.
- Ensuring that accounting/management reconciliations have been carried out.
- Testing the system by means of surveys.

Permanent operational control

The permanent operational control framework covers the daily performance of the controls necessary for the proper functioning of AFL's various activities in order to draw lessons to:

- have an up-to-date view of the risks weighing on the business in terms of the results of controls and incidents encountered;
- make the necessary adjustments to the organization.

Permanent control is based on:

- the first-level permanent control system, carried out by operational staff; management must ensure that each employee is aware of the policies, procedures and responsibilities relating to his or her role, has the information and training necessary to perform their duties and the importance of their responsibilities in terms of permanent control.
- the second-level permanent control system covering in particular:
- supervision of the first-level control system carried out by operational staff;
- second-level controls.

The reviews cover all AFL processes: business processes and supports as well as internal control processes. They also cover outsourced activities.
The control tools are in particular:

- the AFL procedures, which are subject to an appropriate formalization and validation process;
- the Operational Controls and CROC Accounting Controls database, which includes recurring first-level controls;
- the annual permanent control plan, which covers all AFL processes on an annual basis while focusing on the most significant risk areas - the control plan is based in particular on the results of initial controls the results of previous second-level controls, lessons learned from the use of risk mapping and the internal control framework;
- a control methodology incorporating controls of different types according to methodologies defined and adapted to the area being controlled;
- operational, IT and compliance incident reports from the departments, which are centralized in an incident database.

Organization

The Head of Commitments and Risks is responsible for second-level permanent control.
Second-level permanent operational and accounting control missions are managed by the Non-Financial Risks and Compliance Director. Assignments are carried out mainly by the Non-Financial Risks and Compliance Department for operational controls, as well as by other employees of the Commitments and Risk management Department.
The Non-Financial Risks and Compliance Department includes one employee, in addition to the Non-Financial Risks and Compliance Director. The missions relating to the accounting control are carried out by an external service provider under the responsibility of the Commitments and Risks Director.

Permanent control activities in 2021

In 2021, the permanent control system was strengthened. The corpus governing AFL's activities (policies, procedures, operating methods) was maintained. The first-level control system was extended (functional extension, automation). Lastly, the Permanent Control Plan approved by the Internal Control Committee was implemented exhaustively, enabling all AFL processes to be examined in accordance with procedures adapted to the perceived risk.

2.4. The Internal Audit function

Objectives

The objective of the Internal Audit function is to carry out, through surveys, the periodic control of the compliance of operations, the level of risk actually incurred, compliance with procedures, efficiency and appropriateness of the Risk Management and Compliance systems as well as second-level permanent control missions.

The Internal Audit function independently reviews and provides objective assurance of the compliance of all AFL activities, including outsourced activities, with AFL policies and procedures and with external requirements.
It assesses whether the institution's internal control system is effective and efficient, and assesses in particular:

- the adequacy of the institution's governance framework;

- whether existing policies and procedures are adequate and comply with legal and regulatory requirements as well as the institution's risk appetite and risk strategy;
- the compliance of the procedures with the applicable legislation and regulations and with the decisions of the Management Board, the Supervisory Board and the Board of Directors;
- whether the procedures are implemented appropriately and effectively;
- the adequacy, quality and effectiveness of the controls carried out and the reports submitted by the operational units of the first line of defense and the risk management and compliance functions;
- the integrity of the processes guaranteeing the reliability of the AFL methods and techniques as well as the quality and use of the qualitative risk detection and assessment tools and the risk mitigation measures adopted.

The Internal Audit function develops its own risk assessment, independently of the Risk management and Compliance functions, which will be used to determine its audit plan.
The Internal Audit function monitors its recommendations in order to verify that they are implemented within a reasonable timeframe, the implementation of which is the responsibility of AFL's executives and management.

Scope

The Internal Audit function works according to a multi-year audit plan following a risk-based approach broken down into an annual plan which makes it possible to integrate cyclical elements where necessary.
The internal audit plan covers all of the Company's processes. The internal audit function uses this plan to carry out targeted audits of the systems.
The plan is rolled out over three years depending on the areas and underlying risks.

Organization

AFL outsourced the internal audit function to a service provider, under the responsibility of the Commitments & Risks Director.
The Management Board reviews and approves the choice of service provider as well as the multi-year and annual audit plan.
As a result, the Internal Audit function is completely independent of the other functions within the scope of the system.
The outsourcing process, the choice of service provider and the outsourcing contract provide that the qualifications of the people in charge of the assignments are adequate and that the resources allocated to the function, as well as the audit tools and methods risk analysis, are adapted to the size and business model of AFL as well as the nature, scale and complexity of risks, activities, risk culture and risk appetite. In selecting the service provider, it will be verified that the service provider complies with national or international professional audit standards.

Activities of the internal audit function in 2021

In 2021, three internal audit missions were carried out according to the three-year audit plan validated in December 2020 by the AFL Supervisory Board and the AFL-ST Board of Directors. The assignments covered the credit activity, information systems and information system security as well as financial communication and the production of regulatory reports.
All recommendations issued by the internal audit were monitored throughout 2021. Two monitoring reports were produced at the end of June 2021 and at the end of December 2021.
The conclusions of these missions and the review of the follow-up to the recommendations were presented to the Management Board, the Supervisory Board of AFL and the Board of Directors of AFL-ST.

VI. AFL Research and Development activity

Given its corporate purpose, AFL does not look to undertake research and development operations.

VII. Data on share capital and shares

1. Shareholding structure and changes thereto during the financial year

At December 31, 2021, AFL's share capital totaled €196,800,000, divided into 1,968,000 shares with a nominal value of €100 each, of the same category, fully subscribed and paid up. AFL's share capital consists entirely of registered shares. Each share held entitles the holder to a vote at the General Meetings. AFL neither issued nor authorized the issue of any preferred shares during the financial year ended December 31, 2021.

The table below presents AFL's shareholding structure and the changes thereto during the past financial year.

Almost all of the share capital and voting rights in AFL are held by AFL-ST (99.999%). The balance, i.e. one share, is held by the Lyon Metropolitan Area in the region in which AFL's registered office is located, in order to meet the requirements of Article L. 225-1 of the French Commercial Code.

AFL-ST has the exclusive control of AFL, and was the only organization to subscribe to AFL's share capital increases during the 2021 financial year, thus continuing to accomplish its corporate purpose which consists in being a shareholder of AFL.

The Annual General Meeting of Shareholders of AFL will be requested to renew the delegation of authority to the Company's Management Board to carry out capital increases up to an overall limit of €150 million with the cancellation of shareholders' preferential subscription rights for the benefit of AFL-ST.

	December 31, 2020			December 31, 2021		
	Amount of subscribed capital (in euros)	Number of voting rights / shares held	%	Amount of subscribed capital (in euros)	Number of voting rights / shares held	%
AFL-ST	168,399,900	1,683,999	99.9999%	206,415,500	2,064,155	99.9999%
Lyon Metropolitan Area	100	1	0.0001%	100	1	0.0001%
Total	**168,400,000**	**1,684,000**	**100%**	**196,800,000**	**1,968,000**	**100%**

2. Employee share ownership

No shares in the companies comprising the AFL Group are owned by its employees, as the shareholder structure imposed by the legislator does not allow employees to own shares in the capital of AFL-ST or AFL.

Consequently:

- No operations were carried out during the financial year ended December 31, 2021 in respect of share purchase or subscription options in the Company reserved for employees;

- No operations were carried out during the financial year ended December 31, 2021 in respect of share purchase or subscription options in Group companies reserved for employees as stipulated in Articles L. 225-177 to L. 225-186 and L. 225-197-1 to L. 225-197-3 of the French Commercial Code.

No operations to enable Company employees to enter into AFL's share capital are planned.

3. Company share buybacks

During the financial year ended December 31, 2021, AFL made no transactions in its own shares. Furthermore, the Company did not hold any of its own shares as at December 31, 2021.

4. Transactions on AFL securities by its officers

AFL was not informed of any acquisition, sale, subscription or exchange of AFL shares by Board directors or persons having close personal ties with any of them during the financial year ended December 31, 2021.

5. Stock market situation of AFL

As at December 31, 2021, the 1,968,000 shares with a nominal value of €100 each were not tradable on a regulated market.

VIII. Environmental, social and societal information

[*FRAMEWORK: The AFL Group is not subject to the non-financial performance declaration requirement referred to in Article L. 225-102-1 of the French Commercial Code.*

Article L. 225-100-1, I of the French Commercial Code provides for all commercial companies that the management report includes "2° To the extent necessary to understand the evolution of business, results or the situation of the Company, key performance indicators of a financial and, where applicable, non-financial nature relating to the Company's specific activity, in particular information relating to environmental and personnel issues."

Since its creation, AFL has made commitments in terms of social and environmental involvement for its day-to-day operations. In 2021, AFL reiterated these commitments as part of its CSR approach. They impact the themes of purchasing, soft mobility, work-life balance, professional equality, working conditions, eco-friendly actions at work for which projects are underway.

1. Environmental impact

1.1 Commitments

AFL is concerned about its environmental impact and makes the following commitments:

- Digitize its business processes
- Take into account environmental issues in the organization of work.

1.2 Achievements

- Digitize its business processes

AFL aims to deploy a lean operating model based on the digitization of these processes.

In 2021, AFL continued its commitment with the following achievements:

- Opening of a new market finance information system interfaced with the other components of the information system;
- Digitization of payroll production;
- Deployment of a paperless management tool for annual employee appraisals;
- Deployment of a software for the management of regulatory declarations interfaced with the decision-making environment, accompanied by the overhaul of the COREP production;
- Deployment of a 360° monitoring application for borrowers;
- Deployment of an electronic voting tool for the AFL-ST General Meeting;
- Deployment of an electronic voting solution for company agreements;
- Deployment of various compliance monitoring tools;
- Deployment of the electronic signature for loan agreements and internal Human Resources documents.

- Take into account environmental issues in the organization of work.

AFL is committed to the sustainable use of resources by moving in 2020 to a building fitted with equipment to control the consumption of resources. The reduction of the occupied surface area of around 30%, the organization of spaces in Flex Office and the direct management of the building have led to significant savings on the establishment's expenses and a better environmental footprint.

Today, AFL therefore has a single physical location in Lyon and also occupies a simple office in Paris, on the premises of the France Urbaine association. As a result, AFL's environmental footprint is very small.

AFL benefits from the energy saving measures implemented at its registered office, the first of which is the automatic switching off of lights at a fixed time that varies according to the seasonal cycle and the installation of energy-saving light bulbs.

IT infrastructure of the "server less" type makes it possible to deport and pool IT servers in the IT cloud, reduce the electricity consumption of the IT room and manage IT resources as closely as possible. The ergonomics of workstations has led to a reduction in the number of screens, all of which have the Energy Star label, promoting energy savings.

Actions to reduce the environmental impact carried out in 2021	
Incentives for remote working and work-life balance	New version of the remote working charter with possible increase in remote working within a flexible framework Publication of a charter on the right to disconnect

Encouragement of soft mobility	Publication of a policy for the provision of eco-responsible company vehicles Opening of the Soft Mobility Package
Business travel	Addition of sustainable criteria in the reimbursement policy for professional expenses
Social dialogue	Conclusion of a company incentive agreement including CSR criteria
Reduction of environmental impact and greenhouse gas emissions	4 videoconferencing rooms open to limit business travel

AFL is also developing an environmentally-friendly waste treatment policy, particularly in terms of the collection and recycling of consumables, paper/cardboard, IT waste and the implementation of selective sorting based on collection points with removal of individual bins.

Since 2017, AFL has called on the company ELISE, an organization for the integration of disabled people for waste recycling.

Given the level of consumption and the locations of AFL sites in mainland France, no consumption constraints or specific issues have been identified. The same applies to waste.

AFL also encourages its employees to adopt behaviors that tend to reduce AFL's energy footprint (i.e. clean desk to promote digital documents, turning off lights) and has adopted a printing policy in principle of double-sided and black-and-white. The print management software is also intended to control consumable expenses.

	Year 2020*	Year 2021
Paper consumption	Estimated at around **200** kg based on the number of sheets printed by AFL during the financial year. **345** kg of paper/cardboard recycled on AFL premises	Estimated at around **256** kg based on the number of sheets printed by AFL during the financial year. **152.5** kg of paper/cardboard recycled on AFL premises

** The year 2020 was special in terms of paper consumption due to the health crisis (successive lockdowns) and the move which led to a significant sorting of documents*

For its activities, AFL consumes only water from the water distribution network of the Lyon Metropolitan Area, for exclusively sanitary use.

Lastly, for commuting to work or business travel, the use of public transport or soft modes is preferred to the detriment of private cars or planes, which are only authorized for long-distance journeys with a duration of more than four or five hours by train.

AFL pays particular attention to the choice of its suppliers. A procurement and competitive bidding policy incorporates the various CSR requirements.

2. Social impact

2.1 Commitments

Since its creation in 2014, Agence France Locale has made commitments in terms of societal involvement.
Because employees are the key players in performance, AFL has defined and deployed, since its creation, a human resources policy aimed at promoting the fulfillment and development of its employees' skills.

AFL aims to develop committed and fair management of human resources and to build a healthy and fair environment to ensure the personal and professional development of its employees by making the following commitments:

- Respect human rights
- Apply an anti-discrimination policy
- Promote professional equality
- Ensure the well-being of employees
- Develop a training policy
- Develop the measures taken to promote the employment and integration of people with disabilities.
- Develop a promotion policy
- Ensure social dialogue
- Participate in the professional integration of young people

As this is a young company of still very limited size, some of these commitments - in particular those relating to the need to anticipate significant recruitment flows, internal mobility or career development - are to be designed within a trajectory logic.

In addition, the status of a specialized lending institution (under Article L. 511-9 of the French Monetary and Financial Code) implies that AFL adheres to the National Banking Collective Agreement of January 10, 2000. This collective agreement is widely recognized as one of the most demanding in terms of employment law.

2.2. Achievements

- Respect Human Rights

AFL is committed to respecting the United Nations Guiding Principles on Business and Human Rights. As the lending institution's workforce is based in France, the AFL Group has not identified any specific human rights risks for its employees. No specific action has therefore been taken in favor of Human Rights.

- Apply an anti-discrimination policy

AFL applies a principle of non-discrimination in the context of recruitment and professional development, and in its compensation policy.
AFL's general policy complies with the general principles of international law (OECD, ILO, Community law), as well as national legislation that excludes all forms of discrimination,

harassment, forced labor and child labor. In particular, AFL ensures respect for the dignity of its employees.

In addition, AFL respects the freedom of association and the right to collective bargaining, and applies the legal provisions in this area.

In 2021, AFL provided its employees with an awareness program on the prevention of psychosocial risks, including a large part of the fight against moral or sexual harassment.

- Promote professional equality

As of December 31, 2021, AFL had 32 employees excluding subsidized contracts and apprenticeships, representing 10 women and 22 men registered in the socio-professional category of autonomous Managers.
Due to its workforce, AFL is not subject in 2021 to the legal obligation to calculate and publish the gender equality index.
Nevertheless, AFL has been committed since its creation to respect for professional equality between women and men. Gender equality indicators are monitored by the Internal Human Resources Committee.

The consideration of professional equality within the AFL, in the organization of its activity, aims to improve the Quality of Life at Work and make it a lever for growth by working on gender equality, but also on working conditions, career paths and work-life balance.
AFL considers that gender equality is not only measured by equal pay between women and men but through a range of subjects: recruitment, training, professional promotion, working conditions, occupational health and safety, effective compensation, work-life balance (work and family).
As such, AFL is concerned about the balance between professional and family life and takes into account family constraints, finds appropriate solutions, particularly in the organization and arrangement of working time, meetings and business travel.
For this, in addition to the legal mechanisms, in 2021 AFL developed various means enabling women and men to organize themselves in their professional activity (charter on the right to disconnect, digital collaborative tools, individual dashboard on collaboration time produced by O365, flexible working hours linked to the status of autonomous manager, remote working charter).
For example, all employees eligible for the AFL workforce as of December 31, 2021 have signed the remote working charter.
Through its recruitment, AFL tends to create a gender balance according to age categories.
After a historic period of targeted recruitment of experienced managers in all banking areas, at the launch of AFL's activity, a cycle of hiring more junior profiles began in 2017. This explains the structure of the age pyramid on the workforce by age group, but also partly on the gender distribution.

Breakdown of employees by gender

Workforce present	2019	2020	2021
Men	22	23	28
Women	13	13	12
Total	**35**	**36**	**40**

Starting with the cycle of hiring young people on permanent contracts, AFL has always been concerned with gender balance in its recruitment.

Number of permanent hires	Women	Men
2017 - 2020	10	8
2021	0	2
TOTAL	**10**	**10**

- Ensure the well-being of employees

<u>Remote working system</u>
In view of the geographical distribution of the AFL Group's stakeholders, its lean business model and the observation of the new aspirations of its employees, the AFL Management Board approved a revision of the Charter on September 29, 2021 to change the principles governing remote working within AFL by paving the way for an innovative model focused on more flexibility and an increase in the number of remote working days per month for AFL employees.
In 2021, 100% of eligible employees requested and obtained a remote working agreement.

<u>Work organization adapted to the health context</u>
Following the occurrence of the Covid-19 pandemic in 2020, AFL took steps to ensure the safety and health of its employees and to change its internal operations throughout the year 2021, in compliance with successive government measures.
AFL has implemented the French government's recommendations in terms of preventing and combating Covid-19 through the application of the national lockdown protocol for companies.
Thus, the Collective Charter on remote working has been suspended to allow the application of specific measures to generalize remote working to all employees.
To combat the psychosocial risks generated by the health situation, AFL has taken exceptional measures allowing a few employees to come to the AFL headquarters periodically, in compliance with a strict health protocol.

- Develop a training policy

Continuous professional training allows all employees, regardless of age, to adapt to changes in their job or structure and/or, with a view to initiating a new professional orientation. AFL also considers that professional training is a vector of career development, skills development and therefore the promotion of gender equality.

For the 2021 financial year, AFL has included in its budget the plan related to the professional training of the company's employees. Employees were able to benefit from it when the training requested was intended to develop one or more skills and had content related to their professional objectives, whether or not this training was provided by the OPCO collector.

Following the Covid-19 pandemic, the training organizations postponed most of the training sessions planned for the 2020 financial year to the year 2021.

During their annual interview, each employee was able to discuss any training wishes. More generally, AFL is attentive to improving the skills of employees through appropriate training courses.

Training	Total (in days)	Per employee
Year 2021	21	0.525

Access to training (as a% of the workforce)	Women	Men
Year 2021	50%	27%

Access to training (in hours)	Women	Men
Year 2021	63	52.5

- Develop the measures taken to promote the employment and integration of people with disabilities.

Since 2015, AFL has called on an organization for the integration of people with disabilities for paper recycling, as well as a company adapted for communication campaigns and the purchase of supplies. In addition, AFL uses the services of adapted work companies (ESAT) for communication missions.

Since 2020, the beneficiary units are no longer applied.

Years	2020	2021
ESAT amount*	€2,228	/
AGEFIPH amount	€2,023	/**

** Employment assistance establishment and service*
*** Declaration in June 2022*

The objective is to continue and strengthen efforts to promote the employment and integration of people with disabilities.

- Develop a promotion policy

In addition to salary, AFL wishes to offer equal professional development prospects for all employees.
Although its light model offers few prospects for promotion, the balance of promotion between women and men is respected.
Over the last three years, as AFL's organizational model has reached maturity, after a period of constant growth since its creation, the number of promotions or internal transfers is measurable.
A professional promotion can be defined as the appointment or accession of an employee to a position with higher responsibilities or a higher hierarchical level.

Number of promotions or internal transfers	Change in Hierarchical level		Change in Conventional classification	
	Women	Men	Women	Men
Year 2021	2	2	0	3

- Ensure social dialogue

AFL considers that social dialogue is a driver of economic performance whose objective is to place employees at the center of collective bargaining and discussion in order to improve the quality of life at work. In this respect, AFL signed two company agreements in 2021.

Conclusion of a profit-sharing agreement
AFL entered into a profit-sharing agreement for all its employees, approved by the AFL Supervisory Board on March 29, 2021, after the favorable opinion of the Appointments, Remuneration and Corporate Governance Committee meeting of March 22, 2021 and the Audit and Risk Committee meeting of March 16, 2021 and ratified by a two-thirds majority of the staff, according to the minutes of May 11, 2021.

The system is supported by the underlying employee savings plans, i.e. an inter-company savings plan (PEI) and an inter-company collective retirement savings plan (PERECOI), managed by the Societe Generale.

These funds are scheduled to be opened in 2022 to receive any profit-sharing bonuses paid in 2022 in respect of the 2021 financial year.

Conclusion of a Times Savings Account (CET) company agreement

On December 1, 2015, AFL set up a Time Savings Account (CET) in application of the provisions of the Banking Collective Agreement (agreement of May 29, 2001, Chapter 4).

As part of the implementation of an employee savings scheme within the Company in June 2021, a Time Savings Account agreement was signed on September 28, 2021. This company agreement on the CET makes it possible to develop the existing system and adapt it as best as possible to the needs of AFL and employees.

This agreement brings the following new provisions for employees:

- Use of the CET to build up savings,
- Use of the CET to donate days of leave to another AFL employee.

- Participate in the professional integration of young people

AFL wants to facilitate the integration and training of young people in companies as actively as possible. In this respect, AFL signed three professional training contracts and four apprenticeship contracts in the 2021 financial year. In 2021, AFL also welcomed two young people for a company discovery internship.

3. Non-financial information

3.1 Total workforce - AFL Group :

- Within AFL-ST

As of December 31, 2021, AFL-ST had two legal representatives: a Chief Executive Officer and a Deputy Chief Executive Officer, in addition to a Development Director who joined on October 15, 2021, as part of a secondment to AFL-ST by its regional administration,

- Within AFL

Breakdown of employees by geographical area

Year 2021	Headquarters (Lyon)	Other
Workforce	40	0

Breakdown of employees by status	
Non-salaried Board director	1
Salaried Board director	2
Senior executive who is not a Board director	2
Manager	28
Technician	0
Apprentice	7

Breakdown of employees by age

Workforce	Year 2020	Year 2021
Up to 24 years	8	8
25-29 years	7	8
30-34 years	4	4
35-39 years	4	4
40-44 years	1	2
45-49 years	4	5
50-54 years	1	2
55-59 years	7	5
More than 60 years	0	2

3.2 Recruitment:

Employee movement

Workforce	Year 2020	Year 2021
Permanent contracts	+ 6/-3	+2
Fixed-term contracts	+2/-2	0
Professional training contracts	+2/-4	+ 3/-2
Apprenticeship contracts	+5/-3	+3/-3

3.3 Working hours

At December 31, 2021, 32 employees, i.e. **80%** of the total workforce, are subject to the day fixed rate and enjoy autonomy during the daily attendance time slot, in compliance with the legal guarantees provided in terms of daily and weekly rest and paid leave. Employees on a fixed-day plan benefit from days of rest, the number of which is established in accordance with the Collective Agreement.

Employees who have signed a professional training contract or an apprenticeship contract and interns are subject to a working week of 35 hours.

Work organization

	Year 2021
Part-time employees	0
Employees on the day plan	32
Employees under the 35-hour scheme	7
Employees benefiting from remote working	36

3.4 Equal opportunities

Gender equality	Year 2020	Year 2021
% of women among managers	33%	31%

3.5 Social Dialogue

	12/31/2020	12/31/2021
Compensation and its evolution Payroll (excluding apprentices and interns) Individual variable compensation is capped at 15% of the gross annual fixed salary.	€3,073,169.18	€3,191,286
Overtime paid	€0	€0
Total amount of social security contributions	€1,838,258.89	€2,012,205

3.6 Employee share ownership

No shares in the companies comprising the AFL Group are owned by its employees, as the shareholder structure imposed by the legislator does not allow employees to own shares in the capital of AFL or AFL-ST.
Consequently, no operations were carried out during the financial year ended December 31, 2021 in respect of share purchase or subscription options in the AFL Group companies reserved for employees. No action is planned in the coming financial years for the AFL Group employees to acquire shares in the capital of an AFL Group company.

3.7 Post-employment benefits

Based on salary data from the financial year ended December 31, 2021, the commitment (actuarial liability) at the valuation date was €113,665.

Post-employment benefits	
Year 2021	0

3.8 Health and safety

Employees must familiarize themselves with and comply with fire-fighting instructions. They must also comply with the other safety instructions given to them.
All employees are required to undergo the mandatory medical examinations provided for by the regulations on occupational health.

Absenteeism

Year 2021	0.35%

Stoppages	Year 2021	
Work accident	0	
Commuting accident	0	
Diseases	3	(3 sick leaves, total 43 days)
Occupational illnesses	0	

March 28, 2022,

French original signed by

The Management Board of Agence France Locale,
Represented by Yves Millardet, Chairperson

Appendix 1
Table of results for the past five financial years

(Article R. 225-102 of the French Commercial Code)

Separate financial statements at December 31:

TYPE OF INDICATIONS	2021	2020	2019	2018	2017	2016
I. Financial position at year-end:						
a) Share capital in thousands of euros	196,800	168,400	146,800	138,700	132,500	111,000
b) Number of shares issued.	1,968,000	1,684,000	1,468,000	1,387,000	1,325,000	1,110,000
c) Number of bonds convertible into shares.						
II. Overall profit from transactions (in thousands of euros):						
a) Revenue excluding tax.	12,029	10,913	10,647	9,542	11,102	9,127
b) Earnings before tax, depreciation, amortization and provisions.	4,002	4,256	1,373	798	2,711	262
c) Income taxes.	-1	-2				
d) Earnings after tax, depreciation, amortization and provisions.	2,073	2,887	-1,713	-1,878	146	-2,642
e) Amount of earnings distributed						
III. Profit from transactions reduced to a single share:						
a) Earnings after tax, but before amortization and provisions.	1.68	2.12	0.60	0.23	0.61	0.00
b) Earnings after tax, depreciation, amortization and provisions.	1.05	1.71	-1.17	-1.35	0.11	-2.38
c) Dividend paid for each share.						
IV. Personnel:						
a) Number of employees.	31	30	27	27	25	25
b) Amount of payroll (in thousands of euros).	3,868	3,206	2,991	2,970	2,980	2,730
c) Amount paid in respect of social benefits (social security, charities, etc.) (In thousands of euros).	2,063	1,812	1,741	1,588	1,612	1,508

APPENDIX 2
SUPERVISORY BOARD'S REPORT ON CORPORATE GOVERNANCE

Dear Shareholders,

In accordance with the combined provisions of Articles L. 225-68, paragraph 6, L. 225-37, L. 225-37-4, and L. 22-10-20 of the French Commercial Code, and Article L. 511-100 of the French Monetary and Financial Code, and in compliance with the AFEP-MEDEF Corporate Governance Code, which Agence France Locale (AFL) voluntarily upholds, it is my honor, in my capacity as Chairperson of the Supervisory Board, to present to you, on behalf of the Supervisory Board, this report on corporate governance for the 2021 financial year, the terms of which were approved by the Supervisory Board at its meeting on March 28, 2022.

Agence France Locale (the ***Company*** or ***AFL***) is a public limited company (*société anonyme*) with a Management Board and a Supervisory Board. This legal form allows a separation between:

- the Company's management functions performed by the Management Board, and
- the Supervisory Board's functions of overseeing the management of the Company.

This report includes the following:

- information on corporate governance, primarily on the composition and functioning of the Supervisory Board and the Management Board of AFL, and, more specifically, the conditions for the preparation and organization of the work of the Supervisory Board and its committees;
- information on the components of compensation paid to the Company's Board directors;
- information on regulated agreements signed within the Company;
- elements relating to AFL's share capital and its shareholding structure;
- any observations issued by the Supervisory Board regarding the statements for the financial year ended December 31, 2021 and the management report prepared by the Management Board for that same financial year.

This report was prepared with the support of the Management Board and the Legal Department of AFL, and was given a favorable review by the Company's Appointments, Remuneration and Corporate Governance Committee (the ***ARCGC***) on November 18, 2021, which on February 23, 2022 also reviewed the compensation paid to the Board directors for the past financial year.

For the purposes of this report, note that the Company, with its reference shareholder, Agence France Locale – Société Territoriale (***AFL-ST***) forms a group called the ***AFL Group***.

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1. Declaration of compliance with the Code of Corporate Governance

In compliance with the provisions of Articles L. 22-10-10, paragraph 4, of the French Commercial Code and 27.1 of the AFEP-MEDEF Corporate Governance Code, the Company declares that it adheres to, applies, and adopts the recommendations issued by the Association Française des Entreprises Privées and the Mouvement des Entreprises de France (the *AFEP-MEDEF code*) contained in their code of corporate governance, revised in June 2018, and then in January 2020 , as a reference framework for corporate governance.

The Internal Regulations adopted by the Company's Supervisory Board incorporate the main provisions of said code.

The AFEP-MEDEF Code and the internal regulations of the Supervisory Board can be consulted at the registered office of the Company.

Nonetheless, to account for the Company's specific requirements, the Company has made the following governance choices:

- Shareholding by Board directors and members of the Supervisory Board (Articles 20 and 23 of the AFEP-MEDEF Code)

AFL has decided to exclude the provisions of Articles 20 and 23 of the AFEP-MEDEF Code. Consequently, the Board directors and members of the Company's Supervisory Board do not hold any shares in AFL or AFL-ST. This principle stems from the structure of the AFL Group: the shareholders of the two companies are meant to be composed, directly or indirectly, solely of local and regional authorities pursuant to Article 1611-3-2 of the French General Local and Regional Authorities Code.

The Company's shareholding structure is itemized in Point 7 below.

- Representation of Company employees on the Supervisory Board (Article 8 of the AFEP-MEDEF Code)

AFL has chosen to exclude the provisions of Article 8 of the AFEP-MEDEF Code. Given its light economic model, which is reflected in its limited workforce, comprising around thirty permanent employees, two of whom are employee members of the Management Board, its Articles of Association do not provide for the possibility of appointing representatives of employees to the Supervisory Board. Moreover, the Company does not fall within the scope of the provisions of Article L. 225-79-2 of the French Commercial Code.

2. Assessment of the collective working of the Supervisory Board and the individual contribution of the members

In accordance with Article L. 511-100 of the French Monetary and Financial Code and Article 10 of the AFEP-MEDEF Code, it is the responsibility of the Appointments and Compensation and Corporate Governance Committee (the *ARCGC*) to periodically assess the following at least once a year:

(i) composition and working of the Supervisory Board;

(ii) the knowledge, skills and experience of the members of the Supervisory Board;

and reports thereon to the Board (*Board assessment*).

In October 2021, the members of the Supervisory Board were invited to participate in the assessment of the collective functioning of the Board and the individual contribution of the members, via a self-assessment questionnaire. This questionnaire had been reviewed and discussed in advance by all members of the Appointments, Remuneration and Corporate Governance Committee and the Chairperson of the Supervisory Board.

The feedback of the results of the questionnaire was analyzed by ARCGC at its meeting of November 18, 2021, to which the Chairperson of the Supervisory Board was invited. On this basis, the Committee proposed areas for improvement aimed at changing the functioning of the Board and its committees. These areas for improvement were discussed and approved by the Supervisory Board on December 13, 2021.

In summary, the results of the questionnaire show that the members of the Supervisory Board identify:

- highly satisfactory functioning of the Board and its committees,
- with some areas for improvement, in particular the organization of the work of the Board and its committees, the desire to increase strategic dialogue, and the launch of work to implement systems to ensure the continuity of functions, and
- the desire to resume face-to-face meetings, and in particular the strategic seminar bringing together the two Boards, after the lifting of health constraints.

3. Composition and functioning of the management bodies

The Management Board exercises the management of the Company under permanent control by the Supervisory Board, itself assisted in the performance of its duties by three specialized committees: the Audit and Risk Committee (ARC), the Appointments, Remuneration and Corporate Governance Committee (the *ARCGC*) and the Strategy Committee.

3.1. The Supervisory Board

3.1.1. Composition

In accordance with the Company's Articles of Association, the Supervisory Board is composed of a minimum of eight members and a maximum of eighteen members. The Supervisory Board consists of, at least:

(a) Chairperson of the Board of Directors of AFL-ST;
(b) Vice-Chairperson of the Board of Directors of AFL-ST;
(c) Chief Executive Officer of AFL-ST;
(d) one expert with in-depth knowledge of the problems related to the finances of local and regional authorities; and
(e) at least four (4) members with acknowledged professional skills in financial, accounting, management, control or risk matters who serve on independent public or private bodies.

In accordance with the terms of the Articles of Association, the members referred to in paragraph (e) above are considered to be independent and must have the required financial, accounting, management, control or risk qualifications. It is up to AFL-ST's Board of Directors acting on the recommendation of the Company's ARCGC to propose their appointment.

The independence of the members of the Supervisory Board of AFL is a key element in guaranteeing the managerial autonomy of the Management Board with respect to AFL-ST. In this context, the Articles of Association of AFL state that the number of independent members of the Supervisory Board must always be greater than the number of representatives of AFL-ST and of local public authorities. In practice, the minimum composition of the Supervisory Board required by Article 2.2 of the Company's Articles of Association automatically means that independent members make up half of the Supervisory Board, a higher threshold than the one stated in Article 9.3 of the AFEP-MEDEF

Code (one third), even though it is not expressly referred to in the Company's Articles of Association.

All independent members of the Supervisory Board meet the independence criteria set forth in the AFEP-MEDEF Code. The analysis conducted in this regard by the Company's ARCGC is further described in section 3.1.4 of this report.

- Composition of the Supervisory Board as at December 31, 2021:

The Supervisory Board consisted of the following persons at December 31, 2021:

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
Sacha Briand born on December 11, 1969 in Villeneuve-Saint-Georges (94190) French nationality	Chairperson of the Supervisory Board since September 28, 2020 112 rue Garibaldi, 69006 Lyon	Co-opted by the Supervisory Board on September 28, 2020 Renewal of term of office by the General Meeting of May 6, 2021 Expiration of term of office following the Annual Ordinary General Meeting that will be called to approve the financial	None – see Point 1 of this report	Since September 28, 2020: Vice-Chairperson of the Board of Directors of ST 2017-2020: Permanent representative of the Toulouse Metropolitan Area on the Board of Directors of ST	Since 2005: Lawyer at the Toulouse Bar Since 2020: - Member of the Board of Directors of the SEM of MINT - Chairperson of EPFL du Grand Toulouse - Member of the SDEHG trade union council Since 2014:	2017-2020: Member of the Board of Directors SPL ZeFil 2016 - 2020: Non-voting member of the Supervisory Board of SA ATB (Blagnac airport)	Since 2014: - Deputy Mayor of the City of Toulouse - Vice-Chairperson of the Toulouse Metropolitan Area - Regional Councilor of the Occitanie Region 1995-2013: Municipal Councilor of the city of Blagnac 1998-2004: Chief Executive Officer of Services of the Muretain Municipality Communities 1995-2004: Chief Executive Officer of Services for the Municipality of Muret

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
		statements for the financial year ended December 31, 2024			- Member of the SM Tisséo Collectivité Trade Union Committee - Member of the Board of Directors of SPL Tisséo Ingénierie - Member of the Board of Directors of EPIC Tisséo Voyageurs - Member of the SM DECOSET Trade Union Committee		1993-1995: Public organization management consultant, JPA Consultants

Pia Imbs Born on March 14, 1960 in Strasbourg French nationality	Since May 6, 2021: Vice-Chairperson of the Supervisory Board 112 rue Garibaldi, 69006 Lyon	Appointed by the General Meeting of May 6, 2021 Expiration of term of office following the Annual Ordinary General Meeting that will be called to approve the financial statements for the financial year ended December 31, 2024	None – see Point 1 of this report	Since September 29, 2020: Chairperson of the Board of Directors of ST	Since 2021: - Vice-President of GIP Grand Est Europe Since 2020: - Vice-President of Mission Opérationnel Transfrontalière (MOT) - Director of Compagnie des Transports Strasbourg (CTS) - Director of Société d'Aménagement de d'Equipement de la Région de Strasbourg (SERS) - Director of Strasbourg Entzheim International Airport - Vice-Chairperson of the Syndicat des Eaux et de l'Assainissement d'Alsace-Moselle - Vice-Chairperson of Syndicat Mixte Bruche-Mossig - Member of the Agence de développement et d'urbanisme de l'agglomération strasbourgoise (ADEUS)		Since 2020: - Chairperson of the Eurometropolis of Strasbourg Since 2014: - Mayor of the municipality of Holtzheim

					- President of the Regional Coherence Scheme for the Strasbourg Region (SCOTERS) Since 2019: - Vice-Chairperson of the Board of Directors of the Association Mouvement pour l'Alsace - Member of the Information Center on European Institutions and the Euro Institution (CIIE) Since 2014: - Chairperson of the Management Committee of the Ephad Holtzheim - Director of the Association d'aid et de service à la person du Bas-Rhin (ABRAPA) Since 2008: Head of the CSR Chair and the Human Resources Master at EM Strasbourg		

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
					Since 1994: Senior Lecturer in HDR in Management Sciences at EM Strasbourg		
Jacques Pélissard *born on March 20, 1946 in Lyon (69)* *French nationality*	*Terms of office expired on May 6, 2021:* *Vice-Chairperson of the Supervisory Board* *Member of the Appointments, Remuneration and Corporate Governance Committee.* *112 rue Garibaldi, 69006 Lyon*	*Appointed by the General Meeting of June 22, 2017* *Term of office expired on May 6, 2021*	*None – see Point 1 of this report*	*Member and Chairperson of the Board of Directors of AFL-ST until March 29, 2021 (resigned)*		*Member of the Local Finance Committee* *Member of the Board of Directors of Le Groupe La Poste*	*Professional activity:* *1971-1974: Professor at the Ecole Supérieure de Commerce de Lyon* *Until July 1, 1993: Attorney* *Public and political office:* *Since 2014, Honorary President of the French Mayors' Association* *1989-2020: Mayor of Lons-le-Saunier (Prefecture of Jura)*

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
							1993-2017: Member of Parliament for Jura, member of the Finance Committee of the National Assembly *2000-2017: Chairperson of the city of Lons "ECLA"* *2004-2014: Chairperson of the Association of French Mayors*
Rollon Mouchel-Blaisot born on June 19, 1959 in Carteret (50270)	Member of the Supervisory Board Member of the Appointments, Remuneration and Corporate Governance Committee.	Appointed in the Articles of Incorporation of December 17, 2013 Renewal of term of office by the General Meeting of May	None – see Point 1 of this report	End of term of office on May 24, 2017: Chairperson of the Board of Directors of AFL-ST	Agence Nationale de Cohesion des Territoires (ANCT) - Director of the Action Coeur de Ville program	2010-2017: Director General of Services of the French Mayors' Association	2008-2010: Prefect, Senior Director of French Southern and Antarctic Territories 2005-2008: Sub-Prefect of the Saint-Germain-en-Laye district 2003-2005: Secretary General for regional

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
French nationality	112 rue Garibaldi, 69006 Lyon	5, 2017 and May 6, 2021 Expiration of term of office following the Annual Ordinary General Meeting that will be called to approve the financial statements for the financial year ended December 31, 2024					affairs at the Prefecture of the Limousin region 2001-2003: Sub-Prefect of the Libourne district 1997-2000: Consul General of France to Melbourne 1995-1997: Chief of Staff to the Minister of Foreign Affairs 1994-1995: Secretary General of the Prefecture of Jura Sub-Prefect, Director of Staff to the Prefect of Hautes-Alpes, the Prefect of Maine-et-Loire, then to the Prefect of Rhône-Alpes, assigned to the

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
							Southeast Defense Zone 1986-1988: Parliamentary relations adviser to the Office of the Secretary of State, Youth and Sports
Olivier Landel born on January 9, 1963 in Paramé (Saint-Malo-35400) French nationality	Member of the Supervisory Board Member of the Audit and Risk Committee Member of the Strategy Committee. Since May 6, 2021: Member of the Appointments, Remuneration and Corporate	Appointed in the Articles of Incorporation of December 17, 2013 Renewal of term of office by the General Meeting of May 5, 2017 and May 6, 2021 Expiration of term of office following the	None – see Point 1 of this report	AFL-ST Chief Executive Officer	Since 2015: Delegate General of France Urbaine		2002-2015: General Delegate of the Association of Urban Communities of France (ACUF), which became Urban France in 2016 2010-2015: General Delegate of the Study Association for the Local Authorities Funding Agency 2009-2013: Guest speaker, Master's Program in Territorial Development and Urban Strategies

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
	Governance Committee 112 rue Garibaldi, 69006 Lyon	Annual Ordinary General Meeting that will be called to approve the financial statements for the financial year ended December 31, 2024					(STU), Sciences-Po Formation 2009-2013: Chairperson of the Association of Auditors of IHEDATE 2001-2002: Senior Manager, Intercommunity, Management, Finance, Business Intelligence, Ernst & Young 1996-2001: Organizational, finance and local authority's management consulting, Puyo Consultants/Objectif M+ 1994-1996: Accounting, finance, local authorities and IT consulting, Olivier

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
							Landel Conseil/Objectif M14 1991-1994: Deployment of financial management software for local authorities, GFI solution (formerly SINORG) 1986-1991: Foreign Services of the Treasury, Accounting for local authorities, Trésor Public (French public revenue office)
Lars Andersson born on March 27, 1952 in Sweden	Member of the Supervisory Board Member and Chairperson of the Strategy Committee	Appointed in the Articles of Incorporation of December 17, 2013 Renewal of term of office by the General Meeting of May	None – see Point 1 of this report	-	Since 2021: Senior Advisor at the Global Fund for Cities Development (FMDV) Since 2018: Member of the City Finance Lab Committee Since 2009: Founder and Chairperson AB	2013-2020 Director at the Global Fund for Cities Development (FMDV)	2007-2009: Chairperson & CEO of Bankhälsan i Stockholm AB, Hälsostrategen I Stockholm AB, and Galleriva AB 2001-2007: Communications officer, Strategic

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
Swedish nationality *Independent member*	112 rue Garibaldi, 69006 Lyon	5, 2017 an May 6, 2021. Expiration of term of office following the Annual Ordinary General Meeting that will be called to approve the financial statements for the financial year ended December 31, 2024			Marten Andersson Productions (AB MA Productions) Since 2009: Founder and Chairperson AB Marten Andersson Productions (AB MA Productions)		adviser to the Chairperson, and financing expert for the local and regional authorities, Svensk Exportkredit (Swedish export credit company) 1986-2001: Chairperson & CEO of the Kommuninvest Group 1986-1986: Administrative Director of the Örebro Regional Theater 1984-1986: Chief Accountant and Financial Officer for the City of Karlstad 1976-1984: Chief Financial Officer for the City of Laxa

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
Victoire Aubry-Berrurier born on June 5, 1966 in La Roche-sur-Yon (85000) French nationality ***Independent member***	Member of the Supervisory Board Member of the Audit and Risk Committee 112 rue Garibaldi, 69006 Lyon	Appointed in the Articles of Incorporation of December 17, 2013 Renewal of term of office by the General Meeting of May 5, 2017 and May 6, 2021 Expiration of term of office following the Annual Ordinary General Meeting that will be called to approve the financial statements for	None – see Point 1 of this report	None	– Member of the Executive Committee of Icade in charge of Finance, IT and Legal Affairs – Director of ICADE MANAGEMENT (GIE) (318 607 207 RCS Paris) – Director of BPI Participations and BPI Investissements and Member of the Audit Committee (representing Caisse des Dépôts et Consignations)		Market finance, M&A, strong experience in financial management of listed companies (communication, closures, strategy, etc.) legal expertise in real estate and corporate / governance, taxation, Audit, CI, Risks, Project management Since 2015: member of the Executive Committee of Icade in charge of Finance and

		the financial year ended December 31, 2024			– Member of the Board of Directors of OPPCI ICADE HEALTHCARE EUROPE – Member of the Board of Directors of ICADE Santé SA		IS Digital and the work environment 2012-2015: Member of the Executive Committee in charge of Finance, Legal Affairs and IT, Compagnie des Alpes 2006-2012: Director of Steering and Performance, CNP Assurances 2002-2006: Head of Strategic Monitoring of Competing Financial Activities, Caisse des Dépôts et Consignations 1990-2001: Trader on the credit market, then supervisor of risks and earnings on complex products, management supervisor of US investment banking activities, CDC IXIS

François Drouin born on August 7, 1951 in Quierschied (Germany) French nationality *Independent member*	Member of the Supervisory Board Member and Chairperson of the Audit and Risk Committee 112 rue Garibaldi, 69006 Lyon	Appointed in the Articles of Incorporation of December 17, 2013 Renewal of term of office by the General Meeting of May 5, 2017 and May 6, 2021 Expiration of term of office following the Annual Ordinary General Meeting that will be called to approve the financial statements for the financial year ended December 31, 2024	None – see Point 1 of this report	-	– Chairperson of ETI Finance (SAS) (797 802 568 RCS Paris) – Chairperson of the Supervisory Board of Gagéo SAS (831 604 491 RCS Paris); – Chairperson of ICF SAS (RCS Paris) – Chairperson of IFIMM SAS (830 662 102 RCS Paris) – Treasurer of the French Institute of International Relations (IFRI) – Director of IFRI foundation – Director of the Fondation Notre-Dame – Director of the Valentin Haüy Foundation	– Chairperson of Autoroutes et Tunnel du Mont Blanc SA (582 056 511 RCS Paris) – Chairperson of the Supervisory Board of GEIE du Tunnel du Mont Blanc (European EIG – 433 092 517 RCS Annecy) – Chairperson of the Board of Directors of Société Française du Tunnel Routier du Fréjus (SEM) (962 504 049 RCS Chambéry) – Vice-Chairperson of the Board of Directors of BPI France (SA) (320 252 489 RCS Créteil) – Member of the Supervisory Board of	2013-2017: President, Autoroutes et Tunnel du Mont Blanc (ATMB) 2007-2013: Chairperson & CEO, Oséo 2003-2007: Chairperson of the Management Board, Crédit foncier de France 1991-2003: Chairperson of the Management Board, Caisse d'épargne de Midi-Pyrénées 1989-1992: Chairperson of the Management Board, Société régionale de financement (Sorefi), Caisses d'épargne de Midi-Pyrénées 1986-1989: Regional Director, CDC et Crédit local de France pour la Bourgogne 1985-1986: Regional Director, CDC pour la Haute-Normandie

Name, First name Date and place of birth, Nationality	*Duties performed and, where applicable, participation in committees Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Other areas of expertise and experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
					– MS BEAUTiLAB SA (company incorporated under Swiss law, IDE: CHE-201.918.481)	WeLikeStartup Partners SAS (832 404 206 RCS Paris);	1980-1985: Head of the territorial district of Valenciennes for the departmental office of infrastructure for the North, and the regional navigation division of the Nord-Pas-de-Calais region

Nicolas Fourt born on September 22, 1958 in Nancy (54000) French nationality ***Independent member***	Member of the Supervisory Board Member of the Strategy Committee. 112 rue Garibaldi, 69006 Lyon	Appointed in the Articles of Incorporation of December 17, 2013 Renewal of term of office by the General Meeting of May 5, 2017 and May 6, 2021 Expiration of term of office following the Annual Ordinary General Meeting that will be called to approve the financial statements for the financial year ended December 31, 2024	None – see Point 1 of this report	-	– Deputy Chief Executive Officer and Director of Acofi Gestion (SA) (415 084 433 RCS Paris) – Deputy Chief Executive Officer, Member of the Management Board, 2A SAS – Director of Acofi (SAS) (510 571 995 RCS Paris) – Director of Denis Friedman Productions (SA) (409 756 350 RCS Paris) – Manager of NF Conseil (SAS) (519 411 441 RCS Nanterre) – Director of CDC Croissance SA RCS Paris 438 136 244	2017 - June 2020: Member of the Supervisory Board of Qivalio formerly Spread Research (ESMA regulated rating agency)	2013-2021: Asset management (Acofi Gestion and CDC Croissance); AMF regulation 2017-2020: Financial and non-financial rating (Qivalio); ESMA regulation 2009-2013: Consulting services for companies and local authorities (Alfafinance); AMF regulation 1986-2008: Fixed income and equity financial markets (CDC then Ixis then Natixis); ACPR regulation
Daniel Lebègue	*Term of office expired on May 6, 2021*	*Appointed in the Articles of Incorporation of December 17, 2013*	*None – see Point 1 of this report*	-	*Since June 2018: Chairperson of the Observatory on Corporate Social Responsibility (ORSE)*	*2008-2018: Chairperson of the Observatory on Corporate Social*	*2003-2014:* *- Chairperson of the French Institute of Directors, professional association of directors*

born on May 4, 1943 in Lyon (69004) *French nationality* ***Independent member***	*Member of the Supervisory Board* *Member and Chairperson of the Appointments Remuneration and Corporate Governance Committee* *112 rue Garibaldi, 69006 Lyon*	*Renewal of term of office by the General Meeting of May 5, 2017* *Term of office expired on May 6, 2021*				*Responsibility (ORSE)*	*of companies exercising their functions in France* *- Director of Alcatel, Crédit Agricole SA, Technip, and Scor* *- Chairperson of the French institute for sustainable development and international relations (IDDRI)* *- Chairperson of the French section of Transparency International* *- Co-Chairperson of Eurofi* *- Chairperson of Epargne sans frontières (“savings without borders”)* *1998-2002: Chief Executive Officer, Caisse des dépôts et consignations* *1996-1998: Vice-Chairperson, Banque nationale de Paris*

							1987-1996: Director, then Chief Executive Officer, Banque nationale de Paris *1984-1987: Director of the Treasury, Trésor Public* *1983-1984: Deputy Director, Treasury Department* *1981-1983: Technical Adviser to the Office of Prime Minister Pierre Mauroy, Economic and Financial Affairs Officer* *1976-1981: Head of the Office of the balance of payments and exchanges, then Head of the Office of the Treasury, and Deputy Director in charge of the Savings and Financial Market Division, Treasury Department* *1974-1976: Financial Attaché, French Embassy in Japan* *1969-1974: Civil administrator of the*

							Treasury Department, Ministry of the Economy and Finance
Mélanie Lamant *born on August 23, 1975 in Croix (59170)* *French nationality* ***Independent Member since November 2020***	*Terms of office expired on May 6, 2021: Member of the Supervisory Board* *Member of the Strategy Committee.* *112 rue Garibaldi, 69006 Lyon*	*Co-opted by the Supervisory Board on March 23, 2017* *Term of office expired on May 6, 2021*	*None – see Point 1 of this report*	-	*Since November 2020: Director of strategy and support for stakeholders at the Agence Nationale de Rénovation Urbaine.*	*April 2014 - November 2020: Director General of Services - EPT Plaine Commune (93)*	*June 2011 - April 2014: Deputy Chief Executive Officer - EPT Plaine Commune (93)* *September 2005 - June 2011: Director of Finance - EPT Plaine Commune (93)* *March 2004 - August 2005: Director of Finance and Markets - creation of the Department - Suburban Communities of Hauts-de-Bièvre (92)* *January 2002 - March 2004: Director of Finance - City of Aulnay-sous-Bois (93)*
Carol Sirou born on March 27,	Member of the Supervisory Board	Coopted by the Supervisory Board on	None – see Point 1 of this report	-	Chairperson of Safineia France (SAS 904 918 620 RCS PARIS)	Director of Standard & Poor's Global Ratings France, Paris,	Offices: Standard & Poor's Ratings (CMS France,

1968 in Algiers 3rd arrondissement (Algeria) French nationality *Independent member*	Member of the Audit and Risk Committee Since May 6, 2021: Member of the Appointments, Remuneration and Corporate Governance Committee 112 rue Garibaldi, 69006 Lyon	September 27, 2018 Renewal of term of office by the General Meeting of May 6, 2021 Expiration of term of office following the Annual Ordinary General Meeting that will be called to approve the financial statements for the financial year ended December 31, 2024			Member of the Board of Directors, member of the Audit Committee and member of the Strategy Committee of Europcar Mobility Group (SA) (RCS PARIS 489 099 903) Chairperson of Safineia Advisors LLC (company incorporated under American law) Member of the Supervisory Board, Chairperson of the Audit Committee and member of the Governance Committee of Qivalio (SA) (478 661 481 RCS LYON).	France -2015 - May 2018 Chairperson of Standard & Poor's Ratings (CMS France), Paris, France 2019 - 2021: Member of the Board and the Audit and Risk Committee of Exane (SA) (342 040 268 RCS Paris)	Paris, France: January 2009 - January 2015: Chairperson <u>Professional career</u>: Standard & Poor's Global, New York: June 2016 - December 2017: Chief Compliance Officer, New York January 2016 - June 2016: Chief Risk Officer, New York Standard & Poor's Ratings, Paris/New York: 2014-2016: Head of the Risk Program Management Office - New York 2013–2014: Head of European offices of S&P Ratings - Paris 2009-2013: Chairperson of S&P France and Head of the French-speaking

							Europe and Africa-Paris region Standard & Poor's Ratings, Paris: 2005-2009: Head of the "Sovereigns & Public Sector" analytical teams in Europe, Africa and the Middle East 2002-2005: Responsible for the rating of European Local Authorities 1990-2000: Various Banking & Public Sector Analyst positions
Sophie L'Hélias Born on December 30, 1963 in Paris French nationality	Since February 4, 2021: Member of the Supervisory Board Since May 6, 2021: Member and Chairperson of the Appointments, Remuneration	Appointed by the General Meeting of 4 February 2021 Expiration of term of office following the Annual Ordinary General Meeting that	None – see Point 1 of this report	-	Since January 18, 2022: Chairperson of the Board of Directors of SUEZ Since 2021: - Independent Director of Herbalife Nutrition - Member of the International Strategy Board of Equanim	2017-2018: Advisor, UN Global Compact SDG leadership Blueprint, New York 2019-2021: Member of the MEDEF Governance Committee	1998-2000: Managing Director Wyser-Pratte & co, New York 1995-2001: Co-founder, ICGN London 1994-2001: CEO, Franklin Global Investors (FGIS) 1993-1994: Partner, Deminor

Independent member	and Corporate Governance Committee 112 rue Garibaldi, 69006 Lyon	will be called to approve the financial statements for the financial year ended December 31, 2024			- Member of the Board of Directors of the European Corporate Governance Institute (ECGI) - Member of the High Committee of Corporate Governance (HCGE) Since 2020: -Independent consultant at ImpactXXchange SAS Since 2018: - Member of the Board of Directors of SICAV Échiquier Positive Impact -Independent Director and member of the Governance, Strategy and CSR Committee of Africa50 Infrastructure fund -Since 2016: Independent director, member of the Audit and Compensation Committee, and member of the Social,		1987-1992: Member of the Paris Bar

					Nomination and Governance Committee of Kering SA Since 2015: - Member of the Advisory and Editorial Board of the Hawkamah Institute for Corporate Governance - Member of The Conference Board, ESG Center - Since 2000: Founder and Chairperson of LeaderXXchange		
Barbara Falk *Born on October 30, 1979 in Metz* *French nationality*	*Since May 6, 2021:* *Member of the Supervisory Board* *Member of the Strategy Committee.*	*Appointed by the General Meeting of May 6, 2021* *Resignation of her term of office as member of the Supervisory*	*None – see Point 1 of this report*	-	*Since 2019: Chief Services Officer of Metz Métropole*	*2018-2019: Chief of staff of the prefect of Bouches-du-Rhône - prefect of the PACA Region* *2013-2018: Deputy General Secretary of the Court of Auditors*	*2011-2013: Chief Financial Officer of the Institut de France, its Academies, their 110 foundations and their cultural institutions* *2007-2011: Magistrate at the Court of Auditors*

	112 rue Garibaldi, 69006 Lyon	*Board on November 29, 2021*					

- **Changes in the composition of the Supervisory Board and the specialized committees during the 2021 financial year:**

The term of office of the members of the Supervisory Board of the Company expired at the end of the General Meeting of Shareholders called, on May 6, 2021, to approve the financial statements for the financial year ended December 31, 2020. 2021 saw several changes in the composition of the Board and its specialized committees:

	Departures	Appointments	Renewals
Supervisory Board	General Meeting of May 6, 2021: - Jacques Pélissard - Mélanie Lamant - Daniel Lebègue Supervisory Board meeting of December 13, 2021: - Barbara Falk	General Meeting of February 4, 2021: - Sophie L'Hélias General Meeting of May 6, 2021: - Barbara Falk - Pia Imbs	General Meeting of May 6, 2021: - Sacha Briand - Victoire Aubry - Carol Sirou - Lars Andersson - François Drouin - Rollon Mouchel-Blaisot - Nicolas Fourt - Olivier Landel
Audit and Risk Committee			Supervisory Board meeting of May 6, 2021: - François Drouin (Chairperson) - Carol Sirou - Victoire Aubry - Olivier Landel
Appointments, Remuneration and Corporate Governance Committee (ARCGC)	General Meeting of May 6, 2021: - Daniel Lebègue - Jacques Pélissard	Supervisory Board meeting of May 6, 2021: - Carol Sirou - Olivier Landel - Sophie L'Hélias (as Chairperson)	Supervisory Board meeting of February 4, 2021, and renewal on May 6, 2021: - Sophie L'Hélias (as a member) Supervisory Board of May 6, 2021: - Rollon Mouchel-Blaisot
Strategy Committee	General Meeting of May 6, 2021: - Mélanie Lamant Supervisory Board meeting of December 13, 2021: - Barbara Falk	Supervisory Board meeting of May 6, 2021: - Barbara Falk	Supervisory Board meeting of May 6, 2021: - Lars Andersson (Chairperson) - Nicolas Fourt - Olivier Landel

The Supervisory Board of May 6, 2021, meeting at the end of the General Meeting of Shareholders of the same date, appointed Sacha Briand as Chairperson of the Supervisory Board and Pia Imbs as Vice-Chairperson of the Supervisory Board.

At its meeting of December 13, 2021, the Supervisory Board duly noted the resignation of Barbara Falk from her duties as member of the Supervisory Board and member of the Strategy Committee, with effect from November 29, 2021, and for personal reasons.

3.1.2. Rules applicable to the appointment of members of the Supervisory Board

Pursuant to the laws in force as included in Article 15.1.6 of the Company's Articles of Association, appointment of Supervisory Board members falls is the responsibility of the Ordinary General Meeting of Shareholders.

Pursuant to Article L. 225-78 of the French Commercial Code, the Company's Articles of Association further stipulate that if one or more members vacates their seat due to death or resignation, the Supervisory Board has the option to co-opt a new member in order to temporarily replace those members, and the appointment must be ratified by the next General Meeting following the appointment.

This procedure is also applicable in the event that the number of members on the Supervisory Board falls below the statutory minimum (eight [8] members), for the purpose of adding new members within three months of the date of the vacancy.

All applications for memberships on the Supervisory Board are reviewed, prior to their submission to the General Meeting of Shareholders, by the ARCGC of the Company, on the one hand, and by the ARCGC of Société Territoriale, on the other hand, pursuant to Article 15.2.1 of the Company's Articles of Association, so as to ensure compliance of the actual composition of the Supervisory Board with the statutory principles included in paragraph 3.1.1.

While taking into account the specificities of the AFL Group, the directors are appointed taking into account their skills and experience in relation to the activities of the Company and the AFL Group. This assessment is made on the basis of a skills analysis grid, both individually and considering the collective expertise of the Board. Appointments are approved by the supervisory authorities ("fit and proper" analysis).

3.1.3. Knowledge, skills, and experience of the Supervisory Board members

- Evaluation of the individual contribution of the Members of the Supervisory Board

The Company's ARCGC meeting of November 18, 2021 confirmed that, in view of the various profiles and professional careers detailed in the table above, all the members of the Supervisory Board have key areas of expertise with regard to the Company's activity, which enable it, as well as the AFL Group, to develop under the aegis of a high-quality Board.

As a result, the composition of the Supervisory Board and its committees meets the corporate governance requirements relating to the Company's activity by combining experts from the local public sector with independent professionals recognized for their professional skills in finance and management who serve or have served on independent public or private bodies, in France or abroad.

The coexistence within the Supervisory Board of skills and expertise in the banking sector, combined with a strong knowledge of the challenges of the local public sector and the functioning of local authorities, is considered essential by the members of the Supervisory Board interviewed in the context of the assessment of the Board.

Generally speaking, all the members of the Committee noted:

- the complementarity of their skills with those of the other members of the Board; and
- the usefulness of their skills and expertise in the implementation of the missions of the committees and boards.

In view of the renewal of the Board in May 2021, the ARCGC, meeting in November 2019, recommended promoting the recruitment of HR, change management and marketing profiles, complementary to the expertise already brought together on the Supervisory Board.

It is under these circumstances that:

- Sophie L'Hélias joined AFL as a member of the Supervisory Board and then Chairperson of its ARCGC, strengthening the Board's expertise in human resources but also governance and CSR within the Board;
- Pia Imbs joined AFL as a member and Vice-Chairperson of the Board, strengthening in particular the skills of the Supervisory Board in terms of CSR, finance and strategy of local authorities;
- Barbara Falk joined AFL as a member of the Supervisory Board and member of its Strategy Committee, strengthening the Board's expertise in local authority finance, governance and strategy.

The Company's ARCGC, meeting on November 19, 2020, recalled the main rules relating to the forthcoming appointment of Supervisory Board members:

- The Articles of Association provide that when the number of Supervisory Board members over the age of 70 represents more than one-third of the Board, the oldest member is automatically deemed to have resigned; and
- The rules of procedure of the Supervisory Board include the AFEP-MEDEF rule that beyond 12 years of service on the Board, the status of independent director is lost (it being specified that the loss of independent member status will only intervene at the end of the term of office during which it would have exceeded this period of 12 years).

At the same meeting of the Committee, it was also considered to have the principle recognized that no member of the Supervisory Board would be appointed or reappointed after their 75th birthday, and proposed to raise this subject for a decision by the next Supervisory Board.

It is under these circumstances that Jacques Pélissard and Daniel Lebègue did not request the renewal of their term of office, which expired on May 6, 2021.

On December 13, 2021, the Supervisory Board, on the advice of the ARCGC, expressed the wish to work on a skills matrix, to create a pool of candidates, and to prepare the succession plan for Board members.

- Training of Board members

In accordance with the AFL Group training plan, any new member of the AFL Supervisory Board and the AFL-ST Board of Directors benefits from training sessions on the regulatory and strategic issues to which the AFL Group is faced, as well as the governance principles governing the AFL Group and the Company.

- Situations of conflicts of interests:

The Code of Ethics for the members of the Supervisory Board approved by the Supervisory Board on September 21, 2017, updated on June 30, 2020 and annexed to the Supervisory Board's Internal Regulations details all of the rights and obligations incumbent upon the members of the Supervisory Board, both collectively and individually, particularly with regard to the management of conflicts of interest and the duty to warn.

The ARCGC conducts an annual review of the terms of office and other functions exercised by the members of the Supervisory Board outside the AFL Group in order to prevent the occurrence of conflicts of interest.

Since 2017, a member of the Supervisory Board, potentially affected by a possible conflict of interest situation, already organized the appropriate measures to deal with the situation, if necessary, and submitted a written commitment to that effect to the Chairperson of the ARCGC describing the organizational measures taken within his company. These measures were still in effect in the 2021 financial year.

In order to reaffirm the importance of addressing potential conflicts of interest within the AFL Group and following the publication of the Decree of February 25, 2021 amending the Decree of November 3, 2014 on internal control in credit institutions, the Supervisory Board of the Company and the Board of Directors of AFL-ST, at its meeting on March 28, 2022, on the favorable opinion of the ARCGC of the two companies, adopted a Conflict of Interest Management Policy.

During the 2021 financial year, no member of the Supervisory Board noted the occurrence of a potential conflict of interest as regards the exercise of his or her office at AFL, which the Company's ARCGC duly noted on February 23, 2022.

3.1.4. Independence of the members of the Supervisory Board

In accordance with Article 9.4 of the AFEP-MEDEF Code, the ARCGC discussed the independent director status of each member of the Board as part of its annual assessment of the functioning of the Supervisory Board.

Within the AFL Supervisory Board, the members representing AFL-ST and the local authorities, pursuant to Article 15.1.2 of the Company's Articles of Association, do not qualify as independent with regard to their involvement in the governance of the parent company and the capital links between the local authority from which they come and the AFL Group. The following are excluded from the classification of independent members, specifically for the AFL Group and in addition to the independence criteria set out in the AFEP-MEDEF Code:

- Any elected member or employee of an AFL Group shareholder (in accordance with Article 2.3 of the Supervisory Board's internal regulations), regardless of the percentage of share capital held;
- Supervisory Board member(s) appointed as experts with in-depth knowledge of local authority finance issues (Articles 15.1.2 and 15.3 of the Articles of Association).

In accordance with Article 15.1.4 of AFL's Articles of Association, the number of independent members of the Supervisory Board is strictly greater than the number of Supervisory Board members designated to represent local authorities.

ARCGC noted that all members qualified as independent at the time of their appointment to the Supervisory Board meet the independence criteria set out in the Supervisory Board's internal regulations and the AFEP-MEDEF Code. The table below summarizes the independence criteria for Supervisory Board members.

Independence criteria[1][2]	Sacha Briand	Pia Imbs	Rollon Mouchel-Blaisot	Olivier Landel
Independent member?	No	No	No	No
Criterion 1 – *Salaried Board director/Executive officer/director of the company or its parent company or the consolidated company in the five years preceding appointment*	X Sacha Briand is also Vice-Chairperson of the Board of Directors of AFL-ST.	X Pia Imbs is also Chairperson of the Board of Directors of AFL-ST.	X Until May 24, 2017, Rollon Mouchel-Blaisot served as Chairperson of the Board of Directors of AFL-ST.	X Olivier Landel holds the position of Chief Executive Officer of AFL-ST.
Criterion 2 – *Cross-directorships*	X See above	X See above	✓	X See above
Criterion 3 – *Significant business relationships*	✓	✓	✓	✓
Criterion 4 – *Family ties*	✓	✓	✓	✓
Criterion 5 – *Statutory Auditors*	✓	✓	✓	✓
Criterion 6 – *Term of office exceeding 12 years*	✓	✓	✓	✓
Criterion 7 – *Non-executive director status*	✓	✓	✓	✓
Criterion 8 – *Status of major shareholder*	X Sacha Briand serves as (i) Vice-Chairperson of the Toulouse Metropolitan Area, (ii) Deputy Mayor	X Pia Imbs serves as Chairperson of the Eurometropolis of Strasbourg, a shareholder of AFL-ST.	✓	✓

	of the city of Toulouse, (iii) Regional Councilor for the Occitanie Region, and (iv) Member of the Trade Union Committee of SM Tisséo Collectivity, shareholders of AFL-ST.			
Criterion specific to the AFL Group - / *Elected or employee of an AFL Group shareholder* (Article 2.3 of the Supervisory Board's internal regulations)	X	X	✓	✓
Criterion specific to the AFL Group – *Expert with a thorough knowledge of issues related to local government finance (Articles 15.1.3 and 15.1.2(e) of the Articles of Association)*	X	X	X	X

Independence criteria[(1)(2)]	Lars Andersson	Victoire Aubry	François Drouin	Nicolas Fourt	Sophie L'élias	Carol Sirou
Independent member?	Yes	Yes	Yes	Yes	Yes	Yes
Criterion 1 – *Salaried Board director/Executive officer/director of the company or its parent company or the consolidated*	✓	✓	✓	✓	✓	✓

company in the five years preceding appointment						
Criterion 2 – *Cross-directorships*	✓	✓	✓	✓	✓	✓
Criterion 3 – *Significant business relationships*	✓	✓	✓	✓	✓	✓
Criterion 4 – *Family ties*	✓	✓	✓	✓	✓	✓
Criterion 5 – *Statutory Auditors*	✓	✓	✓	✓	✓	✓
Criterion 6 – *Term of office exceeding 12 years*	✓	✓	✓	✓	✓	✓
Criterion 7 – *Non-executive director status*	✓	✓	✓	✓	✓	✓
Criterion 8 – *Status of major shareholder*	✓	✓	✓	✓	✓	✓
Criterion specific to the AFL Group - / *Elected or employee of an AFL Group shareholder* (Article 2.3 of the Supervisory Board's internal regulations)	✓	✓	✓	✓	✓	✓
Criterion specific to the AFL Group – *Expert with a thorough knowledge of issues related to local government finance (Articles 15.1.3 and 15.1.2(e) of the Articles of Association)*	✓	✓	✓	✓	✓	✓

[1] In the table above, ✔ represents an independence criterion that was met and X represents independence criterion that was not met.

[2] The independence criteria for directors set forth in Article 9.5 of the AFEP-MEDEF Code, on the basis of which the ARCGC analyzed it, are attached to this report.

3.1.5. Balanced composition of the Board and the committees, and objectives pursued

The requirement for women to be represented to the tune of 40% on the Supervisory Board, previously covered by the provisions of the AFEP-MEDEF Code, has been taken up by the provisions of Law No. 2016-1691 of December 9, 2016, so-called “Sapin 2 law”, and codified in Article L. 225-69-1, paragraph 1, of the French Commercial Code.

Moreover, the AFEP-MEDEF Code, to which the Company voluntarily adheres, was amended in January 2020. This revision includes, in particular, a new Article 7 on the gender balance policy within governing bodies. While the new provisions are applicable from the Annual General Meetings called to approve the financial statements opened on or after January 1, 2020, it is recommended that the Boards make their best efforts to publish targets in terms of female representation from 2020.

Although the Company does not strictly fall within the scope of this text, the ARCGC and the Company’s Supervisory Board reaffirmed, in December 2020, the objective of 40% female representation among the members of the Supervisory Board, while acknowledging that the Company enjoys a certain degree of flexibility in achieving this objective and in particular in the implementation schedule. Gender balance, and diversity in general, is an important part of the values held by the Company and the Agence France Locale Group.

At the end of the 2021 financial year, the Supervisory Board was composed of four women and six men, i.e. a proportion of 40% / 60%, marking a clear increase compared to that observed at the end of the previous financial year (i.e. 27% / 73%).

In addition, as part of the evaluation of the functioning of the Supervisory Board, the ARCGC and the Supervisory Board have set the objective of losing the status of independent director after 12 years in office, without however, including this provision in the Company’s Articles of Association.

This objective, combined with the rule of age limit and the objective of parity, which together constitute the Board’s renewal strategy, should naturally and de facto allow the renewal and staggering of the terms of office recommended by the AFEP-MEDEF Code.

In December 2021, the Company’s ARCGC and the Supervisory Board also examined the diversity policy within AFL’s management bodies (trajectory and obligation of resources). As a result of this policy, the Company undertakes to ensure that at least one member of each gender is represented on the Company’s Management Board. As at December 31, 2021, the Management Board is currently composed of one woman and two men.

In addition, it emerges from this policy that the Company intends to set a target for its internal executive bodies of a target of 40% of members belonging to the same gender. The ARCGC and the Supervisory Board considered that this was a realistic and pragmatic approach for the Company.

3.1.6. Conditions for preparing and organizing the Board’s work

- Overview of the duties of the Supervisory Board:

The Supervisory Board exercises permanent control over the management of the Company by the Management Board. At any time of the year, it shall perform the checks and controls it deems appropriate and may be given such documents as it deems necessary for the accomplishment of its mission. The operation of the Supervisory Board is governed by the Company's Articles of Association and specific internal regulations, a new amended version of which was adopted by the Supervisory Board on June 30, 2020.

In addition, in compliance with Article 15.8 of the Company's Articles of Association, the following decisions cannot be taken by the Management Board without the prior authorization of the Supervisory Board:

- transfers of immovable assets, total or partial transfers of shareholdings and establishments of security interests;

- decisions relating to the Company's major strategic, economic, financial or technological policies and the definition of its annual financing policy;

- the strategic plan and the decisions relating in particular to the launching of new activities, acquisitions of companies, entry into any alliance or partnership, transfers of assets (including universal transfers of assets) of a significant amount and, more generally, any significant investment or disinvestment;

- decisions relating to the granting of options to subscribe for or purchase shares or equivalent securities to Board directors and/or executives as well as the allocation of free shares;

- decisions relating to financing that may substantially alter the financial structure of the Company and were not considered when the annual financing policy was defined;

- the draft resolutions to be submitted to the Shareholders' Meeting pursuant to Article L. 228-92 of the French Commercial Code relating to the issue of securities, whether or not they grant access to share capital and/or voting rights, and the establishment of terms and conditions for the issue of said securities; and

- proposed dividend distributions and similar transactions.

- <u>Organization of the meetings:</u>

The procedures for organizing meetings of the Supervisory Board and its specialized committees are determined by the Articles of Association and the Internal Regulations of the Supervisory Board.

However, in the context of the health crisis, for the period between March 26, 2020 and September 2021, these meetings were held by video-conference, in accordance with the regulations[16].

The Supervisory Board meets at least once a quarter. It deliberates on the agenda covering all matters that must be submitted to it by law, regulations and the Articles of Association.

Depending on the issues included on the agenda, the Chairperson of the Supervisory Board may decide, on a proposal from a member of the Supervisory Board, to invite any person he or she considers useful, whether or not the said person is an employee of the Company, to present information or contribute to the discussions leading up to the deliberations. The

[16] Order No. 2020-321 of March 25, 2020, as amended and Decree No. 2020-418 of April 10, 2020, as amended This order and this decree were applicable until September 30, 2021, following their extension by Law No. 2021-689 of May 31, 2021 on the management of the end of the health crisis and Decree No. 2021-987 of July 28, 2021.

Statutory Auditors are invited to all meetings of the Supervisory Boards during which the annual or interim financial statements are examined.

The Supervisory Board is convened by the Chairperson of the Supervisory Board or, if the Chairperson, is unable to do so, by the Vice-Chairperson, if there is one. Meetings of the Supervisory Board may be called using any means of communication. The notice period for calling a meeting is eight calendar days, which may be shortened in event of a duly justified emergency. The Supervisory Board may validly deliberate in the absence of notice if all its members are present, deemed present or represented.

Barring any emergency, the members of the Supervisory Board shall receive the agenda of the Supervisory Board meeting together with the items necessary for their reflection that enable them to make an informed decision on the matters on the agenda.

Since the end of 2019, the AFL Group has adopted a new method of communication with the members of its bodies. In order to further secure the circulation of documents supporting agendas that contain sensitive information, these are made available to the members of the body concerned on a dedicated storage space, kept on the AFL Group's own secure internal site. Notices to meetings of committees and boards continue to be sent with their agendas by email and include an access link to this storage space, equipped with a secure authentication system and to which the members of the body have exclusive access.

This development has a triple advantage:

- Securing the transmission of data, which is preserved with a high level of security and transits in encrypted mode;
- Permanent access to this data, now centralized in a single space;
- Participation in the CSR approach: zero paper, reduction of storage space, reduction of email exchanges.

Supervisory Board members have the option of having another Supervisory Board member represent them at Supervisory Board meetings, except for Supervisory Board meetings called for the purpose of approving the annual financial statements.

Each Supervisory Board member can represent only one other member at a meeting of the Supervisory Board.

Each year, Supervisory Board members may be represented at most:

- At two Supervisory Board meetings, or
- At two Committee meetings, or
- At one Supervisory Board meeting and one Committee meeting.

Beyond that, the legally valid representation of the members of the Supervisory Board is not taken into account for the allocation of compensation.

In addition, each Supervisory Board member must be provided with any documents they deem useful or necessary for the performance of their duties. The obligation to obtain information befalling the members of the Supervisory Board means that they also have the right to obtain the information requested.

All participants in meetings of the Supervisory Board are bound by an obligation of confidentiality and discretion with regard to the information communicated or received at those meetings.

- Summary of the Board's activities during the past financial year:

In addition to the points and decisions pertaining to its legal prerogatives, especially as regards the review of the annual and half-year financial statements, the Supervisory Board discussed all of the major actions undertaken in 2021, both internally (organization, compensation, objectives, etc.) and externally (bond issues, financial policy, etc.).

The Supervisory Board, which met six times in 2021, adopted the following points in particular:

- Debt programs:
  - Approval of the borrowing program for the 2022 financial year and opinion on the setting of a ceiling for the issuance budget for the 2022 financial year under the EMTN and ECP programs, within the double limit of the ceilings of ST programs and Guarantee;

- Budget and financial and commercial outlook:
  - Approval of the Company's business plan including the impact of the modification of the ICC rescheduling rules;
  - Review of the prospective outcomes as of December 31, 2021;
  - Approval of the provisional budget drawn up for Agence France Locale for the 2022 financial year;
  - Review of the membership development strategy;
  - Review of share capital plans;
  - Opinion on the modification of the value of the indicators referred to in Article 7.4.6 of the Articles of Association of Agence France Locale - Société Territoriale, making it possible to determine the amounts of the First Payment and the annual share of the capital contribution initial (ICC) applicable to all Local authorities paying an ICC of less than €12 million;
  - Opinion on the proposed annual *k*-factor to be submitted to the Board of Directors of Agence France Locale - Société Territoriale;

- Financial policies:
  - Validation of the liquidity policy;
  - Validation of the interest rate and foreign exchange risk hedging policy;
  - Validation of the investment policy and credit risk management related to market activities;
  - Validation of the Company's loan granting policy;
  - Validation of the loan granting policy;
  - Validation of the financial strategy and risk appetite; validation of the update of the global risk mapping;
  - Responsible refinancing policy and source of funds;

- Compensation policies:
  - Review of the amount of fixed and variable compensation granted to members of the Management Board for the 2020 financial year;
  - Review of the compensation packages allocated for the 2020 financial year to Agence France Locale's employees, specifically those qualified as "risk-takers";
  - Approval of the compensation policy of Agence France Locale for the 2021 financial year, including the professional and equal pay policy;
  - Establishment of quantitative and/or qualitative annual targets to be taken into account when determining 2021 variable compensation;
  - Review of the Company's professional gender equality policy;

- Breakdown of the total amount of compensation allocated by the General Meeting to the members of the Supervisory Board for the financial year ended December 31, 2020 and opinion on the principle of compensation allocation for the 2021 financial year;
- Approval of the terms of the profit-sharing agreement and update on the underlying EIP;
- Review of the system for making environmentally responsible vehicles available on the advice of the Appointments, Remuneration and Corporate Governance Committee and the Audit and Risk Committee;

▪ Regulated agreements:
  - As part of the closing of the financial year ended December 31, 2021, an annual review of previously closed regulated agreements still in force in 2021, prior to their submission for review by the General Meeting of Shareholders, it being specified that the agreements exclusively entered into between the Company and Société Territoriale pursuant to Article L. 225-87 of the French Commercial Code are excluded from the scope of the control system;

▪ Internal control and risk monitoring:
  - Review of the activities and results of internal control, risk management and monitoring (twice during the financial year); validation of the updated non-financial risk mapping;
  - Review of the price of products and services referred to in Article L. 511-94 of the French Monetary and Financial Code:
  - Review of the control of the implementation of the risk culture;
  - Annual review of outsourcing arrangement, and review of steps taken to control outsourced activities;
  - Review of the procedure for significant incidents;
  - Review of the liquidity situation (twice during the financial year);
  - Review of the Internal Control Charter;
  - Review of the Annual Report on Internal Control (ARIC);
  - Review of the Annual Report on Internal Control dedicated to AML-CFT;
  - Review of the Emergency Liquidity Restoration Plan (ELRP);
  - Review of the Preventive Recovery Plan (PRP) 2020 and 2021;

▪ Periodic control activities:
  - Half-yearly information from the Supervisory Board on the periodic control activities (recommendations, implementation of corrective measures and monitoring of the implementation of these measures);
  - Approval of an annual exchange process between the Audit and Risk Committee and the PwC service provider;
  - Approval of the periodic audit plan for the 2022 financial year;
  - Information on the appointment of the person responsible for permanent control and the person responsible for periodic control of the fight against money laundering and the financing of terrorism;
  - Definition of the policy governing the system for combating money laundering and the financing of terrorism, freezing assets and prohibiting the provision or use of funds or economic resources;

▪ Governance:
  - Information on candidates, appointments and reappointments to the Supervisory Board;

- Appointment of Sacha Briand as Chairperson of the Supervisory Board, and Pia Imbs as Vice-Chairperson of the Supervisory Board;
- Establishment of the composition of the specialized committees following the General Meeting of Shareholders of May 6, 2021;
- Information on the change of signatory partner at Cailliau, Dedouit & Associés;
- Presentation of the stakeholder mapping;
- Evaluation of the collective functioning of the Supervisory Board and its committees, as well as the experience and skills of the members of the Supervisory Board, on an individual basis;
- Approval of the corporate governance report for the 2021 financial year;

▪ Strategy:
  - Follow-up to the strategic seminar of the two Board meetings of December 2020, statement of financial position and action plan;
  - Study of the modification of the rescheduling rules of ICCs;
  - Communication strategy;
  - CSR strategy and communication;
  - Definition of AFL values;
  - Analysis of the status of a public development lending institution;
  - Quarterly update on membership development;
  - Half-yearly analysis of market share and equity capital consumption;
  - Preparation of the strategic seminar of the two Boards (initially scheduled for December 2021, but postponed);
  - Study of strategic projects.

In accordance with the applicable regulations and the provisions of the Supervisory Board's Internal Regulations, the members of the Supervisory Board have been duly informed of the work and recommendations of the specialized committees and the Statutory Auditors.

The minutes of the meetings of the Supervisory Board were approved at the following meeting. Such approval confirmed the faithful transcription of the contents of the minutes.

3.2.The specialized committees of the Supervisory Board

The Supervisory Board has delegated authority to three specialized committees whose mission is to provide thorough analysis and reflection prior to the discussions of the Supervisory Board and to assist in the preparation of decisions of the Supervisory Board.

The committees have no decision-making power, and the opinions, proposals or recommendations that the committees submit to the Supervisory Board are not in any way binding on the Supervisory Board in making its final decision.

3.2.1. The Audit and Risk Committee

a) Composition of the Audit and Risk Committee

The Supervisory Board meeting of May 6, 2021 renewed the term of office of all members of the Audit and Risk Committee.

The Audit and Risk Committee is chaired by François Drouin.

As of December 31, 2021, the other members were Victoire Aubry, Olivier Landel and Carol Sirou.

b) Conditions for preparing and organizing the Committee's work

- Overview of the missions of the Committee and organization of the meetings

The main mission of the Audit and Risk Committee is:

(i) to oversee the preparation and dissemination process for accounting and financial information, assess the relevance and permanence of the accounting policies and principles adopted for the preparation of the annual and interim financial statements;
(ii) to verify the effectiveness of the internal control and risk management procedures;
(iii) to ensure by any means the quality of the financial, accounting or risk management information provided to the Supervisory Board; and
(iv) to give the committee its assessment of the work performed by the Statutory Auditors and its opinion on the renewal of their terms of office.

The internal regulations of the Supervisory Board precisely define its operations and its tasks.

The Audit and Risk Committee reports regularly to the Supervisory Board on the performance of its duties and informs it without delay of any difficulties encountered. Such reports shall be inserted either in the minutes of the relevant meetings of the Supervisory Board, or appear in an appendix to the minutes.

The entry into force of the audit reform on June 17, 2016 entails an expansion of the scope of the audit missions of the Audit and Risk Committee.

In this regard, the Committee has put in place a Charter that sets out the rules for the approval, delegation and monitoring of the services that may be entrusted to the Statutory Auditors and their networks, specifically with regard to services not related to the certification of the financial statements.

In order to carry out its mission, the Audit and Risk Committee has at its disposal all the resources made available to it under the Internal Regulations of the Supervisory Board.

The Audit and Risk Committee meets at least twice a year to review the annual and half-year financial statements, and as often as the Company's interests require.

- Summary of the work of the Audit and Risk Committee during the past financial year

During the 2021 financial year, the Audit and Risk Committee met four times. Its work focused on:

- Review of the annual and interim separate financial statements, prepared in accordance with French GAAP and IFRS;
- Review of the Company's management report for the financial year ended December 31, 2020;
- Review of the work of the Statutory Auditors and their independence;
- Approval of all services provided or likely to be provided by the Statutory Auditors for the 2022 financial year (audit charter);
- Opinion on the Company's 2022 borrowing program;
- Review of prospective outcomes for 2021 and the provisional budget for 2022;
- Review of the business plan and impact of the modification of the ICC rescheduling rules;
- Opinion on the proposed annual review of the *k*-factor;
- Review of the Company's compensation policy;

- Review of the financial and risk appetite strategy;
- Validation of the update of the global risk mapping;
- Review of financial policies;
    - investment and credit risk management policy for market activities,
    - liquidity policy,
    - interest rate and foreign exchange risk hedging policy,
    - credit policy,
    - rating policy;
- Annual review of outsourcing arrangement, and review of steps taken to control outsourced activities;
- Review of the Emergency Liquidity Restoration Plan (ELRP);
- Review of the Preventive Recovery Plan (PRP) 2020 and 2021;
- Review of the Internal Control Charter;
- Review of risk monitoring; review of the updated non-financial risk mapping;
- Review of liquidity situation monitoring;
- Review of the Company's internal control activity;
- Review of periodic control tasks;
- Review of the audit plan for the 2022 financial year;
- Opinion on the modification of the value of the indicators referred to in Article 7.4.6 of the Articles of Association of Agence France Locale - Société Territoriale, making it possible to determine the amounts of the First Payment and the annual share of the capital contribution initial (ACI) applicable to all Local Authorities paying an ACI of less than €12 million;
- Hearing of the PwC service provider and validation of an annual exchange process;
- Review of the Annual Report on Internal Control (ARIC);
- Review of the Annual Report on Internal Control dedicated to AML-CFT;
- Information on the appointment of the person responsible for permanent control and the person responsible for periodic control of AML-FT;
- Review of the policy governing the fight against money laundering and the financing of terrorism and the freezing of assets and prohibition of the provision or use of funds or economic resources;
- Strategic project study;
- Opinion on the system for the provision of eco-responsible vehicles.

3.2.2. The Appointments, Remuneration and Corporate Governance Committee (*ARCGC*)

a) Composition

The terms of office of Daniel Lebègue and Jacques Pélissard as members of the Supervisory Board ended at the end of the General Meeting of May 6, 2021, which *de facto* led to the loss of their status as members of the ARCGC.

On February 4, 2021, the Supervisory Board appointed Sophie L'Hélias as a member of the ARCGC.

The Supervisory Board of May 6, 2021:

- appointed Sophie L'Hélias as Chairperson of the ARCGC,
- reappointed Rollon Mouchel-Blaisot as a member of the ARCGC,
- appointed Carol Sirou and Olivier Landel as members of the ARCGC.

b) Conditions for preparing and organizing the Committee's work

- Overview of the missions of the Committee and organization of the meetings

The ARCGC's primary mission is:

(i) to examine any candidacy for the position of Supervisory Board member and the composition of the Board and its committees;

(ii) to make recommendations on the appointment or succession of executive directors;

(iii) to ensure compliance with the rules of governance and the proper functioning of the corporate bodies, in particular by conducting an annual review of the functioning of the Supervisory Board and its Committees, and by presenting the results of this assessment with the proposal of any areas for improvement;

(iv) to assess the collective competence, and ensure the experience and individual skills of the members of the Supervisory Board, guaranteeing the collective functioning of the Board, and discuss annually the qualification of "independent" member; and

(v) to annually review the Company's compensation policy, and formulate an opinion in particular on the compensation and performance objectives allocated to Board directors and risk-takers.

The Internal Regulations of the Supervisory Board precisely define the functioning and missions of the ARCGC.

In order to carry out its mission, the ARCGC has at its disposal all the resources made available to it under the Internal Regulations of the Supervisory Board.

- Summary of the Committee's activities during the past financial year

In 2021, ARCGC met three times. Its work focused on, in particular:

- Approval of the Agence France Locale compensation policy for the 2021 financial year;
- Review of the quantitative and/or qualitative annual targets to be taken into account when determining the variable compensation for the Management Board for the 2021 financial year;
- Review of the fixed and variable compensation of the members of the Management Board;
- Information on compensation packages for the past financial year for Agence France Locale employees, and more specifically employees qualified as "risk takers";
- Review of the proposal for the allocation of compensation to each of the members of the Supervisory Board for the 2020 financial year, and opinion on the principle of compensation allocation for the current financial year;
- Review of the corporate governance report prepared for the 2020 financial year;
- Opinion on the renewal of the terms of office of Supervisory Board members;
- Examination of the candidacies of Barbara Falk and Pia Imbs for the positions of Supervisory Board member;
- Review of the profit-sharing agreement and update on the underlying EIP;
- Feedback on the self-assessment questionnaire on the collective functioning of the Supervisory Board and the individual contributions of the members completed by the members of the Board;
- Review of the collective functioning of the Supervisory Board and its committees, as

well as the experience, skills and independence of individual Board members.
- Review of gender representation on the Company's Supervisory Board;
- Review of the diversity policy within the governing bodies (trajectories and obligations of resources);
- Opinion on the system for making eco-responsible vehicles available and review of the specific case of employees of the Management Board.

3.2.3. The Strategy Committee

a) Composition

The Strategy Committee is chaired by Lars Andersson. Its other members are Olivier Landel and Nicolas Fourt.

The term of office of Mélanie Lamant as a member of the Supervisory Board ended at the end of the General Meeting of Shareholders of May 6, 2021, and *de facto* resulted in the loss of her status as a member of the Strategy Committee.

The Supervisory Board of May 6, 2021:

- renewed the term of office of Lars Andersson as Chairperson of the Committee,
- reappointed Nicolas Fourt and Olivier Landel as members of the Committee,
- appointed Barbara Falk as a member of the Committee.

Barbara Falk resigned from her duties as a member of the Supervisory Board and member of the Strategy Committee with effect from November 29, 2021.

b) Conditions for preparing and organizing the Committee's work

- Overview of the missions of the Committee and organization of the meetings

The Strategy Committee meets as many times as its members deem necessary. During the 2019 financial year, it was decided by the Chairperson of the Committee that it would systematically meet before the quarterly Supervisory Board meeting.

The Strategy Committee reviews and monitors the completion of the Company's strategic plan, projects and strategic operations. As such, it expresses its opinion on:

- the main strategic policies of the Company (including the medium-term business plan);
- the Company's development policy;
- major financing and refinancing projects or programs which may be carried out by the Company.

The Strategy Committee also considers and examines draft strategic agreements and partnerships and, more generally, any significant project whatsoever the nature thereof. The assessment of the significance of a project presented by the Company's management is the responsibility of the Chairperson of the Strategy Committee, who in making his decision, relies in particular on the amount of commitments linked to the project in question.

In general, the Strategy Committee gives its opinion on any other strategic issue referred to it by the Supervisory Board.

In order to carry out its mission, the Strategy Committee has at its disposal all the resources made available to it under the Internal Regulations of the Supervisory Board.

- Summary of the Committee's activities during the past financial year

During the 2021 financial year, the Strategy Committee met four times. It also held several informal meetings in November and December 2021 to prepare for the strategic seminar, bringing together for the first time since the creation of the AFL Group, all members of the Company's Supervisory Board and of the Board of Directors of AFL-ST. The strategic seminar initially scheduled for December 13, 2021 was postponed to April 4, 2022 due to health conditions.

The Strategy Committee regularly examines certain major themes to define the AFL Group's strategy, including:

- changes in the regulatory and competitive environment;
- changes in the situation of French local authorities with regard to loans and AFL's market share;
- the membership development strategy and partnerships;
- as well as, since 2021, the communication strategy.

The Strategy Committee also focuses its discussions on the themes it identifies as representative of the major strategic challenges for the AFL Group, namely, for the past financial year:

- CSR strategy and communication;
- Validation of the Company's loan granting policy;
- Strategic projects.

In addition, the Strategy Committee continued its process of inviting third parties of interest for the development of AFL (begun at the end of 2020), in order to enrich the discussions carried out by the AFL Group as a development bank, by inviting:

- Yves Le Breton, Chief Executive Officer of the National Agency for Cohesion and Territories (ANCT);
- Emma Chenillat, Finance and Local Taxation, Housing and Urban Planning Advisor at the Association des Petites Villes de France (APVF).

3.2.4. Members' attendance at Supervisory Board and Specialized committee meetings: participation in meetings of the members of the Supervisory Board and its specialized committees in the course of the 2021 financial year

All the Supervisory Board and Committee meetings met the conditions required by the articles of association in terms of quorum and majority, upon first notice.

The table below presents attendance of the members of the Board and Specialized Committees at meetings, based on the attendance sheets signed at the meeting entrance.

In the context of the health crisis, for the period between March 26, 2020 and September 2021, all meetings of the Board and its committees were held by video-conference, in accordance with the regulations.

	Supervisory Board		Audit and Risk Committee		Appointments, Remuneration and Corporate Governance Committee (ARCGC)		Strategy Committee		
	Number of meetings in 2021	Actual attendance	Number of meetings in 2021	Actual attendance	Number of meetings in 2021	Actual attendance	Number of meetings in 2021	Actual attendance	*Individual attendance rate*
S. Briand	6	6	N/A	N/A	N/A	N/A	N/A	N/A	*100%*
J. Pélissard	2*	2	N/A	N/A	2*	1	N/A	N/A	*75%*
P. Imbs	4**	3 (including 2 proxies)	N/A	N/A	N/A	N/A	N/A	N/A	*75%*
R. Mouchel-Blaisot	6	6	N/A	N/A	3	3	N/A	N/A	*100%*
O. Landel	6	6	4	4	1***	1	4	4	*100%*
L. Andersson	6	6	N/A	N/A	N/A	N/A	4	4	*100%*
V. Aubry-Berrurier	6	6 (including 1 proxy)	4	4	N/A	N/A	N/A	N/A	*100%*
F. Drouin	6	6	4	4	N/A	N/A	N/A	N/A	*100%*
N. Fourt	6	6	N/A	N/A	N/A	N/A	4	4	*100%*
S. L'Hélias	6	6	N/A	N/A	3	3	N/A	N/A	*100%*
B. Falk	4**	4	N/A	N/A	N/A	N/A	3***	3	*100%*
M. Lamant	2*	0	N/A	N/A	N/A	N/A	1*	0	*0%*

D. Lebègue	2*	2	N/A	N/A	2*	2	N/A	N/A	*100%*
C. Sirou	6	6	4	4	1***	1	N/A	N/A	*100%*
	Average member attendance rate at Board meetings	91%	Average member attendance rate at ARC meetings	100%	Average member attendance rate at ARCGC meetings	91%	Average member attendance rate at Strategy Committee meetings	80%	

* Directors whose terms of office expired at the end of the General Meeting of Shareholders of May 6, 2021.

** Women directors appointed by the General Meeting of Shareholders of May 6, 2021.

*** Directors appointed to specialized committees by the Supervisory Board on May 6, 2021.

3.3. The Management Board

a) Composition

On March 26, 2020, the Supervisory Board approved the renewal of the terms of office of the members of the Management Board for a period of six (6) years.

The composition of the members of the Management Board remained unchanged during the financial year ended December 31, 2021.

The Management Board of AFL is composed of the following persons:

Name, First name Date and place of birth, Nationality	*Functions exercised, Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Areas of expertise/Experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
Yves Millardet Born on August 24, 1964 in Vannes French nationality	Chairperson of the Management Board 112 rue Garibaldi, 69006 Lyon	Appointed by the Supervisory Board on December 17, 2013 Renewal by the Supervisory Board on March 26, 2020	None – see Point 1 of this report	Deputy Chief Executive Officer of AFL-ST	Since 2021: - Manager of SCI 3 beach - Manager of SCI 13 Koz-Ker Since 2020: Permanent representative of Agence France Locale, member of the Bureau of the Board of Directors of OCBF		2007-2013: Senior Banker, Natixis 2001-2007: Senior Banker, ABN AMRO 1996-2001: Originator, Caisse des Dépôts et Consignations 1993-1996: Consultant, FCL Group 1989-1992: Consultant, Cailliau Dedouit & Associés

Name, First name Date and place of birth, Nationality	*Functions exercised, Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Areas of expertise/Experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
		Term of office expires at the end of the General Meeting of Shareholders called on to approve the financial year ended December 31, 2025					
Thiébaut Julin Born on September 16, 1961 in Mulhouse French nationality	Member of the Management Board Chief Executive Officer Chief Financial Officer	Appointed by the Supervisory Board on March 25, 2014 Renewal by the Supervisory Board on March 26, 2020	None – see Point 1 of this report	-			2005 - 2014: Senior Banker, Natixis 1998-2005: Head of Resources, African Development Bank 1992-1997: Manager, Daiwa

Name, First name Date and place of birth, Nationality	*Functions exercised, Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Areas of expertise/Experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
	112 rue Garibaldi, 69006 Lyon	Term of office expires at the end of the General Meeting of Shareholders held for the financial year ended December 31, 2025					
Ariane Chazel Born on March 16, 1970 in Paris 15 French nationality	Member of the Management Board Head of Commitments and Risks 112 rue Garibaldi, 69006 Lyon	Appointed by the Supervisory Board on June 5, 2014 Renewal by the Supervisory Board on March 26, 2020	None – see Point 1 of this report	-	Since 2020: Alternate permanent representative of Agence France Locale, member of the Bureau of the Board of Directors of the OCBF Since 2021: member of the Board of Directors of the X-finance association	2019-2021: Chairperson of the Board of Directors of the X-Finance association	2013-2014: Head of Valuation of Rare Resources, BGC, Natixis 2009-2013: CIB strategy, Natixis 2002-2009: Fund structuring, Natixis 1997-2001: Financial engineering, Groupe La Poste

Name, First name Date and place of birth, Nationality	*Functions exercised, Professional address*	*Date of first appointment and date of expiration of term*	*Number of shares held in the capital of the Company*	*Offices and positions held within the Group since its incorporation*	*Offices and positions held outside the Group*		*Areas of expertise/Experience*
					Offices currently held	*Offices whose terms have expired in the last five years*	
		Term of office expires at the end of the General Meeting called to approve the financial statements for the financial year ended December 31, 2025					

b) Powers of the Management Board

The members of the Management Board collectively manage the Company.

The Management Board is vested with the most extensive powers to act in all circumstances on the Company's behalf, within the limit of the corporate purpose and subject to the powers expressly allocated by law and by the Company's Articles of Association to the Supervisory Board and the General Meeting of Shareholders.

The Management Board meets at least once a month, and in any event as many times as the interests of the Company require.

4. Compensation

The components of compensation and the criteria by which they are set are presented to the Company's ARCGC and Supervisory Board in accordance with the applicable provisions of the French Monetary and Financial Code.

In the extension of its reform stemming from the PACTE Law effective May 23, 2019 as well as the ordinance and decree of November 27, 2019, the "Say on Pay" legal requirement no longer applies to AFL in that it now pertains only to companies whose stock is traded on a regulated market.

Following the recommendations of the AFEP-MEDEF Code to which the Company adheres, the shareholders are nonetheless consulted in the form of a binding vote regarding the individual compensation of executive directors.

4.1. Members of the Supervisory Board and the Specialized committees

4.1.1. Compensation payment principles and terms

In accordance with applicable legal provisions, the members of the Supervisory Board may receive compensation for the exercise of their corporate mandate, the amount of which is set by the General Meeting of Shareholders. It is the responsibility of the Supervisory Board to allocate this sum among the members on the advice of the Company's ARCGC.

The AFL Combined General Meeting of May 6, 2021 set the annual maximum amount of compensation to be distributed among the members of the Supervisory Board at €220,000 (two hundred and twenty thousand euros) for the 2021 financial year.

The rules applicable to the allocation of the compensation to the members of the Supervisory Board are defined in Article 12 of the Supervisory Board's Internal Regulations.

In consideration of the specific nature of their functions on the Supervisory Board, the following members of the Board receive different compensation:

- The Chairperson of the Supervisory Board;
- The Chairpersons of the Specialized committees of the Supervisory Board;
  The members of the Board who are also members of a Specialized committee.

As noted in Point 3.1.6 in this report, the members of the Supervisory Board may arrange to be represented no more than the following number of times annually:

- At two meetings of the Supervisory Board, **or**
- At two Committee meetings, **or**
- At one Supervisory Board meeting and one Committee meeting, with the exception of the sessions regarding the review of the annual financial statements.

Beyond that, the representation of the members of the Supervisory Board, if it is legally valid for the calculation of the quorum and majority, is not taken into account for the allocation of the compensation paid.

Notwithstanding the foregoing, in view of the legal regime governing incompatibilities applicable to holders of national elective offices, compensation may under no circumstances be awarded to members of the Supervisory Board who also hold national elective offices. In this respect, neither Sacha Briand nor Pia Imbs receives compensation for the performance of their mandates on the AFL Supervisory Board.

As regards Jacques Pélissard, in accordance with the rules set out above, he became eligible for compensation in July 2020 for the exercise of his office on the Supervisory Board of AFL.

Having regard to her duties as Chief Executive Officer of the EPT Plaine Commune, Member of the AFL Group, which she held from 2019 to November 2020, then her duties as Director of Strategy and support for stakeholders in the Agence Nationale de Rénovation Urbaine, since November 2020, Mélanie Lamant has decided to apply this provision voluntarily, for the entire duration of her term of office during the 2021 financial year.

In view of the duties of Chief Executive Officer of Metz Métropole, which she has held since 2019, Barbara Falk has decided to apply this provision on a voluntary basis, for the entire duration of her term of office during the 2021 financial year.

Since Olivier Landel, in his capacity as Chief Executive Officer of AFL-ST, receives a gross annual compensation of €50,000 pursuant to his contract of appointment, he does not receive compensation for his duties on the Supervisory Board of the Company.

No variable compensation or benefits in kind were paid to Olivier Landel for his duties at the AFL Group during the 2021 financial year.

The allocation of the total annual amount of the compensation allocated to members of the Supervisory Board shall be set in accordance with the following procedures:

(i) For the Chairperson of the Supervisory Board:

- A fixed portion of an amount of €10,000 p.a., except in the event of excessive absenteeism, to which is added;

A variable portion capped at €20,000 p.a. (attributed based on attendance).

It is noted that during the 2021 financial year, the office of Chairperson of the Supervisory Board was held by Sacha Briand, who was not eligible for compensation given the incompatibilities.

The following compensation is calculated pro rata to the duration of the term of office for the 2021 financial year:

(ii) For the Chairpersons of the Audit and Risk Committee, the Appointments, Remuneration and Corporate Governance Committee and the Strategy Committee:

- A fixed portion of an amount of €5,000 p.a., except in the event of excessive absenteeism, to which is added;

- A variable portion capped at €20,000 p.a. (attributed based on attendance).

(iii) For the members of the Supervisory Board and the members of the specialized committees:

- A fixed portion of an amount of €5,000, except in the event of excessive absenteeism, to which is added;

- A variable portion capped at €10,000 p.a., except in the event of excessive absenteeism, to which is added;

- An additional maximum of €5,000 p.a. for the members of the specialized committees, based on their actual participation.

Furthermore, the Company has not granted any retirement commitments or other life annuity benefits to the members of the Supervisory Board, and has not entered into any agreement providing compensation for Supervisory Board members whose terms of office are ending, for any reason whatsoever.

4.1.2. Amount of compensation allocated

In accordance with the provisions of Article L. 225-83 of the French Commercial Code, the Supervisory Board approved on March 28, 2022, the following compensation allocated to the members of the Supervisory Board, within the limit of the total amount of €220,000 approved by the General Meeting of Shareholders of May 6, 2021.

	Amount (€)			
Members of the Supervisory Board	2021 Fixed (in €)	2021 Variable (in €)	**2021 Total** (in €)	**2020 Total – paid in 2021** (in €)
S. Briand - Chairperson of the Supervisory Board (Since 05/06/2021)	-	-	-	-
P. Imbs - Vice-Chairperson of the Supervisory Board (Since 05/06/2021)	-	-	-	-
J. Pélissard - Vice-Chairperson of the Supervisory Board - Member of ARCGC (both terms until 05/06/2021)	1,667 *[5,000/6*2]*	3,334 [10,000/6*2]+ 1,667 [5.000/3*1] for membership in a Specialized committee	6,668	10,834
L. Andersson - Chairperson of the Strategy Committee	5,000	20,000	25,000	25,000
V. Aubry - Member of the Audit and Risk Committee	5,000	10,000+5,000 for membership in a Specialized committee	20,000	20,000
F. Drouin - Chairperson of the Audit and Risk Committee	5,000	20,000	25,000	25,000
N. Fourt - Member of the Strategy Committee	5,000	10,000+5,000 for membership in a Specialized committee	20,000	20,000
M. Lamant - Member of the Strategy Committee (until 05/06/2021)	-	-	-	-
B. Falk- Member of the Strategy Committee (since 05/06/2021)	-	-	-	-
O. Landel - Member of the Audit and Risk Committee and of the Strategy Committee - Member of the ARCGC since 05/06/2021	-	-	-	-
D. Lebègue - Chairperson of the ARCGC (until 05/06/2021)	1,667 [5,000/6*2]	13,334 [20,000/3*2]	15,001	25,000

S. L'Hélias (since 02/04/2021) - Chairperson of the ARCGC (since 05/06/2021)	5,000	For the period from 01/01/21 to 05/06/2021: 3,334 [10,000/6*2] (as a member of the Supervisory Board) and +3,334 [5,000/3*2] as a member of the ARCGC For the period from 05/06/2021 to 12/31/21: 6,667 [20,000/3*1] in her capacity as Chairperson of the ARCGC	18,335	-
R. Mouchel Blaisot - Member of the ARCGC	5,000	10,000+5,000 for membership in a Specialized committee	20,000	20,000
C. Sirou - Member of the Audit and Risk Committee - Member of the ARCGC (since 05/06/2021)	5,000	10,000+5,000 as a member of the RAC + 1,667 (5,000/3*1) as a member of ARCGC	21,667	20,000
Total	**38,334**	**133,337**	**171,671**	**165,834**

4.2. Management Board

Summary table – Procedures for exercising the functions of member of the Management Board and components of compensation

On March 26, 2020, the Supervisory Board approved the renewal of the terms of office of the members of the Management Board for a period of six (6) years. The term of office of the members will end, in accordance with the provisions of the Articles of Association, at the end of the Ordinary General Meeting called to approve the financial statements for the 2025 financial year and held in 2026.

	Yves Millardet, Chairperson of the Management Board Date of start of term of office: January 6, 2014 Term of office ends: General Meeting in 2026 to approve the financial statements for the 2025 financial year	
Employment contract	No	Yves Millardet performs his duties under a mandate contract whose terms were approved by the ARCGC and the Supervisory Board of the Company.
Supplementary pension plan	Yes	Yves Millardet's retirement plan is modeled on the plan applicable to the Company's employees (see discussion below).
Compensation or benefits that are or may be due as a result of termination or change of duties	No	Yves Millardet's mandate contract does not provide for such compensation.
Compensation relating to a non-competition clause	Yes	Yves Millardet's mandate contract contains a non-competition clause applicable for a period of 12 months from the effective termination of duties (see discussion below).

	Thiébaut Julin, Member of the Management Board – Chief Financial Officer Date of start of term of office: March 25, 2014 Term of office ends: General Meeting in 2026 to approve the financial statements for the 2025 financial year	
Employment contract	Yes	Thiébaut Julin holds the position of Chief Financial Officer, in accordance with the terms of an employment contract entered into with the Company. Thiébaut Julin serves as an unpaid member of the Management Board. Thiébaut Julin's position as a member of the Management Board is governed by the sections of the Articles of Association relating to the functioning and powers of the Management Board.
Supplementary pension plan	No	As an employee of the Company, Thiébaut Julin has the pension plan applicable to all employees of the Company.
Compensation or benefits that are or may be due as a result of termination or change of duties	No	No benefits or compensation of this type are mentioned in the provisions of the Articles of Association, or are provided by decision of the Supervisory Board, which is competent to rule on the components of compensation of the members of the Management Board with regard to the termination of the duties of a member of the Management Board of the Company.
Compensation relating to a non-competition clause	No	Thiébaut Julin is not subject to any non-competition clause, pursuant to his employment contract, the provisions of the Articles of Association applicable to the duties of a member of the Management Board or a subsequent decision to that effect by the Supervisory Board.

	Ariane Chazel, Member of the Management Board - Head of Commitments and Risks Date of start of term of office: June 5, 2014 Term of office ends: General Meeting in 2026 to approve the financial statements for the 2025 financial year	
Employment contract	Yes	Ariane Chazel serves as Head of Commitments and Risks (formerly known as the Risk, Compliance and Control Department), in accordance with the terms of an employment contract with the Company. Ariane Chazel serves as an unpaid member of the Management Board. Ariane Chazel's duties as a member of the Management Board are governed by the statutory rules relating to the functioning and powers of the Management Board.
Supplementary pension plan	No	As an employee of the Company, Ariane Chazel has the pension plan applicable to all employees of the Company.
Compensation or benefits that are or may be due as a result of termination or change of duties	No	No benefits or compensation of this type are mentioned in the provisions of the Articles of Association, or are provided by decision of the Supervisory Board, which is competent to rule on the components of compensation of the members of the Management Board with regard to the termination of the duties of a member of the Management Board of the Company.
Compensation relating to a non-competition clause	No	Ariane Chazel is not subject to any non-competition clause, pursuant to her employment contract, the provisions of the Articles of Association applicable to the duties of a member of the Management Board or a subsequent decision to that effect by the Supervisory Board.

4.2.1. Compensation payment principles and terms

In accordance with Article 14.6 of the AFL Articles of Association and the provisions of the French Monetary and Financial Code applicable to credit institutions, the Supervisory Board checks and approves the method and amount of the compensation of each member of the Management Board and reviews it annually, on the advice of the Company's ARCGC.

With the exception of the Chairperson of the Management Board, with whom there is a contract of appointment to corporate mandate, Management Board members perform their functions on the basis of employment contracts. The regulated nature of these agreements requires a strict annual review by the Supervisory Board and the General Meeting, with the understanding that the relaxation of the procedures respecting regulated agreements now in force does not apply to them[17].

All fixed, variable and exceptional compensation of Management Board members is reviewed by the Company's ARCGC and presented to the Supervisory Board.

The variable compensation of each member of the Management Board is defined on the basis of collective targets and individual targets approved at the start of each financial year by the ARCGC and the Supervisory Board, and included in the Company's compensation policy.

The criteria for allocating the variable compensation of the members of the Management Board for the 2021 financial year just ended and the 2022 financial year in progress are appended to this report.

The allocation principles and compensation of the members of the Management Board and its Chairperson are detailed below:

– <u>Yves Millardet</u>

Under his contract of appointment effective January 6, 2014, pursuant to which he is a member and Chairperson of the Management Board, Yves Millardet's compensation is determined by reference to market practices for the functions of Chairperson of the Board. The amount of compensation may be revised upwards annually by the Supervisory Board, if necessary, after consultation with the ARCGC.

This compensation is broken down into a fixed portion (85% of the reference compensation) and a variable portion equal to a maximum of 15% of the reference compensation; this benchmark compensation is reviewed annually by the Supervisory Board. The reference amount for the 2021 financial year is €316,353). The vesting of the variable portion will be linked to the partial or total achievement of one or more qualitative and/or quantitative annual objectives, which the Supervisory Board must define each year, after consultation with the ARCGC.

In the event of exceptional circumstances or significant performance, specifically in excess of defined targets, during a given year, the variable portion of 15% may represent up to 25% of the fixed annual gross compensation.

Since the payment of Yves Millardet's compensation falls within the scope of the compensation policy, as it does with all employees of the Company and the salaried members of the Management Board, an express reference to the compensation policy in his

[17] See section 6 of this report.

contract of appointment was inserted in a supplemental clause presented for the approval of the ARCGC and the Supervisory Board of the Company.

The pension scheme applicable to Yves Millardet is modelled on the one provided for all the company's employees (i.e. contribution to the Agirc/Arrco schemes calculated on the basis of gross annual compensation). As such, he has no supplemental retirement scheme.

In the event of the termination of his duties as Board director, Yves Millardet will receive a financial contribution under the non-competition clause that was inserted into his contract of appointment in June 2015.

The idea to include the non-competition clause was adopted after it was found that Yves Millardet did not benefit from any form of protection of any kind that was linked to his status as a non-employee (stock options, special pension schemes, etc.).

The wording of this non-competition clause was presented to the ARCGC for an opinion, then for approval by the Supervisory Board. Both the Committee and the Supervisory Board expressed their support for the clause.

The non-competition clause adopted is as follows:

"In exchange for this non-competition obligation, Yves Millardet will receive, from the date of his effective termination and during the period of application of this clause, a financial contribution paid monthly on a monthly basis corresponding to the gross monthly compensation paid to him during the twelve (12) months preceding the date on which he effectively ceased to hold office."

Based on the favorable opinion of the Company's ARCGC, and further to the authorization given by the Company's Supervisory Board on June 20, 2016, a change was made to the contract of appointment of Yves Millardet to introduce an express reference to the compensation policy, as with all employment contracts with the Company's employees and Management Board members.

On the proposal of ARCGC, the Supervisory Board of March 26, 2020 gave its approval for a company car, provided for since December 2013 in Yves Millardet's mandate contract but which he had never activated until the Company reaches financial equilibrium, while specifying that the company car will be leased.

– Thiébaut Julin

Thiébaut Julin serves as an unpaid member of the Management Board of AFL. After approval by the ARCGC, the Supervisory Board, on March 25, 2014, decided in favor of compensation for the technical duties of AFL's Chief Financial Officer, under an employment contract entered into with the Company.

The compensation of Thiébaut Julin is set by reference to market practices for the position of Chief Financial Officer. This compensation consists of a fixed portion and a variable portion representing a maximum of 15% of the fixed portion. The vesting of the variable portion will be linked to the partial or total achievement of one or more qualitative and/or quantitative annual objectives, which the Supervisory Board must define each year, after consultation with the ARCGC.

After the Supervisory Board and the ARCGC approved the Company's compensation policy, Thiébaut Julin's employment contract, as well as the employment contracts of all the Company's employees, were amended to include an express reference to the compensation policy.

On a proposal by the ARCGC, on March 26, 2020 the Supervisory Board agreed to reimburse commuting as payments in kind.

Thiébaut Julin, as an employee of the Company, is the beneficiary of the profit-sharing agreement set up within AFL on May 11, 2021 for the 2021, 2022 and 2023 financial years.

– Ariane Chazel

Ariane Chazel serves as an unpaid member of the Management Board of Agence France Locale. Following the approval of the ARCGC, on June 5, 2014, the Supervisory Board approved compensation for the technical functions of Risk, Compliance and Control Officer of AFL, pursuant to an employment contract with the Company.

The compensation of Ariane Chazel is set by reference to market practices for the position of Risk, Compliance and Control Officer (a department which was renamed in the course of 2020 as the Commitments and Risks Department, with no change in responsibilities or the scope of duties). This compensation consists of a fixed portion and a variable portion representing a maximum of 15% of the fixed portion. The vesting of the variable portion will be linked to the partial or total achievement of one or more qualitative and/or quantitative annual objectives, which the Supervisory Board must define each year, after consultation with the ARCGC.

After the Supervisory Board and the ARCGC approved the Company's compensation policy, Ariane Chazel's employment contract, as well as the employment contracts of all the Company's employees, were amended to include an express reference to the compensation policy.

On the proposal of the ARCGC, the Supervisory Board of March 26, 2020 approved the transition to full-time compensation for Ariane Chazel.

On a proposal by the ARCGC, on March 26, 2020 the Supervisory Board agreed to reimburse commuting as payments in kind.

Ariane Chazel, as an employee of the Company, is the beneficiary of the profit-sharing agreement set up within AFL on May 11, 2021 for the 2021, 2022 and 2023 financial years.

4.2.2. Amount of compensation allocated

In accordance with the recommendations of the AFEP-MEDEF Code to which the Company adheres, presented below are details on the components of compensation and benefits of any kind paid or due to the members of the Management Board for the financial year ended December 31, 2021.

Furthermore:

- the Company has not granted any retirement commitments or other life annuity benefits to the members of the Management Board;
- the Company has not granted any stock options or performance shares to the members of the Management Board for the financial year ended December 31, 2021;
- the Company pays for specific insurance for the Chairperson of the Management Board, in the absence of unemployment insurance, corresponding to a benefit in kind, the amount of which is entered in the table itemizing compensation amounts below;

- since March 2021, the Company has been responsible for a vehicle lease for the Chairperson of the Management Board for a period of 36 months;
- for the 2021, 2022 and 2023 financial years, the Company has set up an incentive scheme to which Thiébaut Julin and Ariane Chazel are eligible as employees, and from which the Chairperson of the Management Board, a non-salaried corporate officer, is excluded;

Summary table of compensation per executive director				
Yves Millardet	Financial year ended 12/31/2020		Financial year ended 12/31/2021	
Chairperson of the Company's Management Board Deputy Chief Executive Officer of AFL-ST, it being specified that Yves Millardet does not receive any specific compensation for his duties within AFL-ST The compensation is paid for the corporate mandate of Yves Millardet in the Company.	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	260,100	260,100	268,900	268,900
Annual variable compensation	39,000	17,500 Corresponding to the payment of variable compensation components for prior financial years for which the payments were staggered (see table below)	[40,000]	19,250 Corresponding to the payment of variable compensation components for prior financial years for which the payments were staggered (see table below)
Exceptional variable compensation	0	0	[29,550]	0

Payments in kind	9,499.78 corresponding to coverage by the specific insurance mentioned above	9,499.78 corresponding to coverage by the specific insurance mentioned above	9,409.19 corresponding to coverage by the specific insurance mentioned above 4,020.64 corresponding to the valuation of the company car	9,409.19 corresponding to coverage by the specific insurance mentioned above 4,020.64 corresponding to the valuation of the company car
TOTAL	**308,599.78**	**287,099.78**	351,879.83	**301,579.83**

Ariane Chazel Member of the Management Board of the Company Head of Commitments and Risks	Financial year ended 12/31/2020		Financial year ended 12/31/2021	
	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	174,506	174,506	180,439	180,439
Annual variable compensation	22,500	15,750 Corresponding to the payment of variable compensation granted in respect of previous financial years, the payment of which is staggered (see table below)	[23,500]	17,000 Correspondin g to the payment of variable compensation components granted for prior financial years, for which payments were staggered (see table below)
Payments in kind	0	0	0	0
Profit-sharing payment	N/A	N/A	Not available[18]	N/A
TOTAL	**197,006**	**190,256**	203,939	**197,439**

Thiébaut Julin Member of the Management	Financial year ended 12/31/2020	Financial year ended 12/31/2021

[18] The amount of the profit-sharing will be definitively calculated on the basis of the separate financial statements certified at December 31, 2021.

Board of the Company Chief Financial Officer	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	221,739	221,739	229,278	229,278
Annual variable compensation	28,500	15,750 Corresponding to the payment of variable compensation granted in respect of previous financial years, the payment of which is staggered (see table below)	[29,500]	17,000 Correspondin g to the payment of variable compensation components granted for prior financial years, for which payments were staggered (see table below)
Payments in kind	0	0	0	0
Profit-sharing payment	N/A	N/A	Not available[19]	N/A
TOTAL	**250,239**	**237,489**	**258,778**	**246,278**

Principle of staggered variable compensation

In view of the regulations in force found primarily in the French Monetary and Financial Code, for employees who have a significant impact on the company's risk and those with a significant role, (the "*risk-takers*", which includes members of the Management Board, AFL's 2021 compensation policy provides for the implementation of a deferred payment of variable compensation components, the principles of which are as follows:

- deferred payment of the variable compensation allocated for financial year N once it amounts to more than €50 thousand; As a reminder, until 2021, the deferral applied to variable compensation exceeding €15 thousand; to date, given the amount of fixed salaries at AFL, coupled with the limit of 15% for variable salaries, this deferral in excess of €50 thousand will be accrued for the Chairperson of the Management Board, Yves Millardet for the year 2021.
- payment in year N+1, of the amount of variable less than or equal to the threshold of €50 thousand awarded in respect of financial year N, subject to the employee's presence in the workforce on the date of payment of the variable.
- effective payment of the variable amount above the threshold of €50 thousand awarded in respect of financial year N: at the beginning of financial years N+2, N+3 and N+4, up to 33% of the balance for each of these financial years . As a reminder,

[19] The amount of the profit-sharing will be definitively calculated on the basis of the separate financial statements certified at December 31, 2021.

until 2021, the deferred payment was paid for financial years N+2 and N+3 at 50% of the balance for each of these financial years.

The payment threshold of €50 thousand (formerly €15 thousand) relates specifically to the variable compensation allocated for financial year N, and the total amount corresponding to variable compensation components actually paid in a given year for previous financial years may therefore exceed the amount of €50 thousand.

In accordance with the recommendations of the AFEP-MEDEF Code, the table below shows the variable compensation allocated to Board directors, which is paid out over several financial years.

Variable compensation, which is always published in the annual reports for the financial years for which they are paid, whose amount does not exceed the applicable threshold (€15 thousand until the 2021 financial year, €50 thousand since 2021) and whose payment has not been staggered over several financial years in accordance with the aforementioned compensation policy, is not mentioned in this table.

Name and function of the executive director	Year for which variable compensation is staggered and amount of variable compensation (€)	2018 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2019 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2020 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2021 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2022 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2023 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2024 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2025 financial year Amounts paid corresponding to variable compensation for prior financial years (€)
Yves Millardet Chairperson of the Management Board	2017 financial year – Total amount allocated for variable compensation: €16,000	15,000	500	500	-	-	-		
	2018 financial year – Total amount allocated for variable compensation: €19,000	-	15,000	2,000	2,000	-	-		
	2019 financial year – Total amount allocated for variable compensation: €19,500	-	-	15,000	2,250	2,250	-		
	2020 financial year – Total amount allocated for variable compensation: €39,000	-	-	-	15,000	12,000	12,000		
	2021 financial year – Total amount allocated for variable compensation: [€69,550]	-	-	-	-	50,000	6,516	6,516	6,516

Name and function of the executive director	Year for which variable compensation is staggered and amount of variable compensation (€)	2018 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2019 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2020 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2021 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2022 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2023 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2024 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2025 financial year Amounts paid corresponding to variable compensation for prior financial years (€)
Thiébaut Julin Member of the Management Board Chief Financial Officer	2018 financial year – Total amount allocated for variable compensation: €16,500	-	15,000	750	750	-	-		
	2019 financial year – Total amount allocated for variable compensation: €17,500	-	-	15,000	1,250	1,250	-		
	2020 financial year – Total amount allocated for variable compensation: €28,500	-	-	-	15,000	6,750	6,750		
	2021 financial year – Total amount allocated for variable compensation: [€29,500]	-	-	-	-	29,500	-		

Name and function of the executive director	Year for which variable compensation is staggered and amount of	2018 financial year Amounts paid corresponding to variable	2019 financial year Amounts paid corresponding to variable	2020 financial year Amounts paid corresponding to variable	2021 financial year Amounts paid corresponding to variable	2022 financial year Amounts paid corresponding to variable	2023 financial year Amounts paid corresponding to variable	2024 financial year Amounts paid corresponding to variable	2025 financial year Amounts paid corresponding to variable

	variable compensation (€)	compensation for prior financial years (€)	compensation for prior financial years (€)	compensation for prior financial years (€)	compensation for prior financial years (€)	compensation for prior financial years (€)	compensation for prior financial years (€)	compensation for prior financial years (€)	compensation for prior financial years (€)
Ariane Chazel Member of the Management Board Commitments and Risks Director	2018 financial year – Total amount allocated for variable compensation: €16,500	-	15,000	750	750	-	-		
	2019 financial year – Total amount allocated for variable compensation: €17,500	-	-	15,000	1,250	1,250	-		
	2020 financial year – Total amount allocated for variable compensation: €22,500	-	-	-	15,000	3,750	3,750		
	2021 financial year – Total amount allocated for variable compensation: [€23,500]	-	-	-	-	23,500	-		

4.3. Company employees referred to in Article L. 511-71 of the French Monetary and Financial Code, known as "*risk takers*"

4.3.1. Principle

In accordance with the provisions of Article L. 511-73 of the French Monetary and Financial Code, the General Meeting of Shareholders of the Company is consulted annually on the overall amount of compensation paid to AFL employees referred to in Article L. 511-71 of the aforementioned Code, known as "*risk takers*".

AFL identifies among its employees, on the basis of the criteria defined by the regulations, those having a significant impact on the Company's risk and those having a significant role within the Company.

The list of risk takers is updated annually.

At December 31, 2021, 14 employees, including the members of the Company's Management Board, the main persons responsible for control and support functions, and the main persons responsible for the Company's credit and market activities, were qualified risk takers.

4.3.2. Terms of payment and allocation of payment

In accordance with the regulations in force, AFL has set up a strict framework for the payment of variable compensation to these employees, consisting of a deferred payment from an amount exceeding €50 thousand (formerly €15 thousand).

The amount of the variable compensation less than or equal to the threshold of €50 thousand will be paid at the beginning of year n+1, subject to the employee's presence in the AFL workforce at the date of payment of the variable compensation.

The variable amount above the €50 thousand threshold will be deferred and paid at the beginning of year n+2 and at the beginning of year n+3, then at the beginning of year n+4 for 33% to each of these financial years subject to the condition of the employee's presence in the Agence France Locale workforce on the payment date of the variables for years n+1, n+2,n+3 or n+4.

The payment threshold of €50 thousand specifically concerns the variable compensation allocated for financial year n. The total amount actually paid during a given financial year, corresponding to elements of variable compensation allocated for previous financial years, is therefore likely to exceed this amount by €50 thousand.

The total amount of compensation paid to these employees in respect of the 2021 financial year amounts to:

(i) for fixed compensation: €2,020,771;
(ii) for variable compensation paid during the 2021 financial year for previous years: €203,300.

The ARCGC, at its meeting of February 23, 2022, noted the total amount of compensation paid to the persons referred to in Article L. 511-71 of the French Monetary and Financial Code for the financial year ended December 31, 2021 without comment.

4.4. Company incentive plan

4.4.1. Principle

The Company has set up a profit-sharing agreement, pursuant to Article L. 3312-5 of the French Labor Code, for the 2021, 2022 and 2023 financial years, approved by the Supervisory Board on March 29, 2021 on a favorable opinion of ARCGC on March 22, 2021. It aims to reflect the contribution of employees to the growth of the Company's economic and financial profitability, to the growth of its results, but also to the Company's commitment to social responsibility.

AFL is keen to involve its employees in the smooth running of the Company, its performance and its CSR approach in order to motivate its employees and enable them to build up savings.

The Company considers that the implementation of an incentive and participatory profit-sharing policy makes it possible to create an effective and stimulating collaboration of all employees, with a view to the constant improvement of the results and the quality of service provided to its Members, employee well-being at work and environmental impact.

The incentive scheme appears to be the best way to enable each employee to benefit from the improvement in the Company's results and efficiency achieved thanks to the collective efforts of all employees.

Thus, it was decided that the incentive calculation formula would be based on four indicators taking into account the increase in the Company's profitability, its commercial performance, the well-being of employees and the CSR approach in which the Company registers.

The incentive will be distributed among the beneficiaries in proportion to their salaries, the highest salaries being capped for the sake of fairness (see paragraph d. below).

The payment of a profit-sharing bonus is subject to certain conditions and ceilings, in particular:

a. In principle, the profit-sharing bonus will only be distributed if AFL's net accounting income/expense, calculated excluding profit-sharing on the AFL certified annual separate financial statements as of December 31 of the calculation period in question, is positive;
b. The total amount of incentive paid to beneficiaries may not exceed 10% of payroll per year for the reference calculation period;
c. The amount of incentive granted to the same beneficiary may not, for the same calculation period, exceed three-quarters of the annual social security ceiling in force during the calculation period for which the incentive is granted yields, this individual ceiling being applied pro rata to the time spent in attendance for beneficiaries who joined or left during the financial year;
d. The distribution at the individual level of the total amount of the incentive bonus is made in proportion to the gross salaries (fixed and variable) paid during the calculation period in question, capped at 1.8 times the average gross annual salary (fixed and variable) of AFL recognized as of December 31 of the calculation period.

4.4.2. Beneficiaries

All AFL employees with a permanent or fixed-term employment contract, regardless of their nature (including apprenticeship contracts and professionalization contracts), will be able to benefit from the profit-sharing scheme if they can justify a minimum of three months' service in the company.

As a result, Yves Millardet, a non-salaried corporate officer, is excluded from this scheme.

4.4.3. Terms of payment and allocation of payment

The exact amount of the incentive can only be calculated after the closing and approval of the financial statements for the financial year in question corresponding to the calculation period. The premium is paid no later than the last day of the fifth month following the end of the calendar year, i.e. no later than May 31 following the end of the calculation period.

Thus, at the date of preparation of this report, the final amount of profit-sharing due in respect of the 2021 calendar year has not been determined. For information purposes, it is specified that the estimated amount resulting from the calculation formulas of the profit-sharing agreement would bring the total amount of profit-sharing due for the 2021 calendar year to €286,757.

5. General Meeting of Shareholders

5.1. Special terms for shareholder participation in the General Meeting or provisions of the Articles of Association setting forth these provisions

The terms of shareholder participation in the General Meeting are covered in Title V of the Articles of Association of the Company and refer to the applicable legal and regulatory provisions.

Every shareholder, duly represented, is entitled to participate in the General Meetings on the basis of his or her identity and the registration of his or her shares in the Company accounts on the date of the meeting.

Pursuant to the laws in force that offer these options, shareholders may participate in General Meetings either by attending in person, by giving a power of attorney to the Chairperson of the General Meeting, or by voting by mail.

5.2. Rules on amendments to the Articles of Association

The rules applying to amending the Company's Articles of Association refer to the current legal and regulatory provisions in this regard.

In compliance with the provisions of Article L. 225-96 of the French Commercial Code, the Extraordinary General Meeting of Shareholders is solely competent to amend any and all provisions in the Company's Articles of Association, except those superseded by applicable legal provisions.

In practice, and for the implementation of the delegation of authority given to the Management Board to decide on capital increases with or without the preferential subscription right, the Chairperson of the Management Board, by sub delegation, is directed to ratify the corresponding amendment of Article 6 of the Articles of Association, so as to update the Company's share capital, pursuant to Articles L. 225-129 et seq. of the French Commercial Code.

6. Regulated agreements

So-called regulated agreements are the agreements covered in Articles L. 225-86 et seq. of the French Commercial Code, entered into directly or by an intermediary between the Company and one of the members of the Management Board or Supervisory Board, the conclusion of which must be authorized by the Company's Supervisory Board, and which must be reviewed by the Supervisory Board each year, prior to their presentation at the General Meeting of Shareholders.

As a result of the Company's shareholder structure, AFL-ST exercises exclusive control over its subsidiary, in accordance with the legal provisions in force requiring a minimum of two shareholders to set up a public limited company (*société anonyme*). The AFL Group is thus subject to simplified procedures relating to the control of regulated agreements, which are now limited to agreements involving a third party other than one of the two companies controlling the Group, provided that the parent company exercises exclusive control of its subsidiary in accordance with Article L. 225-87 par. 1 of the French Commercial Code.

No new regulated agreement was entered into during the 2021 financial year. Following are the regulated agreements previously entered into which continued to be executed during the 2021 financial year:

Title of the agreement	Purpose of the agreement	Duration of the agreement	Impact on the financial statements for the financial year ended 12/31/21
Shareholders' Agreement entered into on June 24, 2014	The Shareholders' Agreement did not change during the 2019 financial year. The version in effect was the version dated June 28, 2018.	Unknown	None
Employment contracts for the salaried members of the AFL Management Board	- Employment contract for Thiébaut Julin approved on March 25, 2014 by the Supervisory Board, - Employment contract for Ariane Chazel approved on June 5, 2014 by the Supervisory Board. These employment contracts, like the employment contracts of all of the Company's employees, were amended during the 2016 financial year to include an express reference to the compensation policy. The new drafts of these agreements were approved by the Supervisory Board on June 20, 2016, after a	Unknown	Thiébaut Julin, Chief Financial Officer Gross annual amount paid during the 2021 financial year: Fixed portion: €229,278 gross Variable portion: €17,000 gross Ariane Chazel, Head of Commitments and Risks (formerly called the Risk, Compliance and Internal Control Department):

	favorable opinion by the Appointments, Remuneration and Corporate Governance Committee on January 28, 2016.		Annual amount paid in the 2021 financial year: Fixed portion: €180,439 gross Variable portion: €17,000 gross

7. Share capital, shareholding, and control of the Company

In accordance with Article L. 22-10-11 by reference to Article L. 22-10-10 of the French Commercial Code, presented below are the following items related to the shareholding structure of AFL and the Group formed with AFL-ST with the specification that none of the items covered hereinafter is likely to have an impact in the event of a public offer.

7.1. Structure of the Company's share capital

Following the sales of the shares held by AFL's nine founding shareholders finalized in 2017 and to satisfy Article L. 225-1 of the French Commercial Code, only AFL-ST and the Lyon Metropolitan Area remain shareholders of the Company.

At December 31, 2021, the Company's share capital consisted of the following:

SHAREHOLDERS	AMOUNT SUBSCRIBED (IN EUROS)	NUMBER OF SHARES	% HOLDING
Agence France Locale – Société Territoriale	196,799,900	1,967,999	99.9999%
Lyon Metropolitan Area	100	1	0.0001%
TOTAL	196,800,000	1,968,000	100%

"In view of the closed nature of its shareholding, the Company had no knowledge of any direct or indirect acquisition of shares in its capital pursuant to Articles L. 233-7 and L. 223-12 of the French Commercial Code, since only AFL-ST, by virtue of the provisions of the framework of the AFL Group, was intended to subscribe to the capital of AFL, and the share of the Lyon Metropolitan Area was diluted by the capital increases within the AFL Group.

7.2. Restrictions on the exercise of voting rights and on share transfers

- **Statutory restrictions**

The Company's provisions of the Articles of Association do not set out any restriction on the exercise of shareholders' voting rights, since the voting right attached to the shares composing the capital is proportional to the percentage of the capital that they represent. Each share entitles the holder to one vote at the General Meetings.

The Company's Articles of Association stipulate that shares that have not been fully paid-up are not admitted for trading.

In view of the specific shareholder structure of AFL-ST, whose capital is currently held exclusively directly or indirectly by local authorities, public institutions for inter-municipal cooperation with their own tax system, and regional public institutions mentioned in Article L. 5219-2 of the French General Local and Regional Authorities and Mixed Unions Code, and of the need to maintain the stability and sustainability of the shareholding structure in order to enable the Company to conduct its activities under the best conditions, the Shareholders' Agreement strictly regulates the possibilities of transferring shares and other securities ("Securities") conferring access to the Company's share capital.

Thus, in principle, each of the AFL shareholders has undertaken, by adhering to the Shareholders' Agreement, to retain their AFL shares as long as they remain a shareholder of AFL-ST.

As an exception to the principle and in strictly defined cases, namely (i) loss of membership of the AFL Group, and (ii) at the request of AFL-ST, an AFL shareholder is required to sell the shares it holds in the capital of AFL to a person designated by the Board of Directors of AFL-ST.

On the basis of this second scenario, the nine shares held by nine of the Company's founding shareholders were transferred to AFL-ST in 2017.

In any event, the provisions of the Shareholders' Agreement provide that each shareholder of the Company grants AFL-ST a right of first refusal on any sale of Company Securities.

Furthermore, the Company is not aware of any agreement in which certain clauses set out preferential terms for the transfer or acquisition of shares in the Company pursuant to Article L. 233-11 of the French Commercial Code, as the Company's shares are not eligible for trading on a regulated market.

- Restrictions by agreement

No agreement likely to result in restrictions on the transfer of shares or the exercise of voting rights has been entered into between the shareholders of AFL, since transactions on AFL shares are, as stated in the previous paragraph, strictly controlled by the Shareholders' Agreement.

Similarly, the Company has not entered into any agreement that is likely to come to an end or of which the performance conditions are likely to be amended in the event of a change in control of the Company.

7.3. Securities conveying special control rights

The Company does not issue securities that convey special control rights to their holders.

7.4. Employee shareholders

No operations were carried out during the financial year ended December 31, 2021 in respect of share purchase or subscription options in the Company reserved for employees.

Indeed, the capital structure of the AFL Group required by law prohibits AFL employees from holding shares in the Company's capital.

7.5. Summary table of the use of delegations granted for the performance of capital increases by the General Meeting of Shareholders, under Articles L. 225-129-1 and L. 225-129-2, and pursuant to Article L. 225-37-4, paragraph 3, of the French Commercial Code

Date of the General Meeting that granted the delegation	*Purpose of the delegation granted to the Management Board*	*Duration*	*Overall ceiling*	*Use during the 2021 financial year*
Combined General Meeting of May 7, 2020 (10th resolution)	Delegation of authority granted to the Management Board to increase the share capital with preferential subscription rights through the issue of common shares	Duration: 26 months Expiry: July 7, 2022 at midnight	€150 million (nominal)	None
Combined General Meeting of May 7, 2020 (11th resolution)	Delegation of authority granted to the Management Board to increase the share capital with cancellation of preferential subscription rights for the benefit of Société Territoriale through the issue of common shares	Duration: 18 months Expiry: November 7, 2021 at midnight		**1. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale** - Decisions of the Management Board of January 28, 2021 (decisions to increase the share capital) - Decisions of the Chairperson of the Management Board of March 23, 2021 (sub delegation - recognition of definitive completion of the share capital increase) **Amount: €9,400,000** **2. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale** - Decisions of the Management Board of April 12, 2021 (decisions to increase the share capital) - Decisions of the Chairperson of the Management Board of June 24, 2021 (sub delegation - recognition of definitive completion of the share capital increase) **Amount: €12,650,000**

Date of the General Meeting that granted the delegation	*Purpose of the delegation granted to the Management Board*	*Duration*	*Overall ceiling*	*Use during the 2021 financial year*
Combined General Meeting of May 6, 2021 (9th resolution)	Delegation of authority granted to the Management Board to increase the share capital with preferential subscription rights through the issue of common shares	**Duration:** 26 months **Expiry:** July 6, 2023 at midnight	€150 million (nominal)	None
Combined General Meeting of May 6, 2021 (10th resolution)	Delegation of authority granted to the Management Board to increase the share capital with cancellation of preferential subscription rights for the benefit of Société Territoriale through the issue of common shares	**Duration:** 18 months **Expiry:** November 6, 2022 at midnight		**1. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale** - Decisions of the Management Board of September 27, 2021 (decisions to increase the share capital) - Decisions of the Chairperson of the Management Board of November 18, 2021 (sub delegation - recognition of definitive completion of the share capital increase) **Amount: €5,800,000** **2. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale** - Decisions of the Management Board of December 13, 2021 (decisions to increase the share capital); - Decisions of the Chairperson of the Management Board of December 29, 2021 (sub delegation - recognition of definitive completion of the share capital increase) **Amount: €550,000**

8. Observations of the Supervisory Board on the management report issued by the Management Board for the 2021 financial year and on the separate financial statements established for the financial year ended on December 31, 2021

You are reminded that, pursuant to Article L. 225-68, paragraph 6, of the French Commercial Code, the Supervisory Board must submit to the Annual General Meeting of Shareholders its observations on the annual financial statements for the financial year ended on December 31, 2021, as approved by the Management Board, and on the management report submitted to this Meeting.

We hereby inform you that the annual financial statements for the financial year ended December 31, 2021, which were prepared in accordance with French GAAP and voluntarily in accordance with IFRS, as well as the management report prepared by the Management Board of the Company, were submitted to the Supervisory Board within the time-frame provided by the legal and regulatory provisions in force after they were reviewed favorably by the Company's Audit and Risk Committee.

The financial statements for the financial year ended December 31, 2021 show the following principal items:

	In French GAAP (in thousands €)	In IFRS (in thousands €)
Total balance sheet	6,885,069	6,999,277
Net banking income	14,174	13,960
Net income	2,073	1,730

The annual financial statements for the financial year ended December 31, 2021, prepared in accordance with French GAAP and voluntarily in accordance with IFRS, and the related management report prepared by the Management Board, do not require any specific comment from the Supervisory Board, which examined them on March 28, 2022.

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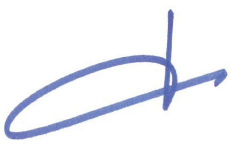
Lyon,
March 28, 2022,



The Supervisory Board of Agence France Locale,
Represented by its Chairperson,
Sacha Briand

Appendix 1 - The table below details the independence criteria set out in Article 9 of the AFEP-MEDEF Code.

Criterion 1: *Salaried Board director/Executive officer/director of the company or its parent company or the consolidated company in the past five years* Currently not be or within the last five years not have been: - an employee or executive director of the company; - an employee, executive director, or director of a company within the company's scope of consolidation; - an employee, executive director, or director of the parent company of the company or of a company within the parent company's scope of consolidation.
Criterion 2: *Cross-directorships* Not be an executive director of a company in which the Company directly or indirectly holds a directorship or in which an employee appointed as such or an executive director of the Company (currently or within the last five years) holds a directorship.
Criterion 3: *Significant business relationships* Not be a customer, supplier, corporate banker, investment banker or advisor: - to a significant degree of the company or its group; - or for which the company or its group represents a significant portion of activity. The assessment of whether or not the relationship with the company or its group is significant is discussed by the Board and the quantitative and qualitative criteria that led to this assessment (continuity, economic dependence, exclusivity, etc.) are explained in the annual report.
Criterion 4: *Family ties* Not have a close family relationship with a Board director.
Criterion 5: *Statutory Auditor* Not have been a Statutory Auditor of the Company within the last five years.
Criterion 6: *Term of office exceeding 12 years* Not have been a director of the Company for more than 12 years. The loss of the status of independent director occurs on the 12-year anniversary.
Criterion 7: *Non-executive director status* A non-executive director may not be considered independent if he or she receives variable compensation in cash or securities or any compensation related to the performance of the company or the group.
Criterion 8: *Status of major shareholder* Directors representing major shareholders of the company or its parent company may be considered independent if such shareholders do not participate in the control of the company. However, beyond a threshold of 10% in capital or voting rights, the Board, based on the report of the Appointments Committee, shall always query the independent classification, taking into account the composition of the capital of the company and the existence of a potential conflict of interest.

Appendix 2 – Criteria for allocating the compensation of the members of the Management Board for the 2021 financial year

These criteria were favorably reviewed by the ARCGC on February 24, 2021 before being approved by the Company's Supervisory Board on March 29, 2021.

COMMON QUALITATIVE TARGETS FOR THE MEMBERS OF THE MANAGEMENT BOARD - 10%
- Implement the new multi-year development plan by strengthening the recurring financial results for the financial year; - Define and implement an action plan to strengthen dialogue and relations with stakeholders; - Set up the internal control and risk management framework for new products for the management of the statement of financial position and financing launched in 2021.
COMMON QUANTITATIVE TARGETS FOR THE MEMBERS OF THE MANAGEMENT BOARD - 20%
- Achieve gross operating income in 2021 as defined in the 2021 budget, reviewed in the BP and validated by the bodies of March 2021; - Meet an overhead and operating expense target as defined in the 2021 budget - Achieve a target of promised ICC and released ICC as defined in the BP validated by the bodies of March 2021; - Generate a minimum amount of loans over the year as defined in the 2021 budget.

YVES MILLARDET OBJECTIVES CHAIRPERSON OF THE MANAGEMENT BOARD
Qualitative targets - 20% - Continue the actions undertaken with the public authorities on the 0% weighting of French local authorities and the best HQLA treatment for debt issued by AFL; - Develop AFL's presence in the sustainable financing market (green and/or social and/or environmental); - Carry out the 2021 component of the CSR action plan; - Consolidate the roll-out of AFL's banking activities, in particular by continuing to set up the "Market IS" initiative and by developing the guiding principles for the automation of the credit chain. **Quantitative targets - 50%** - Achieve a target of minimum committed ICC and paid-up ICC for the year, reviewed in the BP validated by the bodies of March 2021; - Generate a minimum amount of loans over the year as defined in the 2021 budget under risk conditions that comply with the risk appetite of Agence France Locale and with a minimum average margin defined in the budget; - Meet an overhead and operating expense target as defined in the 2021 budget; - Execute the 2021 borrowing program to finance Agence France Locale at maximum cost, while limiting the liquidity transformation risk, as defined in the 2021 budget.

OBJECTIVES FOR THIEBAUT JULIN CHIEF FINANCIAL OFFICER
Qualitative targets - 20% - Continue to roll out "Market IS" and develop its uses (ALM, new products); - Develop AFL's presence in the sustainable financing market (green and/or social and/or environmental); - Carry out the 2021 component of the CSR action plan for the portion in relation to the Finance Department. **Quantitative targets - 50%** - Execute the 2021 loan program to finance Agence France Locale at an average maximum cost as defined in the 2021 budget, while limiting the liquidity transformation risk and maintaining the spread between Agence France Locale and the BPI/AFD compared to 2020 (rating unchanged); - Optimize the placement of liquidity assessed against 3-month EURIBOR under the financial policies approved by the Supervisory Board in a controlled risk environment to limit the carrying cost to the level mentioned in the 2021 budget.
OBJECTIVES - ARIANE CHAZEL HEAD OF COMMITMENTS & RISKS
Qualitative targets - 70% - Manage the 2021 component of the CSR action plan in association with AFL-ST; - Set up the internal control and risk management framework for new products for the management and of the statement of financial position and financing launched in 2021; - Implement and conduct the 2021 periodic control plan; - Steer the industrialization of the management of data generated by Opendata; - Develop internal management tools and the model enabling AFL to be present in the sustainable financing market (green and/or social and/or environmental).

<u>Appendix 3 – Criteria for allocating the compensation of the members of the Management Board for the 2022 financial year</u>

These criteria were favorably reviewed by the ARCGC on February 23, 2022 before being approved by the Company's Supervisory Board on March 28, 2022.

2022		Weight	Yves Millardet	Thiébaut Julin	Ariane Chazel
Quantitative objectives		**60%**			
Collective objectives	Core Tier 1 ratio	20%			
	Extension of the shar	20%			
	Cost/Income Ratio	20%			
Qualitative objectives		**40%**			
Collective objectives					
	AFL 2030	10%			
	CSR	10%			
Individual objectives		20%	Implementation of projects to accelerate the development of the AFL Group	Implementation of projects to accelerate the development of the AFL Group	Implementation of projects to accelerate the development of the AFL Group

Appendix 3
Text of the resolutions submitted to the Combined General Meeting of Shareholders of Agence France Locale on May 5, 2022

A. Agenda

Resolutions of the Ordinary General Meeting:

1. Approval of the separate financial statements for the financial year ended December 31, 2021, prepared in accordance with French GAAP, and the complete discharge for the performance of its term of office to the Management Board for said financial year;

2. Approval of the separate financial statements for the financial year ended December 31, 2021 prepared according to IFRS;

3. Allocation of the profit(loss) for the period ended December 31, 2021;

4. Approval of the agreements subject to Articles L. 225-86 et seq. of the French Commercial Code;

5. Presentation of the Supervisory Board's report on corporate governance;

6. Setting the total yearly compensation package paid to Members of the Supervisory Board for the 2022 financial year, to be divided among them;

7. Advisory vote on the total amount of compensation of all kinds paid during the financial year ended December 31, 2021 to the individuals named in Article L. 511-71 of the French Monetary and Financial Code;

8. [Ratification of the co-option of Delphine Cervelle as a member of the Supervisory Board];

Resolutions of the Extraordinary General Meeting:

9. Delegation of authority to be granted to the Management Board of the Company for the purpose of issuing common shares with preferential subscription rights;

10. Delegation of authority to be granted to the Management Board to issue common shares, without preferential subscription rights for Société Territoriale;

11. Powers for completion of formalities

B. Text of the resolutions

Resolutions of the Ordinary General Meeting:

First resolution

Approval of the separate financial statements for the financial year ended December 31, 2021, prepared in accordance with French GAAP, and the complete discharge for the performance of its term of office to the Management Board for said financial year

The General Meeting, deliberating in accordance with the quorum and majority requirements Ordinary General Meetings, having reviewed the report of the Management Board to the General Meeting, the observations of the Supervisory Board, and the Statutory Auditors' report on the separate financial statements for the financial year ended December 31, 2021, prepared in accordance with French GAAP, approves said financial statements and gives the Management Board full and unreserved discharge of the fulfillment of its mandate for said financial year.

The General Meeting, deliberating in accordance with Article 223 quater of the French General Tax Code, approves the expenses and charges referred to in Article 39-4 of that Code, which amount to zero (0) euros and the corresponding theoretical nil corporate income tax expense.

Second resolution
Approval of the separate financial statements for the financial year ended December 31, 2021 prepared according to IFRS

The General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the report of the Management Board to the General Meeting, the observations of the Supervisory Board and the Statutory Auditors' report on the separate financial statements for the financial year ended December 31, 2021, prepared in accordance with IFRS, approves said separate financial statements prepared in accordance with IFRS.

Third resolution
Allocation of the profit(loss) for the period ended December 31, 2021

The General Meeting, ruling under the conditions of quorum and majority required for Ordinary Meetings, having reviewed the Management Board's report to the General Meeting, the Supervisory Board's observations and the Statutory Auditors' report on the separate financial statements for the financial year ended December 31, 2021 prepared in accordance with French standards, resolves to allocate the income for the financial year, amounting to €[2,072,787], to retained earnings.

Fourth resolution
Approval of the agreements subject to Articles L. 225-86 et seq. of the French Commercial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the special report of the Statutory Auditors described in the third paragraph of Article L. 225-88 of the French Commercial Code on the agreements referred to in Article L. 225-86 of the French Commercial Code, has reviewed the conclusions of that report and approves the agreements described therein.

Fifth resolution
Presentation of the Supervisory Board's report on corporate governance

The General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, has reviewed the report prepared by the Company's

Supervisory Board pursuant to Article L. 225-68, paragraph 6, of the French Commercial Code, appended to the management report of the Management Board.

Sixth resolution
Setting the total yearly compensation package paid to Members of the Supervisory Board for the 2022 financial year, to be divided among them

The General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, sets the annual amount of compensation to be distributed among the members of the Supervisory Board at €[220,000] for the 2022 financial year and subsequent financial years.

Seventh resolution
Advisory vote on the total amount of compensation of all kinds paid during the financial year ended December 31, 2021 to the individuals named in Article L. 511-71 of the French Monetary and Financial Code;

The General Meeting, ruling in accordance with the quorum and majority requirements for Ordinary General Meetings, in accordance with Article L. 511-73 of the French Monetary and Financial Code, takes note of the components of compensation of all kinds paid during the financial year ended December 31, 2021 to the individuals mentioned in Article L. 511-71 of said code, known as "risk-taking employees", as they appear in the Supervisory Board's management report on corporate governance, and were favorably reviewed by the Appointments, Remuneration and Corporate Governance Committee, without issuing any observations.

Eighth resolution
Ratification of the co-option of Delphine Cervelle as a member of the Supervisory Board

The General Meeting, ruling under the quorum and majority conditions required for Ordinary Shareholders' Meetings, ratifies the co-option, by the Supervisory Board at its meeting of March 28, 2022, of Delphine Cervelle as a member of the Board, replacement of Barbara Falk, who resigned, for the remainder of her term of office, i.e. until the end of the General Meeting of Shareholders called, in 2025, to approve, the financial statements for the financial year ended December 31, 2024.

RESOLUTIONS OF THE EXTRAORDINARY GENERAL MEETING:

Ninth resolution
Delegation of authority to be granted to the Management Board of the Company for the purpose of issuing common shares with preferential subscription rights

The General Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the report of the Management Board and in accordance with Articles L. 225- 129 et seq. (in particular Article L. 225-129-2) of the French Commercial Code:

- ➢ Delegates to the Management Board its authority to carry out capital increases, on one or more occasions, in the proportions and at the times it determines, by issuing shares with preferential subscription right for shareholders, where the subscription for such shares is paid in cash.

Issues of preferred shares and of securities giving access by any means, immediately or in the future, to preference shares shall be expressly excluded from this authorization.

- **Resolves** that the maximum nominal amount of the Company's immediate or eventual capital increases that may be carried out by virtue of this authorization cannot exceed one hundred and fifty million euros (€150,000,000), it being noted that the nominal amount of the Company's capital increases, by virtue of the tenth resolution, will be deducted from this ceiling. To this ceiling, if necessary, the additional amount of the nominal value of the shares to be issued will be added to preserve, in accordance with the applicable legal and regulatory provisions and any applicable contractual provisions providing for other adjustments, the rights of holders of securities or holders of other rights giving access to the capital.

- **Resolves** that shareholders may exercise their preferential subscription rights on an irrevocable basis for the shares whose issue will be decided by the Management Board pursuant to this delegation, under the conditions stated by the Management Board and within the limits set by the applicable legal and regulatory provisions. In addition, the Management Board will have the option to introduce, for the benefit of the shareholders, a right to subscribe on a revocable basis, which will be exercised in proportion to their rights and within the limits of their requests. If the subscriptions are irrevocable and, where applicable, a revocable basis have not absorbed the whole of an issue of shares as defined above, the Management Board may use, at its discretion and in the order that it deems appropriate, one or more of the options offered by Article L. 225-134 of the French Commercial Code, namely:
    - limiting the amount of the capital increase to the amount of subscriptions, provided that said amount reaches at least three-quarters of the issue originally decided,
    - freely distribute all or part of the unsubscribed shares among the persons of its choice.

- **Resolves** that the amount returned or to be returned to the Company for each of the shares issued under this delegation of authority will be equal to the nominal value of those shares on the date of issue of those shares.

- **Grants** full authority to the Management Board to implement this delegation and in particular to:

    - determine the dates and manner of the issuances as well as the form and features of the shares to be created,
    - determine the number of shares to be issued and the terms and conditions thereof, with the understanding that the issue price of the shares to be issued will be equal to the nominal value of those shares on the date of issue of those shares,
    - determine the method of payment for the shares issued,
    - determine the date on which entitlement to dividends arises, with or without retroactive effect, for the shares to be issued,
    - suspend, if necessary, the exercise of the rights attached to securities previously issued by the Company for a period of up to three months within the limits provided by the applicable legal and regulatory provisions,
    - at its sole discretion, allocate the costs of any issue to the amount of the related premiums and deduct from such amount the sums necessary to raise the legal reserve to one tenth of the new capital after each increase, and
    - more generally, make all necessary arrangements, enter into all agreements, request all authorizations, carry out all formalities and take all necessary measures

to achieve the successful completion of the proposed issues or, if necessary, delegate them to the Chairperson of the Management Board, record the capital increases resulting from any issue effected by the use of this delegation, amend the Company's articles of association accordingly and ensure the financial service of the securities in question and the exercise of the rights attached thereto.

- **Resolves** that this delegation of authorization will be valid for a period of twenty-six (26) months from the date of the General Meeting, and that it cancels and replaces, for the remaining period, the delegation for the same purpose granted by the General Meeting of May 6, 2021.

Tenth resolution
Delegation of authority to be granted to the Management Board to issue common shares, with cancellation of preferential subscription right for the benefit of Société Territoriale

The General Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the report of the Management Board and the report of the Statutory Auditors, in accordance with Articles L. 225-129 et seq. (in particular Article L. 225-129-2) and Article L. 225-138 of the French Commercial Code:

- **Delegates** to the Management Board its authority to carry out capital increases, on one or more occasions, in the proportions and at the times it determines, by issuing shares reserved for shareholders without preferential subscription right for the shareholders for the benefit of persons designated. The Management Board shall, in the event that the delegation is used, decide on the list of beneficiaries and the number of shares allocated to each of them on the basis of objective criteria. Subscription for these shares will be paid in cash.

  Issues of preference shares and of securities giving access by any means, immediately or in the future, to preference shares shall be expressly excluded from this authorization.

- **Resolves** that the maximum nominal amount of the immediate or future capital increases of the Company that may be carried out by virtue of the present delegation may not exceed one hundred and fifty million euros (€150,000,000), it being specified that the nominal amount of the capital increases of the Company pursuant to the ninth resolution shall be deducted from this ceiling. To this ceiling, if necessary, the additional amount of the nominal value of the shares to be issued will be added to preserve, in accordance with the applicable legal and regulatory provisions and any applicable contractual provisions providing for other adjustments, the rights of holders of securities or holders of other rights giving access to the capital.

- **Resolves** that this delegation entails the cancellation of the shareholders' preferential subscription rights to the shares that may be issued.

- **Resolves** that the amount returned or to be returned to the Company for each of the shares issued under this delegation of authority will be equal to the nominal value of those shares on the date of issue of those shares.

- **Notes** that the issues carried out pursuant to this delegation of authority shall be carried out within eighteen months of the General Meeting that approved the delegation, in accordance with Article L. 225-138 of the French Commercial Code.

- **Grants** full authority to the Management Board to implement this delegation, and in particular to:
  - determine the list of beneficiaries within the category of persons defined above and the number of shares to be allocated to each of them,
  - determine the number of shares to be issued and the terms and conditions thereof, with the understanding that the issue price of the shares to be issued will be equal to the nominal value of those shares on the date of issue of those shares,
  - determine the method of payment for the shares issued,
  - determine the date on which entitlement to dividends arises, with or without retroactive effect, for the shares to be issued,
  - suspend, if necessary, the exercise of the rights attached to securities previously issued by the Company for a period of up to three months within the limits provided by the applicable legal and regulatory provisions,
  - at its sole discretion, allocate the costs of any issue to the amount of the related premiums and deduct from such amount the sums necessary to raise the legal reserve to one tenth of the new capital after each increase, and
  - more generally, make all necessary arrangements, enter into all agreements, request all authorizations, carry out all formalities and take all necessary measures to achieve the successful completion of the proposed issues or, if necessary, delegate them to the Chairperson of the Management Board, record the capital increases resulting from any issue effected by the use of this delegation, amend the Company's articles of association accordingly and ensure the financial service of the securities in question and the exercise of the rights attached thereto.

- **Resolves** that the Management Board may limit the amount of the capital increase to the amount of subscriptions, provided that this amounts to at least three-quarters of the issue originally decided upon.

- **Resolves** that this delegation of authorization will be valid for a period of eighteen (18) months from the date of the General Meeting, and that it cancels and replaces, for the remaining period, the delegation for the same purpose granted by the General Meeting of May 6, 2021.

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Eleventh resolution
Powers for completion of formalities

The General Meeting gives full powers to the bearer of the original, an extract or a copy of these minutes to accomplish all formalities and advertisements required by the laws and regulations in force relating to the decisions taken in connection with this meeting.

APPENDIX 4

Provisional financial communication schedule for the 2022 financial year

The **Agence France Locale Group** is composed of:

- Agence France Locale, a public limited company (*société anonyme*) with a Management Board and a Supervisory Board (***the Issuer***); and
- Agence France Locale – Société Territoriale, the parent company, a public limited company (*société anonyme*) with a Board of Directors (***Société Territoriale***).

Publication date	Information
March 29, 2022 (before the start of trading), subject to subsequent amendment (**embargo period** starts on March 7, 2022)	▪ Press release on the Issuer's annual results and the consolidated and parent company annual results for the financial year ended December 31, 2021
May 5, 2022	▪ Annual General Meeting of the Issuer's Shareholders, called to approve the separate financial statements for the financial year ended December 31, 2021, prepared in accordance with French GAAP and IFRS
May 24, 2022	▪ Annual General Meeting of Shareholders of Société Territoriale, called notably to approve the separate financial statements for the financial year ended on December 31, 2021, prepared in accordance with French standards, and the Group's consolidated financial statements for the financial year ended on December 31, 2021 prepared in accordance with IFRS
September 29, 2022 (before the start of trading), subject to subsequent amendment **embargo period** starts on September 5, 2022	▪ Press release on the Issuer's half-year results and the consolidated half-year result of the Agence France Locale Group for the first half of the financial year, ended June 30, 2022

Responsibility for this management report for the financial year ended December 31, 2021

I, the undersigned Yves Millardet, acting in my capacity as Chief Executive Officer, member of the Management Board, and Chief Financial Officer of AFL, certify that, to my knowledge, the accounts have been prepared in accordance with applicable accounting standards and are an accurate reflection of the Company's assets, financial position, and income, and that this management report presents a true picture of the Company's business, income, and financial position and describes the main risks and uncertainties the Company faces.

Lyon, March 28, 2022,

French original signed by

Yves MILLARDET
AFL-ST Deputy Chief Executive Officer
Chairman of the Management Board,

Statutory separate financial statements prepared in accordance with French GAAP and IFRS and Statutory Auditors' reports

AGENCE FRANCE LOCALE

BALANCE SHEET

Assets as of 31st of December 2021

(€ '000s)	Notes	31/12/2021	31/12/2020
Cash and central banks	2	1,175,973	601,780
Government paper and similar securities	1	916,031	755,005
Receivables on credit institutions	2	217,384	196,865
Loans and advances to customers	4	4,416,182	3,681,029
Bonds and other fixed income securities	1	10,030	9,985
Equities and other variable income securities			
Investments in non-consolidated companies and other long-term investments			
Investments in consolidated companies			
Intangible assets	5	3,085	2,305
Property, plant and equipment	5	143	156
Other assets	6	50,451	50,805
Accruals	6	95,789	74,532
TOTAL ASSETS		**6,885,069**	**5,372,461**

Liabilities as of 31st of December 2021

(€ '000s)	Notes	31/12/2021	31/12/2020
Central banks		1,174	142
Due to banks	3	36	24
Customer borrowings and deposits			
Debt securities	7	6,578,684	5,116,009
Other liabilities	8	8,399	11,030
Accruals	8	121,115	100,119
Provisions	9	114	65
Subordinated debt			
General banking risk fund (GBRF)			
Equity (excluding GBRF)	10	**175,546**	**145,073**
Share capital		196,800	168,400
Additional paid-in capital			
Reserves and retained earnings			
Revaluation differences			
Regulated provisions and investment subsidies			
Retained earnings (+/-)		(23,327)	(26,214)
Net income for the period (+/-)		2,073	2,887
TOTAL LIABILITIES		**6,885,069**	**5,372,461**

INCOME STATEMENT

(€ '000s)	Notes	31/12/2021	31/12/2020
+ Interest and similar income	12	34,391	25,759
- Interest and similar expenses	12	(21,732)	(14,067)
+ Income from variable income securities			
+ Fee and commission income	13	165	186
- Fee and commission expenses	13	(324)	(255)
+/- Net gains (losses) on held for trading portfolio	14	(2,137)	(6,531)
+/- Net gains (losses) on placement portfolio	14	1,665	5,820
+ Other banking income	15	2,146	3,244
- Other banking expense	15		
NET BANKING INCOME		**14,174**	**14,157**
- General operating expenses	16	(11,292)	(10,090)
+ Other operating income			
- Depreciation and amortization	5	(818)	(1,160)
GROSS OPERATING INCOME		**2,065**	**2,906**
- Cost of risk			
OPERATING INCOME		**2,065**	**2,906**
+/- Net gains (losses) on fixed assets	17	7	(21)
PRE-TAX INCOME ON ORDINARY ACTIVITIES		**2,071**	**2,886**
+/- Net extraordinary items			
- Income tax charge		1	2
+/- Net allocation to FGBR and regulated provisions			
NET INCOME		**2,073**	**2,887**
Basic earnings per share		1.05	1.71

OFF-BALANCE SHEET

(€ '000s)

COMMITMENTS GIVEN AND RECEIVED	Notes	31/12/2021	31/12/2020
Commitments given		**632,002**	**457,583**
Financing commitments		574,710	398,775
Guarantee commitments		57,292	58,808
Commitments on securities			
Commitments received		**2,090**	**2,219**
Financing commitments			
Commitments received from credit institutions			
Guarantee commitments		2,090	2,219
Commitments on securities			
Derivatives	11	**13,236,422**	**10,415,784**

NOTES TO THE INDIVIDUAL ACCOUNTS

I - Publication context

The 2021 financial statements were approved by the Board of Directors as of March 14, 2022.

II - Highlights from 2021 financial year

The year 2021 marks another very significant increase in results related to the credit activity, which is part of the Company's development trajectory in accordance with its 2017-2021 strategic plan. The increase in results excluding non-recurring items reflects the good momentum in the generation of income from loan activity since the 2015 financial year, the year in which AFL's activities started and which is measured in particular by the regular increase and of the outstanding portfolio of loans granted to member local authorities.

The production of medium and long-term loans carried out by AFL in 2021 amounted to 1,243 million euros against 937 million euros in 2020 for a total of 286 loans against 220 in 2020. This increase the 33% year-on-year production volume underlines the good development momentum of the AFL following the arrival of a growing number of local authorities as members of the Group.

On January 14, 2021, AFL carried out a new benchmark issue for an amount of €500 million maturing on March 20, 2031 under excellent conditions. This seventh benchmark issue since the creation of the AFL met with unprecedented success with demand for more than 2.2 billion euros from nearly 90 investors. The placement of the securities was carried out with a margin of 31 basis points against the French government bond curve (OAT). This issue was tapped twice during the year for a total of 500 million euros at an average margin of 23 basis points above the OAT curve, thus bringing the issue to a total of 1 billion euros. Added to this is the execution of several private placements in euros and in foreign currencies, which brings to 1,471 million euros the funds raised by AFL during the 2021 financial year.

During the 2021 financial year, the AFL-ST, pursuing its corporate purpose, subscribed to the capital of AFL for 28.4 million euros with four capital increases, thus increasing the share capital by AFL from €168.4 million at January 1, 2021 to €196.8 million at December 31, 2021. The AFL Group now has 496 members, including 85 new local authorities, which joined the AFL Group during the year.

At the end of the 2021 financial year, the NBI generated by the activity amounted to € 14,174k compared to € 14,147k at December 31, 2020.

NBI for 2021 corresponds mainly to a net interest margin of € 12,659k, up 8.3% compared to € 11,693k during the previous financial year, due to capital gains on the sale of investment securities from the management of the liquidity reserve, with an amount of € 806k, capital gains on loan assignments of € 1,234k net of the cost of unwinding interest rate hedges and impairment of securities investment of € 360k. However, these provisions are not proven counterparty risk indicators; these provisions represent only 0.05% of the outstandings concerned.

The interest margin of € 12,659k realized in 2021 saw a significant change in its composition due to the continued decline in interest rates into negative territory. Indeed, the fall in the 3-month Euribor rate against of which AFL's exposures are swapped mechanically leads to a contraction in income from the loan portfolio, which falls to € 3,856K against € 7,144K at December 31, 2020.

However, this contraction is only apparent because outstanding credit continues to increase with a constant credit margin against the cost of debt. Indeed, the contraction in income from the loan portfolio should be compared with the sharp increase in income from debts on the balance sheet, which are swapped against 3-month Euribor and which amounted to € 18,634k at December 31, 2021 compared to € 9 494k as of December 31, 2020, after taking into account interest on hedging.

The drop in interest rates leads to a reversal of flows, with expenses becoming income and income becoming expenses. With regard to income related to the management of the liquidity reserve, they constitute an interest expense of -€ 9,834k, compared to -€ 4,946k at December 31, 2020. This deterioration originates both in increasing the amount of the liquidity reserve and above all in continuing to lower the 3-month Euribor rate into negative territory.

Also, during the period, portfolio management of the liquidity reserve generated € 2,024k of profit on the sale of investment securities, € 8k of profit on the sale of investment securities and € 1,227k of loss on the cancellation of instruments for hedging the interest rates of securities sold, ie a net amount of capital gains on disposals of € 806.

The "Other banking operating income" item, which represents an amount of € 2,146k corresponds to capital gains on the sale of loans. The cost of terminating the hedging swaps for these loans for an amount of € 912k must be deducted from these capital gains. In total, these disposal transactions generated net income of € 1,234k.

For the financial year ended December 31, 2021, general operating expenses represented € 11,292k compared to € 10,090k for the previous financial year. These expenses include personnel expenses for € 5,931k compared to € 5,018k in 2020. General operating expenses also include administrative expenses, which amounted to € 5,360k compared to € 5,072k as of December 31, 2020, once subtracted re-invoicing between AFL and AFL-ST and charges to be distributed. The increase in operating expenses is explained by the following items:

• an increase in the payroll resulting from several elements: an increase in gross fixed remuneration of 3.9% on average for all staff after a 3-year freeze, 2 recruitments, a few targeted salary increases with a view to catch-up or alignment, an increase in variable compensation due to the good results recorded by the company, the implementation of a profit-sharing scheme, the impact of the company agreement on the Time Savings Account (CET) and finally the revaluation of retirement benefits.

• an increase in IT fees due to the deployment of the IT system dedicated to market activities;

• an increase in custody, account management and valuation fees by banking providers;

• an increase in communication expenses after a particularly economical year in 2020 due to distancing and containment measures.

At the end of the financial year, depreciation and amortization expenses amounted to € 818k compared to € 1,160k at December 31, 2020, i.e. a decrease of € 342k. This evolution of depreciation primarily reflects two opposing movements; on the one hand a decrease in depreciation of € 612k corresponding to the end of the depreciation of the AFL web-portal, core banking construction work and project management assistance carried out in 2015 and on the other hand an increase of € 215k corresponding to the investments made in setting up an information system dedicated to market activities. Indeed, in 2021, AFL completed the deployment of a system dedicated to market transactions and asset-liability management, a system that covers the entire market transaction workflow.

After depreciation and amortization, gross operating income as of December 31, 2021 amounted to € 2,065k compared to € 2,906k as of December 31, 2020. After taking into account gains and losses on fixed assets and tax, the net income as of December 31, 2021 amounted to € 2,073k compared to € 2,887k for the previous financial year.

Subsequent events

The entry of Russian troops into Ukraine on the night of February 23 to 24, 2022 plunged Europe into a situation it had not known since the Second World War. After the health crisis of covid 19, this war situation at the gates of the European Union will have multiple and profound consequences at the political, social, economic and financial level.

Political, as many countries on the continent that are not yet members of the EU or the North Atlantic Treaty Organization may wish to speed up their application to join these organisations.

Social, because a considerable exodus of the Ukrainian population, which could reach 7 million people according to the United Nations, is underway towards the countries bordering Ukraine, such as Poland, Romania, Hungary and Slovakia.

Economic and financial, because the interruption of trade in raw materials and in particular agricultural materials with Ukraine, because of the war, and with Russia because of economic sanctions, will inevitably lead to a significant rise in prices and a slowdown of the economic growth of the countries of the European Union, and even of the world economy.

For the central banks which had undertaken to normalize their monetary policy with the aim of combating the rise in prices, the equation is made complex by the need to stabilize the functioning of the financial markets by extending the programs for the purchase of securities and the injections of liquidity into the banking system, thus postponing the rapid deployment of measures to combat inflation in the short term. However, it is still too early to have a complete view of the impact of this crisis on activities in France, on the situation of local authorities and on the AFL.

III - Accounting principles and valuation methods

Agence's financial statements have been prepared in accordance with accounting principles applyed in France by Banks.

Presentation format

Agence's financial statements are presented in accordance with ANC (Autorité des normes comptables) Regulation N° 2014-07 of 26 November 2014 related to the annual accounts for the banking sector. ANC regulation n ° 2020-10 of December 22, 2020 amending ANC regulation n ° 2014-07 and mainly relating to regulated savings and securities lending had no impact on the accounts of the 'AFL as of December 31, 2021.

Preparation basis

The general accounting conventions have been applied, in accordance with the basic assumptions :

• Ongoing concern principle,

• Segregation of accounting periods,

• Consistency of methods.

And with the general rules for preparing and presenting annual financial statements.

Accounting principles and methods

Loans and advances to banks and to customers

Loans and advances to banks include all loans connected with banking operations except for those materialized by a security. They are broken down into sight accounts and term accounts.

Loans and advances to customers comprise loans granted to local governments. The undrawn portion of signed loan agreements is recorded as an off-balance sheet item.

Interest on loans is recorded as Interest income prorata temporis for accrued amounts as is interest on past-dues.

Premiums paid on credit acquisitions are included in the amount of the principal repurchased and are therefore recognized in "Loans and advances to customers". In accordance with the Règlement 2014-07, these marginal transaction costs are spread over the life of the loans through the calculation of a new effective interest rate.

Doubtful loans

Loans and receivables to customers are classified as doubtful if they carry an identified credit risk arising from one of the following events:

. The loan or advance is in default for at least 90 days;

. The borrower's financial position is such that an identified risk exists regardless of whether the loan or advance is in arrears,

. The bank and borrower are in legal proceedings.

By applying the contagion principle, all of the outstanding amounts of the same borrower are downgraded to doubtful loans as soon as a receivable from this holder is downgraded within AFL.

Compromised non-performing loans are loans to borrowers whose recovery outlook is so downgraded that they are written off. Loans unpaid for more than one year are recorded in this category. Interest on these loans no longer contributes to the interest margin once they have been transferred to the category of compromised nonperforming loans.

Impairment charges are recognized for non-performing and compromised non-performing loans. Risk management determines the percentage of impaired capital in function of expected losses. Interest income is fully impaired. Impairment charges and reversals for credit risk are recognized as Cost of risk as well as the losses on non-recoverable loans and recoveries on amortized loans.

All default must have been settled, no default must therefore persist at the time of leaving the classification in doubtful.

A probation period of 6 months begins when all the conditions for the issue of default are met and the return to normal has been decided by the Credit Committee.

During the probationary period payments must resume regularly and without delay, an unpaid amount immediately causes the return in Doubtful loans.

The Credit Committee examines and validates the exit from the Doubtful loans classification.

Tangible and intangible fixed assets

Agence applyed CRC 2002-10 of 12 December 2002 relating to the amortization and impairment of assets and CRC 2004-06 on the recognition and measurement of assets, with the exception of costs relating to first establishment of the Local Agency France that have been recognized in balance sheet like intangible assets, as permitted by Article R.123-186 the Code de commerce.

The acquisition cost of fixed assets includes, besides the purchase price, incidental costs which are charges linked directly or indirectly to the acquisition for the use or for the state entry in the assets of the company.

Software acquired are recognized in gross value at acquisition cost.

IT costs are recognized in assets when they meet the conditions required by Regulation N° 2004-06, i.e. whether all the expenses are inccured for the etablishment of the information system.

Tangible and intangible assets are amortized over their estimated useful lives, with the exception of Start-up costs, which are amortized over a maximum period of 5 years, as permitted by the Code de Commerce (Article R.123-187).

At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment is assessed for indications of impairment. If such indications are present, these assets are subject to an impairment review. If impaired, the carrying values of assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs.

Fixed assets are amortised over their estimated useful lives in the following manner:

Fixed asset	Estimated useful life
Start-up costs	5 years
Software	5 years
Website	3 years
Fixtures and fittings	10 years
Computer equipment	3 years
Office furniture	9 years
Software development	5 years

The amortization method is straight-line.

Securities portfolio

Accounting policies for securities transactions are defined by CRB regulation 90-01 as amended by CRC Regulations 2005-01, 2008-07 and 2008-17 endorsed by Regulations 2014-07 and by CRC Regulation 2002-03 for the determination of credit risk and impairment of fixed-income securities, endorsed as well by Regulations 2014-07.

Securities are presented in the financial statements according to their type:

"Government and public securities" for Treasury bills and similar securities,

"Bonds and other fixed income securities" for notes and interbank debt instruments, shares and other income securities variable

"Equities and other variable income securities"

The item "Government and public securities" includes debt securities issued by public sector entities that may be refinanced through the European System of central banks.

They are classified in portfolios defined by regulation (trading, investment securities, placement securities, long term equities investment, medium term portfolio, other long term equity investments and investments in subsidiaries and affiliates), depending on the initial intention for holding the securities at the time they were acquired.

Placement securities

Securities that do not fit in any existing category are recognized as placement securities.

Placement securities are recorded at acquisition cost including fees.

. **Bonds and other fixed income securities:**

These securities are recognised at acquisition cost excluding interest accrued at the acquisition date. Accrued interest at the date of acquisition is recorded separately as "Accrued interest".The difference between the purchase price and the redemption value is spread over the remaining life of the security on an actuarial basis.

Interests on these securities are recorded in Income statement as "Interest income on bonds and fixed income securities".

At the end of the reporting period, in application of the principle of prudence, placement securities are recorded on the balance sheet at their acquisition cost or selling price at the end of the reporting period, whichever is lower, after accounting, when relevant, for the value of the micro-hedge swap.

Excluding conterparty risk, when the decrease in the value of the security exceeds the unrealized gain on the micro-hedge, the decrease in net value is recorded in Net gains (losses) on placement portfolio as loss or gain on sales.

If the decrease in the value of the security arises from a risk relating specifically to the issuer of the security, impairment is recorded under "Cost of risk", in accordance with ANC regulation 2014-07 on credit risk.

If appropriate, Impairment intended to take into account counterparty risk and recognised under the cost of risk is booked on fixed income securities as follows:

. in the case of listed securities, impairment is based on market value, which intrinsically reflects credit risk. However, if Agence has specific information on the issuer's financial position that is not reflected in the market value, a specific impairment loss is recorded;

. in the case of unlisted securities, impairment is recorded in the same way as on loans and receivables to customers based on identified probable losses.

. **Equities and other variable-income securities:**

Equities are recognised on the balance sheet at their purchase price including transaction expenses. The associated dividends are recorded as income under "Income from variable-income securities".

Income from mutual funds is recognised when received under the same heading.

At each reporting date, short term investment securities are measured at the lower of acquisition cost and market value. If the current value of an item or a homogeneous set of securities (calculated from market prices at the reporting date, for example)is lower than its carrying amount, an impairment loss is recorded for the unrealised loss without being offset against any gains recognised on other categories of securities.

Investment securities

Investment securities are fixed income securities with a fixed maturity date that have been acquired or transferred to this category with the manifest intention of holding them until maturity.

This category only includes securities for which Agence has the necessary financial ability to continue holding them until maturity and that are not subject to any legal or other restriction that could interfere with its intention to hold them until maturity.

Securities considered as Investment securities are recorded on the date of purchase at acquisition clean price including fees. Accrued interest at the date of acquisition is recorded separatly as "Accrued interest". Interest on these securities is recorded in income as "Interest income on bonds and fixed income securities".

The difference between the purchase price and the redemption value is spread over the remaining life of the security on an actuarial basis.

Impairment is not booked for long term investment securities if their market value falls below cost. On the other hand, if the impairment arises from a risk relating specifically to the issuer of the security, impairment is recorded under "Cost of risk", in accordance with CRC regulation 2002-03 on credit risk.

In the case of the sale or reclassification to another category of long term investment securities and representing a material amount, during the current financial year and the next two financial years, the reporting entity is no longer authorised to classify securities previously bought and to be bought as long term investment securities, in accordance with CRC regulation 2005-01, except in the special cases provided by that regulation and by CRC regulation 2008-17.

Market price

The market price at which the various categories of securities are measured is determined as follows:

. Securities traded on an active market are measured at the latest price;

. If the market on which the security is traded is not or no longer considered active or if the security is unlisted, Agence determines the likely value at which the security concerned would be traded using valuation techniques. Firstly, these techniques take into account recent transactions carried out in normal competition conditions. If required, Agence uses valuation techniques commonly used by market participants to price these securities, when it has been demonstrated that these techniques provide reliable estimates of prices obtained in actual market transactions.

Recording date

Agence records securities classified as investment securities on the settlement date. Other securities, regardless of type or classification, are recognised on the trading date.

Disclosures on Placement securities and Investment securities

The Regulation CRC 2000-03, Appendix III, paragraph 1. 1.2, supplemented by Regulation No. 2004-16 of 23 November 2004 and Regulation CRC No. 2005-04 requires credit institutions to provide:

. A breakdown of Investment portfolio and Placement portfolio, public bills and similar securities, bonds and other fixed-income securities.

. For Placement securities, the amount of unrealized gains corresponding to the difference between the market value and acquisition cost is disclosed. The amount of unrealized gains on Placement securities subject to a provision in the balance sheet as well as investment securities unrealized losses not subject to provision.

Debt due to banks

Debt due to banks is broken down according to the initial maturity (sight or term debt).

Repurchase agreements (represented by certificates or securities) are included under these type according to the initial maturity. Accrued interest on these deposits is recognised under accrued interest and taken to profit and loss.

Debt securities issued

These debt securities are recorded at nominal value. Redemption and issue premiums are amortized on an actuarial basis over the maturity of the securities prorate temporis. They are recorded on the balance sheet in the same categories as the corresponding debt. Amortization of these premiums is recorded in the income statement as "Interest expense on bonds and other fixed income securities".

If bonds are issued above par, amortization of issue premiums is deducted from interest expense on bonds and other fixed income securities. Interest on bonds is recorded as Interest expense for accrued amounts calculated prorata temporis. Bond issue costs and commissions are amortized on an actuarial basis over the maturity of the related loans.

Derivative transactions

Agence engages in derivative transactions to hedge the interest rate and foreign exchange risks to which it is exposed in its activity.

Depending on their purpose, these transactions are assigned to micro-hedge or macro-hedge portfolios in accordance with CRB regulations 88-02 and 90-15 endorsed by ANC Regulations 2014-07. Valuation methods and accounting principles are determined according to the portfolio to which they are assigned.

Micro-hedge transactions

Transactions are booked as micro-hedges when they are designed to hedge against the interest rate risk related to an item or set of homogeneous items identified from the start. They involve swaps used to hedge issues of debt securities, fixed-income secuties recognised as placement securities and loans and advances to customers.

Macro-hedge transactions

This category includes transactions designed to hedge and manage the Company's overall exposure to interest rate risk on assets, liabilities and off-balance sheet items, excluding micro-hedge transactions.

The reduction measurement of the Company's global interest rate risk is done by making a sensitivity analysis of macro-hedge portfolios.

Hedging transactions accounting

Expense and income on these transactions are recorded in the income statement in the same way income and expense on the hedged item or set of homogeneous items are recorded.

Expense and income on these transactions are recorded in the income statement prorata temporis respectively as Interest expense or Interest income.

Unrealised gains and losses on derivatives valuation are not recorded.

Payments at the inception of hedging derivatives are recorded in other assets and other liabilities and amortized over their maturity according to an actuarial method.

In the event of early reimbursement or the sale of the hedged item, or early repayment within the framework of the renegotiation of the hedged item, the termination fee received or paid because of the early interruption of the hedging instrument is recorded in in the income statement if the hedging instrument has been cancelled.

Currency transactions

In accordance with ANC regulation 2014-07, AFL accounts for transactions in currencies in open accounts in each currency.

Foreign exchange position and currency exchange rate accounts are opened in each currency.

At each reporting date, the differences between the amounts resulting from the valuation of the foreign exchange position accounts at the market price on the closing date and the amounts entered in currency exchange rate accounts are recorded in the income statement.

Currency hedging transactions

As part of hedging its foreign exchange risk, AFL contract cross currency swaps. These operations are set up in order to eliminate at inception the risk of a change in currency rate related to an asset or a liability. This is mainly the hedging of debts issued by AFL in foreign currency.

The accounting principle used to recognize the result of the foreign exchange transactions of Cross currency swaps is to recognize in income prorata temporis over the duration of the contract, the interest rate gap between the forward and the spot currency rate.

Cost of risk

The cost of credit risk includes impairment charges and reversals on fixed-income securities, and customer loans and receivables, as well as charges and reversals of impairment relating to guarantee commitments given, losses on receivables, and the recovery of amortised receivables.

Provisions

Agence applies CRC regulation 2000-06 on liabilities relating to the recognition and measurement of provisions falling within the scope of this regulation.

Provisions are recorded at present value when the three following conditions are met:

• Agence has a present legal or constructive obligation as a result of past events;

• It is probable that an outflow of resources representing economic benefits will be required to settle the obligation;

• A reliable estimate of the amount of the obligation can be made.

Tax consolidation

Since January 1, 2015, the Agence belongs to the tax group headed up by Agence France Locale - Société Térritoriale. This entity pays the total income tax owed by the group. The Agence records in its accounts the amount of tax for which it would be liable if it were not a member of the tax group. Tax savings realized by the tax group are recorded in the accounts of Agence France Locale - Société Térritoriale.

Post-employment benefits

Agence has applied ANC recommendation 2013-02 of 7 November 2013 relating to the measurement and recognition of retirement and similar benefit obligations.

In accordance with this recommendation, Agence sets aside provisions to cover its retirement and similar benefit obligations falling within the category of defined-benefit plans.

These obligations are stated on the basis of actuarial, financial and demographic assumptions, and in accordance with the projected unit credit method. Under this method, for each year of service, a charge is booked in an amount corresponding to the employee's vested benefits for the period. The charge is calculated based on the discounted future benefit.

The entity has opted for method 2 in recommendation 2013-02 which allows in particular for the recognition of gains or losses arising from changes to defined-benefit plans when the curtailment or settlement occurs.

The entity elected to immediately recognise the actuarial gains or losses in profit or loss over the expected average remaining working lives of the employees participating in the scheme. Accordingly the amount of the provision is equal to:

. the present value of the obligation to provide the defined benefits at the reporting date, calculated in accordance with the actuarial method advised by the recommendation;

. plus any actuarial gains (less any actuarial losses) not recognized,

. less, where applicable, the fair value of plan assets. These may be represented by an eligible insurance policy. In the event that the obligation is fully covered by such a policy, the fair value of the policy is deemed to be the value of the corresponding obligation, i.e. the amount of the corresponding actuarial liability.

The recommendation also allows for the recognition of actuarial gains and losses using the "corridor method" or any other method that results in faster recognition in profit or loss.

Identity of the parent company consolidating the accounts of the Agence as of December 31, 2021

Agence France Locale – Société Territoriale
41, quai d'Orsay 75 007 Paris

IV - Notes to the Balance Sheet

Note 1 - PORTFOLIO

(€ '000s)

31/12/2021	Government paper and similar securities	Bonds and other fixed income securities	Equities and other variable income securities	Total
Fixed or variable income securities				
Listed securities	914,177	10,030		924,207
Unlisted securities				-
Accrued interest	2,213	-		2,213
Impairment	(360)	-		(360)
Net carrying amount	**916,031**	**10,030**	**-**	**926,061**
Residual net Premium/Discount	16,577	(20)		16,557

31/12/2020				
Fixed or variable income securities				
Listed securities	753,823	9,985		763,808
Unlisted securities				
Accrued interest	1,182	-		1,182
Impairment	-	-		
Net carrying amount	**755,005**	**9,985**	**-**	**764,990**
Residual net Premium/Discount	5,731	(65)		5,666

Government paper and similar securities: analysis by residual maturity

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2021	Total 31/12/2020
Government paper and similar securities								
Net amount	4,003	68,174	552,428	289,213	913,818	2,213	916,031	755,005
NET CARRYING AMOUNT	**4,003**	**68,174**	**552,428**	**289,213**	**913,818**	**2,213**	**916,031**	**755,005**
Bonds and other fixed income securities								
Net amount	-	10,030	-	-	10,030	-	10,030	9,985
NET CARRYING AMOUNT	**-**	**10,030**	**-**	**-**	**10,030**	**-**	**10,030**	**9,985**

Analysis by type of portfolio

Portfolio *(€ '000s)*	Gross amount 31/12/2020	Additions	Disposals	Transfers	Prem/Disc Amort.	Change in accrued interest	Impairment	Total 31/12/2021	Unrealized gains/(losses)
Transaction									
Held-for-sale	635,433	687,779	(581,889)		(3,481)	650	(360)	738,133	2,853
Investment	129,557	75,382	(15,952)		(1,439)	381		187,929	(1,687)
NET CARRYING AMOUNT	**764,990**	**763,161**	**(597,841)**	**-**	**(4,921)**	**1,031**	**(360)**	**926,061**	**1,166**
Of which Premium/Discount	5,666	18,033	(2,221)		(4,921)			16,557	

Note 2 -RECEIVABLES ON CREDIT INSTITUTIONS

Accounts with central banks

(€ '000s)	31/12/2021	31/12/2020
Mandatory reserve deposits with central banks	1,175,973	601,780
Other deposits		
Cash and central banks	**1,175,973**	**601,780**

Receivables on credit institutions

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2021	Total 31/12/2020
Credit institutions								
Loans and receivables								
- demand	102,135				102,135		102,135	81,754
- time	115,000				115,000	249	115,249	115,111
Securities bought under repurchase agreements								
TOTAL	**217,135**	**-**	**-**	**-**	**217,135**	**249**	**217,384**	**196,865**
Impairment								
NET CARRYING AMOUNT	**217,135**	**-**	**-**	**-**	**217,135**	**249**	**217,384**	**196,865**

Note 3 - DUE TO CREDIT INSTITUTIONS

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2021	Total 31/12/2020
Credit institutions								
Accounts and Overdrafts								
- demand	36				36		36	24
- time								
Securities sold under repurchase agreements								
TOTAL	**36**	**-**	**-**	**-**	**36**	**-**	**36**	**24**

Note 4 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	31/12/2021	31/12/2020
Short-term credit facilities	10,510	9,265
Other loans	4,405,672	3,671,763
Customers transactions before impairment charges	**4,416,182**	**3,681,029**
Impairment		
Net carrying amount	**4,416,182**	**3,681,029**
Of which related receivables	6,961	6,852
Of which gross doubtful receivables	3,822	4,159
Of which gross non-performing doubtful receivables		

Doubtful loans correspond to a default for at least 90 days unpaid loans and by contagion to all of the outstanding amounts of counterparties in default. Although classified as doubtful loans, these loans have not been subject to impairment. Impairments are established on the basis of the recoverable amount of the receivable, i.e. the present value of the estimated future flows recoverable. However, on the closing date, the AFL intends to recover all of its debts as well as the interest attached to them.

Analysis by residual maturity excluding accrued interest

(€ '000s)	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2021
Loans and advances to customers	139,505	87,798	161,143	1,276,879	2,743,896	**4,409,221**	**6,961**	**4,416,182**

Note 5 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible assets	31/12/2020	Additions	Transfers	Disposals	Amort.	Impairments	Other movements	31/12/2021
Intangible assets	**13,248**	**1,325**		**(2,123)**			**510**	**12,961**
Start-up costs	2,123			(2,123)				-
IT development costs	10,963	1190					510	12,663
Web site	162	135						298
Software								-
Intangible assets in progress	**510**	**221**					**(510)**	**221**
Intangible assets amortisation	**(11,453)**			**2,123**	**(766)**			**(10,097)**
Net carrying amount	**2,305**	**1,546**			**(766)**			**3,085**

Property, plant & equipment	31/12/2020							31/12/2021
Property, plant & equipment	935	41		(684)				292
Tangible assets in progress	-							-
Tangible assets amortization	(779)			682	(51)			(148)
Net carrying amount	**156**	**41**		**(1)**	**(51)**			**143**

Note 6 - OTHER ASSETS AND ACCRUALS

(€ '000s)	31/12/2021	31/12/2020
Other assets		
Cash collateral paid	50,264	50,023
Other assets	187	782
Impairment		
Net carrying amount	**50,451**	**50,805**
Accruals		
Deferred charges on bond issues	28,716	12,031
Deferred charges on hedging transactions	38,966	43,525
Prepaid charges	212	252
Accrued interest not yet due on hedging transactions	18,704	15,601
Other deferred income	62	16
Other accruals	9,129	3,107
TOTAL	**95,789**	**74,532**

Note 7 - DEBT SECURITIES

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2021	Total 31/12/2020
Negotiable debt securities	43,960	164,296			208,256		208,256	140,000
Bonds	750,000		2,257,920	3,346,603	6,354,523	15,905	6,370,428	4,976,009
Other debt securities					-		-	-
TOTAL	**793,960**	**164,296**	**2,257,920**	**3,346,603**	**6,562,779**	**15,905**	**6,578,684**	**5,116,009**

Note 8 - OTHER LIABILITIES and ACCRUALS

(€ '000s)	31/12/2021	31/12/2020
Other liabilities		
Cash collateral received	5,417	8,247
Miscellaneous creditors	2,982	2,783
TOTAL	**8,399**	**11,030**
Accruals		
Transaction to pay and settlement accounts	613	
Premium EMTN issue	38,112	42,512
Unrealised gains on hedging instruments	69,721	47,263
Unearned income	487	493
Accrued expenses on hedging instruments	11,287	9,851
Other accrued expenses		
Other accruals	895	
TOTAL	**121,115**	**100,119**

Note 9 - PROVISIONS

(€ '000s)	Balance as of 31/12/2020	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 31/12/2021
Provisions						
Financing commitment execution risks						
Provisions for other litigations						
Provisions for employee retirement and similar benefits	65	49	-	-	-	114
Provisions for other liabilities to employees						
Other provisions						
TOTAL	**65**	**49**	**-**	**-**	**-**	**114**

Note 10 - CHANGES IN EQUITY

(€ '000s)	Share capital	Legal reserve	Share premiums	Statutory reserve	Translation, revaluation	Translation, revaluation subsidies	Retained earnings	Net income	Total equity
Balance as of 31/12/2019	**146,800**	**-**	**-**	**-**	**-**	**-**	**(24,501)**	**(1,713)**	**120,586**
Change in share capital	21,600								21,600
Change in share premium and reserves									
Allocation of 2019 net profit							(1,713)	1,713	
Net income as of 31/12/2020								2,887	2,887
Other changes									
Balance as of 31/12/2020	**168,400**	**-**	**-**	**-**	**-**	**-**	**(26,214)**	**2,887**	**145,073**
Dividend paid for 2020									
Change in share capital	28,400 (1)								28,400
Change in share premium and reserves									
Allocation of 2020 net profit							2,887	(2,887)	
Net income as of 31/12/2021								2,073	2,073
Other changes									
Balance as of 31/12/2021	**196,800**	**-**	**-**	**-**	**-**	**-**	**(23,327)**	**2,073**	**175,546**

(1) The share capital of Agence France Locale which amounts on 31 of Decembre, 2021 to € 196,800,000 consists of 1,968,000 shares. The Company carried out four capital increases during during the year 2021 subscribed on 23rd March 2021 to € 9,400K, on 24th June 2021 for € 12,650K, on 18th November for €5,800K and on 29th December for €550K.

Note 11 - DERIVATIVES

Outstanding notional and Fair value

(€ '000s)	31/12/2021				31/12/2020			
	Hedging transactions		Others than Hedging transactions		Hedging transactions		Others than Hedging transactions	
	Outstanding notional	Fair value	Outstanding notional	Fair value	Outstanding notional	Fair value	Outstanding notional	Fair value
FIRM TRANSACTIONS	**12,426,932**	**(46,293)**	**809,490**	**9**	**9,429,669**	**(39,449)**	**986,115**	**(182)**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts								
Other contracts								
Over-the-counter markets	**12,426,932**	**(46,293)**	**809,490**	**9**	**9,429,669**	**(39,449)**	**986,115**	**(182)**
Interest rate contracts	11,698,697	(35,683)	809,490	9	9,102,562	(47,879)	986,115	(182)
FRA								
Cross Currency Swaps	728,235	(10,610)			327,107	8,431		
Other contracts								
CONDITIONAL TRANSACTIONS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Exchange rate options								
Other options								
Over-the-counter markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Caps, floors								
Foreign currency option								
Crédit derivatives								
Other options								

Amount of micro-hedge transaction as of 31/12/2021	11,396,144	(€ '000s)
Amount of macro-hedge transaction as of 31/12/2021	1,030,788	(€ '000s)
Amount of trading transaction as of 31/12/2021	809,490	(€ '000s)

Notional amount by maturity

(€ '000s)	31/12/2021					
	Hedging transactions			Others than Hedging transactions		
	Less than 1 year	1 year to 5 years	more than 5 years	Less than 1 year	1 year to 5 years	more than 5 years
FIRM TRANSACTIONS	**1,083,200**	**3,304,938**	**8,038,794**	**123,000**	**350,490**	**336,000**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts						
Other contracts						
Over-the-counter markets	**1,083,200**	**3,304,938**	**8,038,794**	**123,000**	**350,490**	**336,000**
Interest rate contracts	924,944	3,140,354	7,633,399	123,000	350,490	336,000
FRA						
Cross Currency Swaps	158,256	164,584	405,395			
Other contracts						
CONDITIONAL TRANSACTIONS	**-**	**-**	**-**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**
Exchange rate options						
Other options						
Over-the-counter markets	**-**	**-**	**-**	**-**	**-**	**-**
Caps, floors						
Foreign currency option						
Crédit derivatives						
Other options						

Derivatives classified as financial assets held for transaction purposes do not constitute interest rate positions taken with a view to drawing short-term profits. They are investment portfolio fair value hedging derivatives in a fixed-rate borrower position which have been neutralised by fixed-rate lender derivatives. These contracts, concluded in a clearing house, present positions which are rigorously symmetric in terms of rates and maturities. These financial assets and liabilities, although they are the object of a framework netting agreement, are presented as assets and liabilities because future cash flows payable and receivable differ in the amount of the fixed-rate coupon payable and receivable. The positions presented in the table above do not entail any kind of residual interest rate risk.

V - Notes to the Income statement

Note 12 - INTEREST INCOME AND EXPENSES

(€ '000s)	31/12/2021	31/12/2020
Interest and similar income	**34,391**	**25,759**
Due from banks	222	133
Due from customers	8,159	10,323
Debt securities	18,909	9,939
Macro-hedge transactions	2,257	1,398
Other interest income	4,845	3,965
Interest and similar expenses	**(21,732)**	**(14,067)**
Due to banks	(6,213)	(3,182)
Bonds and other fixed income securities	(4,118)	(2,382)
from Held-for-sale securities	*(3,798)*	*(2,320)*
from Investment securities	*(321)*	*(63)*
Macro-hedge transactions	(6,560)	(4,583)
Other interest expenses	(4,841)	(3,919)
Interest margin	**12,659**	**11,693**

AFL adopted as of June 30, 2021, a new presentation of interest incom en expenses. From now on, interest from customers, securities portfolios and interest on debts issued are presented net of interest income and expenses on their micro-hedging swaps. Interest on Macro-hedge swaps are presented as income for swaps generating income on the net of the two legs of the instrument and as charges when the net of the two legs represents an interest charge. This shape of presentation was also applied to the comparative periods.

Note 13 - NET FEE AND COMMISSION INCOME

(€ '000s)	31/12/2021	31/12/2020
Commission income	**165**	**186**
Interbank transactions		
Customer transactions	165	186
Securities transactions		
Forward financial instruments transactions		
Currencies transactions		
Financing commitments and guarantee		
Other commissions recieved		
Commission expenses	**(324)**	**(255)**
Interbank transactions	(15)	(11)
Securities transactions		
Forward financial instruments transactions	(141)	(125)
Currencies transactions		
Financing commitments and guarantee		
Other commissions paid	(168)	(118)
Net fee and commission income	**(159)**	**(69)**

Note 14 - ANALYSIS OF GAINS AND LOSSES ON PORTFOLIO TRANSACTIONS

(€ '000s)	31/12/2021	31/12/2020
Gains/(losses) on Trading book		
Gains/(losses) on forward financial instruments	(2,139)	(6,531)
Gains/(losses) on foreign currency transactions	2	(0.1)
Gains or (losses) on trading portfolio	**(2,137)**	**(6,531)**
Gains/(losses) from disposal of held-for-sale securities	2,024	5,596
Other income/(expenses) from held-for-sale securities		
Impairment (charges) and reversals on held-for-sale securities	(360)	224
Gains or (losses) on held-for-sale portfolio	**1,665**	**5,820**

Note 15 - OTHER BANKING INCOME

(€ '000s)	31/12/2020	31/12/2020
Capital gains on loan disposals	2,146	3,244
Other banking income		
Other banking income	**2,146**	**3,244**
Capital losses on loan disposals		
Other banking expense		
Other banking expense	**-**	**-**
TOTAL	**2,146**	**3,244**

Note 16 - GENERAL OPERATING EXPENSES

(€ '000s)	31/12/2021	31/12/2020
Employee expenses		
Wages and salaries	3,868	3,206
Post-employment benefit expenses	379	347
Other expenses	1,684	1,466
Total Employee expenses	**5,931**	**5,018**
Operating expenses		
Taxes and duties	705	690
External services	6,116	5,509
Total Administrative expenses	**6,821**	**6,199**
Charge-backs and reclassification of administrative expenses	(1,460)	(1,127)
Total General operating expenses	**11,292**	**10,090**

Note 17 - +/- NET GAINS (LOSSES) ON FIXED ASSETS

(€ '000s)	31/12/2021	31/12/2020
Gains on sales of Investment securities	8	
Gains on sales of tangible or intangible assets		
Reversal of impairment		
Total Gains on fixed assets	**8**	**-**
Losses on sales of Investment securities		
Losses on sales of tangible or intangible assets	(1)	(21)
Charge of impairment		
Total Losses on fixed assets	**(1)**	**(21)**
TOTAL	**7**	**(21)**

Note 18 - STAFF

	31/12/2021	31/12/2020
Director (corporate officer)	1	1
Managers	30	29
Technicians & employees		0.3
Apprentices and professional trainng contracts	7	7
Average staff during the year	**38**	**37**
Staff at year-end	**39**	**36**

Note 19 - REMUNERATIONS

Remuneration for Board of AFL and the Group's Director:

Neither members of AFL Board nor Group's Director benefited from a payment in actions in conformance with the exercise 2021 and a compensation was settled because of termination of contract of employment. No other long-term advantage was granted to them.

Their Director's remunerations on the exercise 2021 were the following ones :

(€ '000s)	31/12/2021
Fixed remuneration	679
Variable remuneration	54
Payments in kind	13
Total	**746**

Members of the AFL Supervisory Board received €166k attendance fees.

Note 20 - EXTERNAL AUDITOR FEES

	Caillau Dedouit et Associés		KPMG Audit	
	2021 (€ '000s)	2020 (€ '000s)	2021 (€ '000s)	2020 (€ '000s)
Audit				
Fees related to statutory audit, certification, examination of:				
AFL-Société Opérationelle	69	65	69	65
Sub-total	**69**	**65**	**69**	**65**
Other fees and benefits (*) :				
AFL-Société Opérationelle	36	30	48	29
Sub-total	**36**	**30**	**48**	**29**
TOTAL	**105**	**95**	**117**	**94**

(*) Other fees and benefits are related to issue prospectus audit, capital increases, reliance letter and allocation review of funds raised as part of the sustainability bond issue.

Note 21 - INCOME TAX CHARGE

The standard method for current tax has been chosen for report individual accounts.

Tax losses amounting to €19.8m at 2021 year-end closing were not recognised as deferred tax assets.

Note 22 - RELATED PARTIES

There are, on 31 December 2021, an agreement of administrative services and a licensing for the use of a mark, as well as a professional lease, which were concluded which have been concluded between Agence France Locale - Société térritoriale at normal market conditions.

Agence France Locale S.A.

Statutory auditors' report on the financial statements

For the year ended 31st December 2021

Agence France Locale S.A.

112 rue Garibaldi - 69006 Lyon

This report contains 6 pages

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Agence France Locale S.A.

Registered office: 112 rue Garibaldi - 69006 Lyon
Share capital: €.196 800 000

Statutory auditors' report on the financial statements

For the year ended 31st December 2021

To the annual general meeting of Agence France Locale S.A.,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Agence France Locale S.A. for the year ended 31st December 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31st December 2021 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from 1st January 2021 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you that we have assessed that there are no key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code (Code de commerce).

Information relating to corporate governance

We attest that the Supervisory report on corporate governance sets out the information required by article L.225-37-4 of the French Commercial Code.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Agence France Locale S.A. by the annual general meeting held on 17th December 2013.

As at 31st December 2021, KPMG S.A. and Cailliau Dedouit et Associés were in their 8th year of total uninterrupted engagement, which are the 7th year since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit to the Audit a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The statutory auditors

Paris La Défense, on March 28th, 2022	Paris, on March 28th, 2022
KPMG S.A.	CAILLIAU DEDOUIT et ASSOCIES
French original signed by	
Ulrich Sarfati *Partner*	Sandrine Le Mao *Partner*

AGENCE FRANCE LOCALE IFRS GAAP

BALANCE SHEET

Assets as of December 31, 2021

(€ '000s)	Notes	31/12/2021	31/12/2020
Cash, central banks	5	1,175,917	601,746
Financial assets at fair value through profit or loss	1	10,385	20,000
Hedging derivative instruments	2	172,891	211,916
Financial assets at fair value through other comprehensive income	3	721,146	614,697
Securities at amortized cost	4	205,979	166,864
Loans and receivables due from credit institutions and similar items at amortized cost	5	267,749	246,908
Loans and receivables due from customers at amortized cost	6	4,431,048	3,831,563
Revaluation adjustment on interest rate risk-hedged portfolios		4,158	26,697
Current tax assets			
Deferred tax assets	7	5,156	5,401
Accruals and other assets	8	539	510
Intangible assets	9	3,085	2,305
Property, plant and equipment	9	1,225	1,240
Goodwill			
TOTAL ASSETS		**6,999,277**	**5,729,846**

Liabilities as of December 31, 2021

(€ '000s)	Notes	31/12/2021	31/12/2020
Central banks		1,174	142
Financial liabilities at fair value through profit or loss	1	10,376	20,182
Hedging derivative instruments	2	225,180	251,365
Debt securities	10	6,571,730	5,295,982
Due to credit institutions	11	5,453	8,271
Due to customers			
Revaluation adjustment on interest rate hedged portfolios			
Current tax liabilities			
Deferred tax liabilities	7	169	248
Accruals and other liabilities	12	4,709	3,847
Provisions	13	134	82
Equity		**180,352**	**149,728**
Equity, Group share		**180,352**	**149,728**
Share capital and reserves		196,800	168,400
Consolidated reserves		(19,085)	(21,380)
Reevaluation reserve			
Gains and losses recognised directly in equity		907	412
Profit (loss) for the period		1,730	2,295
Non-controlling interests			
TOTAL LIABILITIES		**6,999,277**	**5,729,846**

Income statement

(€ '000s)	Notes	31/12/2021	31/12/2020
Interest and similar income	14	34,447	25,858
Interest and similar expenses	14	(21,732)	(14,067)
Fee & Commission Income	15	165	186
Fee & Commission Expense	15	(324)	(255)
Net gains (losses) on financial instruments at fair value through profit or loss	16	(2,454)	(6,804)
Net gains or losses on financial instruments at fair value through other comprehensive income	17	2,024	5,596
Net gains and losses on derecognition of financial assets at amortised cost	18	1,834	3,244
Income on other activities			
Expenses on other activities			
NET BANKING INCOME		**13,960**	**13,759**
Operating expenses	19	(11,137)	(9,733)
Net depreciation, amortisation and impairments of tangible and intangible assets	9	(971)	(1,514)
GROSS OPERATING INCOME		**1,852**	**2,512**
Cost of risk	20	(95)	(352)
OPERATING INCOME		**1,757**	**2,160**
Net gains and losses on other assets	21	(0.01)	(21)
INCOME BEFORE TAX		**1,757**	**2,139**
Income tax	22	(27)	156
NET INCOME		**1,730**	**2,295**
Non-controlling interests			
NET INCOME GROUP SHARE		**1,730**	**2,295**
Basic earnings per share (in EUR)		0.88	1.36
Diluted earnings per share (in EUR)		0.88	1.36

Net income and other comprehensive income

(€ '000s)	31/12/2021	31/12/2020
Net income	**1,730**	**2,295**
Items will be reclassified subsequently to profit or loss	**1,292**	**1,235**
Revaluation of financial assets at fair value through other comprehensive income recyclable to income	1,696	1,604
Other items recognized through other comprehensive income recyclable to income		
Related taxes	(404)	(369)
Elements not recyclable in profit or loss	**(798)**	**744**
Revaluation in respect of defined benefit plans		
Revaluation of financial assets at fair value through to equity	(1,064)	991
Other items recognized through other comprehensive income not recyclable to income		
Related taxes	266	(248)
Total gains and losses recognized directly in equity	**494**	**1,979**
COMPREHENSIVE INCOME	**2,224**	**4,274**

Consolidated statement of changes in equity

(€ '000s)	Capital	Associated reserves to capital	Consolidated reserves	Gains and losses recognized directly in comprehensive income				Net income, Group share	Share-holders' equity - Group share	Share-holders'equity, non-controlling interests	Total share-holders equity
				Recyclable		Not recyclable					
				Net change in fair value of Financial assets at fair value through other comprehensive income, after tax	Net change in fair value of cash flow hedging derivatives, after tax	Revaluation in respect of defined benefit plans	Other items recognized through other comprehensive income not recyclable to income				
Shareholders' equity at 1 january 2020	**146,800**	**-**	**(20,189)**	**(1,566)**	**-**	**-**	**-**	**(1,191)**	**123,854**	**-**	**123,854**
Increase in share capital	21,600								21,600		21,600
Elimination of treasury shares											
Allocation of profit 2019			(1,191)					1,191			
Dividends 2019 paid											
Sub-total of changes linked to transactions with shareholders	**21,600**	**-**	**(1,191)**	**-**	**-**	**-**	**-**	**1,191**	**21,600**	**-**	**21,600**
Changes in fair value through equity				953					953		953
Change in value of through profit or loss				651					651		651
Revaluation of financial assets at fair value through not recyclable equity							991		991		991
Changes in actuarial gains on retirement benefits											
Related taxes				(369)			(248)		(616)		(616)
Changes in gains and losses recognized directly in equity	**-**	**-**	**-**	**1,235**	**-**	**-**	**744**	**-**	**1,979**	**-**	**1,979**
2020 Net income								2,295	2,295		2,295
Sub-total	**-**	**-**	**-**	**1,235**	**-**	**-**	**744**	**2,295**	**4,274**	**-**	**4,274**
Effect of acquisitions and disposals on non-controlling interests											
Shareholders' equity at 31 December 2020	**168,400**	**-**	**(21,380)**	**(331)**	**-**	**-**	**744**	**2,295**	**149,728**	**-**	**149,728**
Increase in share capital	28,400 (1)								28,400		28,400
Elimination of treasury shares											
Allocation of profit 2020			2,295					(2,295)			
Dividends 2020 paid											
Sub-total of changes linked to transactions with shareholders	**28,400**	**-**	**2,295**	**-**	**-**	**-**	**-**	**(2,295)**	**28,400**	**-**	**28,400**
Changes in fair value through equity				1,638					1,638		1,638
Change in value of through profit or loss				59					59		59
Revaluation of financial assets at fair value through not recyclable equity							(1,064)		(1,064)		(1,064)
Changes in actuarial gains on retirement benefits											
Related taxes				(404)			266		(138)		(138)
Changes in gains and losses recognized directly in equity	**-**	**-**	**-**	**1,292**	**-**	**-**	**(798)**	**-**	**494**	**-**	**494**
31 December 2021 Net income								1,730	1,730		1,730
Sub-total	**-**	**-**	**-**	**1,292**	**-**	**-**	**(798)**	**1,730**	**2,224**	**-**	**2,224**
Effect of acquisitions and disposals on non-controlling interests											
Shareholders' equity at 31 December 2021	**196,800**	**-**	**(19,085)**	**961**	**-**	**-**	**(54)**	**1,730**	**180,352**	**-**	**180,352**

(1) The share capital of Agence France Locale which amounts on 31 of Decembre, 2021 to € 196,800,000 consists of 1,968,000 shares. The Company carried out four capital increases during the year 2021 subscribed on 23rd March 2021 to € 9,400K, on 24th June 2021 for € 12,650K, on 18th November for €5,800K and on 29th December for €550K.

Cash flow statement

(€ '000s)	31/12/2021	31/12/2020
Net income before taxes	**1,757**	**2,139**
+/- Net depreciation and amortisation of tangible and intangible non-current assets	971	1,514
+/- Net provisions and impairment charges	144	95
+/- Expense/income from investing activities	(1,066)	(6,395)
+/- Expense/income from financing activities	599	605
+/- Other non-cash items	(3,580)	3,077
= Non-monetary items included in net income before tax and other adjustments	**(2,932)**	**(1,104)**
+/- Cash from interbank operations		
+/- Cash from customer operations	(734,373)	(600,773)
+/- Cash from financing assets and liabilities	33,105	(1,450)
+/- Cash from not financing assets and liabilities	(2,450)	3,664
- Income tax paid		
= Decrease/(increase) in cash from operating activities	(703,718)	(598,559)
= CASH FLOW FROM OPERATING ACTIVITIES (A)	**(704,893)**	**(597,523)**
+/- Flows linked to financial assets and investments	(164,330)	(122,154)
+/- Flows linked to investment properties		
+/- Flows linked to tangible and intangible non-current assets	(1,587)	(1,460)
= CASH FLOW FROM INVESTING ACTIVITIES (B)	**(165,917)**	**(123,613)**
+/- Cash from or for shareholders	28,400	21,600
+/- Other cash from financing activities	1,436,984	1,201,862
= CASH FLOW FROM FINANCING ACTIVITIES (C)	**1,465,384**	**1,223,462**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)		
Increase/(decrease) in cash equivalents (A + B+ C + D)	**594,574**	**502,325**
Cash flow from operating activities (A)	(704,893)	(597,523)
Cash flow from investing activities (B)	(165,917)	(123,613)
Cash flow from financing activities (C)	1,465,384	1,223,462
Effect of changes in exchange rates on cash and cash equivalents (D)		
Cash and cash equivalents at the beginning of the period	**683,534**	**181,209**
Cash and balances with central banks (assets & liabilities)	601,780	165,609
Interbank accounts (assets & liabilities) and loans/deposits at sight	81,754	15,600
Cash and cash equivalents at the end of the period	**1,278,108**	**683,534**
Cash and balances with central banks (assets & liabilities)	1,175,973	601,780
Interbank accounts (assets & liabilities) and loans/deposits at sight	102,135	81,754
CHANGE IN NET CASH	**594,574**	**502,325**

NOTES TO THE YEAR END FINANCIAL STATEMENTS ACCORDING TO IFRS STANDARDS

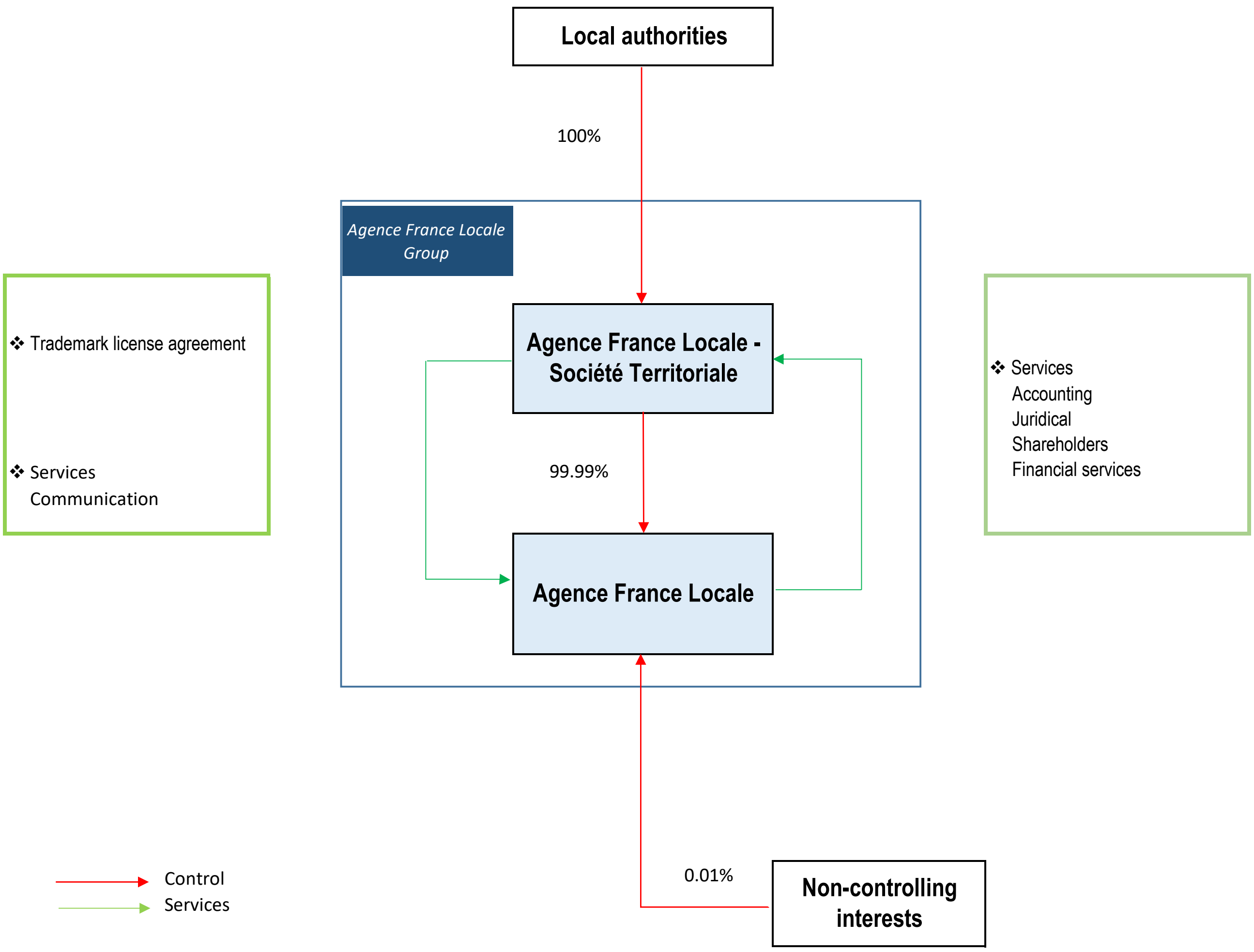
General framework

AFL (« Agence ») presentation

The AFL ("Agence") is the subsidiary of Agence France Locale - Société Territoriale ("AFL ST").

The AFL ST is a limited company with a Board of Directors whose shareholders are comprised exclusively of Communities that the membership of the Group AFL. The AFL ST is the parent company of the Agence. Agence is a limited company with an Executive Board and a Supervisory Board.

The diagram below shows the structure of the AFL group:



I - Publication context

The 2021 financial statements were approved by the Board of Directors as of March 14, 2022.

II - Highlights from 2021 financial year

The year 2021 marks another very significant increase in results related to the credit activity, which is part of the Company's development trajectory in accordance with its 2017-2021 strategic plan. The increase in results excluding non-recurring items reflects the good momentum in the generation of income from loan activity since the 2015 financial year, the year in which AFL's activities started and which is measured in particular by the regular increase and of the outstanding portfolio of loans granted to member local authorities.

The production of medium and long-term loans carried out by AFL in 2021 amounted to 1,243 million euros against 937 million euros in 2020 for a total of 286 loans against 220 in 2020. This increase the 33% year-on-year production volume underlines the good development momentum of the AFL following the arrival of a growing number of local authorities as members of the Group.

On January 14, 2021, AFL carried out a new benchmark issue for an amount of €500 million maturing on March 20, 2031 under excellent conditions. This seventh benchmark issue since the creation of the AFL met with unprecedented success with demand for more than 2.2 billion euros from nearly 90 investors. The placement of the securities was carried out with a margin of 31 basis points against the French government bond curve (OAT). This issue was tapped twice during the year for a total of 500 million euros at an average margin of 23 basis points above the OAT curve, thus bringing the issue to a total of 1 billion euros. Added to this is the execution of several private placements in euros and in foreign currencies, which brings to 1,471 million euros the funds raised by AFL during the 2021 financial year.

During the 2021 financial year, the AFL-ST, pursuing its corporate purpose, subscribed to the capital of AFL for € 28.4 million with four capital increases, thus increasing the share capital by AFL from €168.4 million at January 1, 2021 to € 196.8 million at December 31, 2021. The AFL Group now has 496 members, including 85 new local authorities, which joined the AFL Group during the year.

At the end of the 2021 financial year, the NBI generated by the activity amounted to € 13,960k compared to € 13,759k at December 31, 2020.

NBI for 2021 mainly corresponds to a net interest margin of € 12,715k, up 7.8% compared to € 11,791k during the previous financial year, to capital gains from the sale of investment securities from the management of the liquidity reserve, in the amount of € 806k, to capital gains on loan assignments of € 1,234k net of the cost of unwinding interest rate hedges and to an accounting result of coverage of -€ 631k.

The interest margin of € 12,715k realized in 2021 has seen a significant change in its composition due to the continued decline in interest rates into negative territory. Indeed, the fall in the 3-month Euribor rate against of which AFL's exposures are swapped mechanically leads to a contraction in income from the loan portfolio, which falls to € 3,856k against € 7,145k at December 31, 2020.

However, this contraction is only apparent because outstanding credit continues to increase with a constant credit margin against the cost of debt. Indeed, the contraction in income from the loan portfolio should be compared with the sharp increase in income from debts on the balance sheet, which are swapped against 3-month Euribor and which amounted to € 18,632k at December 31, 2021 compared to € 9 489k as of December 31, 2020, after taking into account interest on hedging.

The drop in interest rates leads to a reversal of flows, with expenses becoming income and income becoming expenses. With regard to income related to the management of the liquidity reserve, they constitute an interest expense of -€ 9,773k, compared to -€ 4,843k at December 31, 2020. This deterioration originates both in increasing the amount of the liquidity reserve and above all in continuing to lower the 3-month Euribor rate into negative territory.

The item “Net gains or losses resulting from the derecognition of financial assets at amortized cost”, which represents an amount of € 1,834k, corresponds for € 1,825k to capital gains on the sale of loans. The cost of terminating the hedging swaps for these loans for an amount of € 597k must be deducted from these capital gains. In total, these disposal transactions generated net income of € 1,229k.

The net result of hedge accounting amounts to -€ 631k. It represents the sum of the differences in fair value of the hedged items and their hedging. Among these differences, -€ 496k relate to valuation differential charges on instruments classified as macro-hedging, € 506k relate to income from the valuation of instruments classified as micro-hedging and -€ 627k to charges from debts classified as micro-hedging.

There are still latent differences in valuations between the hedged items and the hedging instruments, one of the components of which comes from a market practice leading to recognize a valuation asymmetry between the hedging instruments collateralized daily on the one hand , discounted on a curve now called the €STER curve, with reference to the new monetary index, and the hedged items on the other hand, discounted on an Euribor curve. This leads, according to IFRS standards, to the recognition of a hedge ineffectiveness which is recorded in the income statement. It should be noted that this is, however, a latent income.

For the financial year ended December 31, 2021, general operating expenses represented € 11,137k compared to € 9,733k for the previous financial year. These expenses include personnel expenses for € 5,906k compared to € 5,018k in 2020. General operating expenses also include administrative expenses, which amounted to € 5,231k compared to € 4,715k as of December 31, 2020, once subtracted re-invoicing between AFL and AFL-ST and charges to be distributed. The increase in operating expenses is explained by the following items:

• an increase in the payroll resulting from several elements: an increase in gross fixed remuneration of 3.9% on average for all staff after a 3-year freeze, 2 recruitments, a few targeted salary increases with a view to catch-up or alignment, an increase in variable compensation due to the good results recorded by the company, the implementation of a profit-sharing scheme, the impact of the company agreement on the Time Savings Account (CET) and finally the revaluation of retirement benefits.

• an increase in IT fees due to the deployment of the IT system dedicated to market activities;

• an increase in custody, account management and valuation fees by banking providers;

• an increase in communication expenses after a particularly economical year in 2020 due to distancing and containment measures.

At the end of the financial year, depreciation and amortization expenses amounted to € 971k compared to € 1,514k at December 31, 2020, i.e. a decrease of € 543k. This evolution of depreciation primarily reflects two opposing movements; on the one hand a decrease in depreciation of € 612k corresponding to the end of the depreciation of the AFL web-portal, core banking construction work and project management assistance carried out in 2015 and on the other hand an increase of € 215k corresponding to the investments made in setting up an information system dedicated to market activities. Indeed, in 2021, AFL completed the deployment of a system dedicated to market transactions and asset-liability management, a system that covers the entire market transaction workflow.

After depreciation and amortization, gross operating income at December 31, 2021 amounted to € 1,852k compared to € 2,512k at December 31, 2020.

The cost of risk relating to ex-ante impairments for expected losses on financial assets under IFRS 9 is down in 2021 compared to 2020 with an allocation to provisions of € 95k compared to € 352k in 2020. This decrease comes from re-estimating the parameters of the macro-economic scenarios underlying the AFL model, which take into account a solid economic recovery and favorable forecasts. The increase in outstanding loans is only reflected by a slight increase in impairments because the latter are low risk. For other financial assets, including the liquidity reserve, i.e. securities and deposits made by AFL, the change in the cost of risk is explained by the significant increase in the liquidity reserve allocated to deposits with the Banque de France.

As of December 31, 2021, AFL has a total amount of deferred tax assets of € 5,156k, which covers € 4,944k of deferred tax assets resulting from tax loss carryforwards accumulated from the creation of AFL until end of 2016, as well as temporary differences related to IFRS restatements. It should be recalled that since the end of 2016, the AFL no longer activated deferred taxes on its tax deficits. The 2021 financial year recorded for the first time since that date, a deferred tax charge of € 87k, which show AFL's ability to generate positive operating income on a recurring basis, and this since 2020, leading to the reduction deferred taxes on tax losses carried forward from € 5,031k as of December 31, 2020 to € 4,944k as of December 31, 2021.

AFL closes the 2021 financial year with a net result of € 1,730k compared to € 2,295k the previous financial year. Excluding exceptional items, revenue generated by AFL's recurring activities increased and made it possible to cover all operating expenses and depreciation for the second consecutive year. Thus, at December 31, 2021, the cost/income ratio, calculated on the basis of AFL's recurring income, reached 95.2% and the cost/income ratio, taking into account all earned income, was at 86.7%.

Subsequent events

The entry of Russian troops into Ukraine on the night of February 23 to 24, 2022 plunged Europe into a situation it had not known since the Second World War. After the health crisis of covid 19, this war situation at the gates of the European Union will have multiple and profound consequences at the political, social, economic and financial level.

Political, as many countries on the continent that are not yet members of the EU or the North Atlantic Treaty Organization may wish to speed up their application to join these organisations.

Social, because a considerable exodus of the Ukrainian population, which could reach 7 million people according to the United Nations, is underway towards the countries bordering Ukraine, such as Poland, Romania, Hungary and Slovakia.

Economic and financial, because the interruption of trade in raw materials and in particular agricultural materials with Ukraine, because of the war, and with Russia because of economic sanctions, will inevitably lead to a significant rise in prices and a slowdown of the economic growth of the countries of the European Union, and even of the world economy.

For the central banks which had undertaken to normalize their monetary policy with the aim of combating the rise in prices, the equation is made complex by the need to stabilize the functioning of the financial markets by extending the programs for the purchase of securities and the injections of liquidity into the banking system, thus postponing the rapid deployment of measures to combat inflation in the short term. However, it is still too early to have a complete view of the impact of this crisis on activities in France, on the situation of local authorities and on the AFL.

III - Principles and methods applicable to AFL, judgments and estimates used

Agence France Locale has decided to publish voluntary financial statement according to IFRS standards. The accounting standards is constantly the French GAAP standards according to legislation applicable in France.
The preparation of the financial statements involves making assumptions and estimates that may or may not prove accurate in the future. These estimates, which are based on the information available as at 31 December 2021, call upon the judgement of managers and the parties involved in preparing the financial statements, particularly where assessing the fair value of financial instruments is concerned.
Future achievements depend on many factors: fluctuations in interest and foreign exchange rates, the economic environment, changes in regulations or legislation, etc., which means that the final outcome of the transactions concerned may differ from these estimates and have an impact on the financial statements.
The valuation of financial instruments not listed on organized markets involves the use of models based on observable market data for most OTC instruments. The determination of the value of certain instruments, like loans that are not traded on an active market is based on valuation techniques which, in certain cases, rely on parameters that are deemed to be non-observable.
Information on the fair value of financial assets and liabilities carried at cost is disclosed in appendix.

Application of IFRS basis

In accordance with IFRS 1 "First-time Adoption of IFRS" and pursuant to European Regulation 1606/2002 of July 19, 2002, the financial statements for 2019 are presented in compliance with the IFRS (International Financial Reporting Standards) published by and as approved by the European Union and in force on that date. The IFRS framework includes IFRS standards and also include International Accounting Standards (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee) et SIC (Standing Interpretations Committee).

The format used for the summary financial statements is a banking format. It is consistent with Recommendation No. 2017-02 of 2 June 2017 of the French Accounting Standards Authority (Autorité des normes comptables).

New texts of mandatory application as of January 1, 2021

Amendment to IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16: reform of interest rates [phase 2]

As a reminder, on September 26, 2019, the IASB published an amendment to IFRS 9 and IAS 39 relating to the reform of interest rates which are used as the basis for valuing many financial instruments. This amendment is divided into two phases:

− Phase 1 of mandatory application from January 1, 2020, which was applied in advance by the Group in its consolidated financial statements as of December 31, 2019;

− Phase 2 of mandatory retrospective application from January 1, 2021, for which AFL relied on the work which was completed in 2020 and which did not highlight in the contracts any contractual clauses of the "Fallback" type referring to rates, had no impact on the financial statements as of December 31, 2021.

The "phase 2" amendments (that of IFRS 9 in particular) provide a practical solution allowing the impact of such changes to be reflected prospectively via an adjustment of the EIR.

Phase 2 of the reform introduces simplifications on the accounting consequences linked to the contractual modifications of the financial instruments resulting from the reform of the interest rates. It proposes to treat any change in the basis for determining cash flows related to the IBOR reform as a prospective re-estimate of the effective interest rate, with no impact on net income, if and only if this change:

− is a direct consequence of the IBOR reform,

− is carried out on an equivalent economic basis.

The “Phase 2” amendment to IFRS 7 sets out the qualitative and quantitative information to be disclosed with respect to financial instruments during the application of “Phase 2”.
The amendment to IFRS 4 is primarily intended to extend the practical solution provided by the "phase 2" amendment to IFRS 9 to insurers taking advantage of the temporary exemption from the application of IFRS 9.
The amendment to IFRS 16 provides a practical solution to account for any modification of a lease contract induced by the reform as if it were a revaluation and using an unchanged discount rate. Concretely, this amendment targets rental contracts whose variable rents are indexed to a rate affected by the reform.

As a reminder, AFL applied the "phase 1" amendments in advance from January 1, 2019, while the "phase 2" amendments were not applied in advance and have thus been applied since January 1, 2021. In accordance with the provisions of the “phase 2” amendments, the first application of these was made retrospectively; however, in accordance with the exceptions provided, AFL chose not to restate the comparative period (2020). No first-time application impact on opening equity (2021) has been recognized under the “phase 2” amendments.

IASB and IFRIC texts adopted by the European Union applicable in advance

Amendment to IFRS 16 Leases:

In March 2021, the IASB published an amendment to IFRS 16 "Rent relief related to the Covid-19 pandemic beyond June 30, 2021" coming into force on April 1, 2021, which extends the period of application of the 2020 amendment relating to “Rent relief linked to the Covid-19 pandemic”. This amendment aimed to clarify the methods for accounting for rental concessions granted to lessees due to the Covid-19 pandemic. AFL is not affected by the application of this amendment to the financial statements for the 2021 financial year.

Amendment to IFRS 3 Business Combinations:

AFL, which has decided to publish a set of individual accounts in accordance with IFRS, generally does not carry out any transaction falling within the scope of IFRS 3.

Amendment to IAS 16 Property, plant and equipment:

Published by the IASB in May 2020, adopted by the European Union on June 28, 2021 (EU Regulation No. 2021/1080) and mandatory for financial years beginning on or after January 1, 2022 with early application permitted, this amendment is prohibited now to deduct from the cost of an item of property, plant and equipment the revenue derived from sales of the production of the asset prior to its activation. These receipts as well as the related costs must be accounted for in the income statement. This amendment will have no impact on AFL's financial statements given that the company does not recognize revenue related to the production of fixed assets in the process of activation.

IFRS IC decision under IAS 19

In December 2020, the IFRS IC was questioned on the methodology for calculating the actuarial liabilities of defined benefit plans and on the vesting period of the rights to be used when the number of years of seniority giving rise to the allocation of rights is capped. The IFRS IC has adopted the approach of linearizing over the capped period preceding the retirement age at which the rights may be obtained. Only a certain type of plans are affected by the change in method that this decision entails.
AFL considers that this change in method has no significant impact on the preparation of the accounts under IFRS.

In addition, IASB has published new standards and amendments not yet adopted by the European Union.

These are amendments to IAS 1, IAS 8, IAS 12 applicable from January 1, 2023.

AFL is in the process of analyzing the potential impacts but at this stage does not anticipate any significant impact on the accounts due to the application of these amendments.

IV - Accounting principles applied to the financial statements

Classification and measurement

On initial recognition, financial assets are classified at amortized cost, at fair value through other comprehensive income, or at fair value through profit of loss, according to the type of instrument (debt or equity), the characteristics of their contractual cash flows and how the entity manages its financial instruments (its business model).

Business model

The entity's business model represents the way in which it manages its financial assets to produce cash flow. Judgment must be exercised to assess the business model.
The choice of business model must take into account all information regarding the manner in which cash flows were generated in the past, along with all other relevant information.

For example:
- the way in which the performance of financial assets is assessed and presented to the main company directors;
- risks which have an impact on the business model's performance, in particular the way in which these risks are managed;
- the way in which directors are paid (for example, if pay is based on the fair value of assets under management or on the contractual cash flows received);
- the frequency of, volume of and reason for sales.

The IFRS 9 standard uses three business models:
- a business model whose objective is to hold financial assets in order to receive contractual cash flows ("hold to collect model"). This model, under which the concept of "holding" is relatively similar to holding to maturity, remains valid if disposals occur under the following conditions:
o the disposals are due to an increase in credit risk;
o the disposals occur just before maturity and at a price that reflects the contractual cash flows that are still owed;
o other disposals may also be compatible with the "hold to collect" model's objectives if they are in frequent(even if their value is significant) or if their value is insignificant when considered both individually and overall (even if they are frequent).
AFL Group applies "collect" business model for its local authorities lending activities.
- a mixed management model in which assets are managed with the objective of both collecting the contractual cash flows and selling the financial assets ("collect and sales model").
AFL Group applies the "collect and sale" model to its portfolio management activities in the liquidity reserve.
- a model specific to other financial assets, particularly trading assets, in which the collection of contractual flows is incidental and whose main objective is to sell the assets.
AFL Group does not apply this business model and does not have a trading portfolio.

Types of contractual cash flows: the SPPI (Solely Payments of Principal and Interest) test

A financial asset is classified as generating solely payments of principal and interest if, on specific dates, it gives rise to cash flows that are solely payments of principal and interest on the outstanding amount due. The SPPI test should be performed for each financial asset on initial recognition.
The principal amount is defined as the financial asset's fair value at its acquisition date. Interest is the consideration for the time value of money and the credit risk incurred on the principal amount, as well as other risks such as liquidity risk, administrative costs and the profit margin.
The instrument's contractual terms must be taken into account to assess whether contractual cash flows are solely payments of principal and interest. All elements that may cast doubts as to whether only the time value of money and credit risk are represented must therefore be analyzed.
For example:

Any contractual option that creates risk exposure or cash-flow volatility that is not consistent with a basic lending arrangement, such as exposure to fluctuations in the price of stocks or of a market index, or the introduction of leverage, would make it impossible to categorize contractual cash flows as SPPI.
- the applicable interest rate features (for example, consistency between the rate refixing period and the interest calculation period);
If a clear determination cannot be made through qualitative analysis, a quantitative analysis (a benchmark test) is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset.
- early redemption and extension conditions;
For the borrower or lender, a contractual option permitting prepayment of financial instruments does not violate the SPPI test for contractual cash flows if the prepayment amount mainly represents the unpaid amounts of principal and interest and, if applicable, a reasonable additional compensation for the early termination of the contract.
Basic financial assets (those that generate SPPI) are debt instruments such as fixed-rate loans, variable-rate loans without an interest rate tenor mismatch or that are not linked to a security or to a market index, and fixed-rate or variable-rate debt securities.
Non-SPPI financial assets include, for example, convertible bonds or mandatory convertible bonds with a fixed conversion ratio.

Accounting categories

Debt instruments (loans, receivables or debt securities) may be valued at amortized cost, at fair value through other comprehensive income recyclable to income or at fair value through profit and loss.
A debt instrument is valued at amortized cost if it meets the following two conditions:
- the asset is held under a business model where the objective is to collect contractual cash flows; and
- the contractual terms of the financial asset define it as basic (SPPI) within the meaning of the standard.
A debt instrument is valued at fair value through other comprehensive income if it meets the following two conditions:
- the asset is held under a business model where the objective is both to collect contractual cash flows and to sell financial assets; and
- the contractual terms of the financial asset define it as basic (SPPI) within the meaning of the standard.
All other financial assets are recorded at fair value through profit or loss. These financial assets include financial assets held for trading purposes, financial assets at fair value through profit or loss and non-basic (non-SPPI) assets.

Recognition at fair value through profit or loss as an option for financial assets only applies in the case of the elimination or significant reduction of an accounting mismatch. This option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed in accordance with a single strategy.
Embedded derivatives are no longer recognized separately to their host contract when these are financial assets, such that the entire hybrid instrument must now be recognized at fair value through profit or loss.
Debts, which are not classified as financial liabilities at fair value, are initially recorded at cost, which is the fair value of the amounts borrowed net of transaction costs. At the closing date, they are measured at amortized cost using the effective interest rate method and recorded in the balance sheet under "Debts due to credit institutions" or "Debt securities".

Financial assets at amortized cost

Financial assets at amortized cost include loans and receivables due from credit institutions and customers.
Loans and receivables from credit institutions are broken down according to their initial maturity or their nature: demand debts (demand deposits, ordinary accounts) or term deposits (term accounts).
They are recognized, after their initial recognition, at amortized cost using the effective interest rate method and may be subject to an impairment, if any.
The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) to the carrying amount of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any external transaction income or costs directly related to the issue of the loans, which are treated as an adjustment to the effective yield on the loan.
When loans are extended under conditions that are less favorable than market conditions, a discount corresponding to the difference between the nominal value of the loan and the sum of future cash flows discounted at the market interest rate is deducted from the nominal value of the loan. The market interest rate is the rate applied by the vast majority of local financial institutions at a given time for instruments and counterparties with similar characteristics.This premium is spread over the life of the loans through the calculation of a new effective interest rate.

Financial assets at fair value through profit or loss

This asset category includes:

• financial assets held for trading, i.e. securities acquired or issued principally for the purpose of selling them in the near term;

• financial assets that the Group has chosen to recognize at fair value through profit or loss at inception using the fair value option available under IFRS 9.

The Agence does not hold financial assets at fair value through profit or loss as such.

They are investment portfolio fair value hedging derivatives in a fixed-rate borrower position, which hedged items has been sold, which have been neutralised by fixed-rate lender derivatives. Those contracts, concluded in a clearing house, present positions which are rigorously symmetric in terms of rates and maturities. These financial assets and liabilities, although they are the object of a framework netting agreement, are presented as assets and liabilities because future cash flows payable and receivable differ in the amount of the fixed-rate coupon payable and receivable.

These assets are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, dividends, and gains or losses on disposals on these instruments are recognized in "Net gains or losses on financial instruments at fair value through profit or loss".

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially recognized at fair value, plus any transaction costs.

- Debt instruments measured at fair value through other comprehensive income recyclable to income

On the balance sheet date, they are carried at their fair value and changes in fair value (excluding accrued interest) are recorded under "Gains and losses recognized directly in other comprehensive income recyclable to income".

In the event of disposal, these changes in fair value are not transferred to income but directly to retained earnings under equity.

These instruments are subject to IFRS 9 impairment requirements. If they are sold, these changes in fair value are taken to income.

Interest income accrued or received on debt instruments is recorded under "Interest and similar income" based on the effective interest rate method.

Upon disposal of these securities, unrealized gains or losses previously recognized in equity are recycled in the income statement within "Net gains or losses on at fair value through other comprehensive income".

- Debt instruments measured at fair value through other comprehensive income not recyclable to income

AFL Group does not hold any debt instruments measured at fair value through non-recyclable equity.

Recognition date of securities

AFL Group records financial securities on the settlement date.

Financial assets designated at fair value through profit or loss (fair value option)

AFL Group does not use the option to designate its financial assets at fair value through profit or loss.

Financial information regarding financial instruments

Information relating to the risk management as required by IFRS 7 are disclosed into annual management report.

Impairment of assets at amortized cost and at fair value through other comprehensive income, and provisioning of loan and guarantee commitments

Debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income, loan commitments and financial guarantee contracts are impaired or covered by a provision for expected credit losses (ECL) as of the date of initial recognition.

These financial instruments are divided into three categories depending on the increase in credit risk observed since their initial recognition.

An impairment or a provision is recognized on outstanding amounts in each category, as follows:

Stage 1 (Performing assets)

· these are performing loans for which credit risk has not increased materially since the initial recognition of the financial instrument;

· the impairment or the provision for credit risk corresponds to 12-month expected credit losses;

Stage 2 (Non-performing assets)

· performing loans for which credit risk has increased materially since the initial recognition of the financial instrument are transferred to this category;

Factors to detect an increase in credit risk for local government loans are:

- Degradation of three (3) points or more of the internal note
- Change to an internal note greater than 6.5
- Non-technical outstanding payment for more than 30 days all loans combined,
- Restructuring of a loan meaning that the local hautority is having difficulty meeting its deadlines,
- Significant internal or external event

Regarding the assets of the liquidity reserve the criteria retained are:

- Degradation of two (2) notchs or more of the internal note
- Non-technical outstanding payment for more than 30 days from a contractual cash flow, a security or any other product with the counterparty,
- Significant internal or external event
- Restructuring of the debt

· the impairment or the provision for credit risk is determined on the basis of the financial instrument's lifetime expected credit losses;

When all the elements allowing to note a degradation of the risk are solved, the exposures are considered as having no more risk of degradation.

Stage 3 (Doubtfull assets)

· non-performing loans within the meaning of IFRS 9 are transferred to this category. These are loans for which there is objective evidence of impairment loss due to an event which represents a credit risk occurring after the initial recognition of the instrument in question. In particular, objective evidence of impairment includes any payments that are past due by at least three months, or regardless of whether any payment has been missed, the observation of financial hardship experienced by the counterparty leading to the expectation that some or all of the amounts owed may not be recovered or to the initiation of legal proceedings;

· these events are liable to lead to the recognition of incurred credit losses, that is, expected credit losses for which the probability of occurrence has become certain.

. the impairment or the provision for credit risk is calculated based on the financial instrument's lifetime expected credit losses on the basis of the recoverable amount of the receivable, i.e., the present value of estimated recoverable future cash flows taking into account the impact of any collateral;

When all the criteria having triggered the classification in default are cleared, that there is no new one whatever its nature, the counterparty can leave the default category.

All outstanding payment must have been regularized, no unpaid must therefore continue at the time of the release of the the default category.

A probationary period of 6 months begins when all the conditions of the default are met and the healthy return has been decided by the Credit Committee.

During the probationary period, payments must continue on a regular basis and without delay, an unpaid amount immediately causes the return to default category.

The Credit Committee instructs and validates the exit of the default category.

Depreciation charges and reversals amounts are registred in "Cost of risk" in income statement.

Estimation of Expected Credit Losses (ECL)

IFRS 9 requires institutions to calculate expected credit losses based on statistics produced from historical data that account for business cycles that affect their counterparties.
Agence France Locale has less than three years of existence at implementation of the standard, it does not have a default data history.

To overcome this lack of data, and considering the low level of risk represented by its exposures, AFL Group has decided to base its ECL method on external public data and on the documented opinion of its experts given at quarterly meetings.

The process is framed by two committees. The Provision Committee deals with the parameters used in the calculation of provisions: it sets the probability of realization of business cycle evolution scenarios and validates the calculation of default probabilities and losses in case of default. The Provision Credit Committee scans line by line exposures and validates their treatment in terms of provision.

- The exposures classification in the 3 phases is a function of the evolution of the ratings of these exposures since their entry in the balance sheet. The ratings used are rating agencies ratings or internal[1] ratings in the case of local governments, possibly supplemented by expert opinion to reflect recent information and future risks. The thresholds used are relative and absolute.
- The calculation of default probabilities (PD) is based on historical default rates ("point in time" default) and cumulated default rates ("through the cycle") published by rating agencies with a historical depth of 35 years. The default rates of the high point and low point of the cycle scenarios are derived from the first and last deciles of the histories; the average default rates are used for the central scenario.
- Beyond 10 years, cumulated default rates are extrapolated using a Weibull statistical law;
- For the liquidity reserve exposures, regulatory default losses (LGD) of the standard approach (45%) are used. For exposures on local authorities, an LGD was calculated by expert opinion;
- The experts decide on future developments in the business cycle and establish the forward-looking vision by defining the weightings of the 3 scenarios (central, low point of the cycle and high point of the cycle). The experts' expectations are underpinned by the macroeconomic, sectoral and geographical studies published by recognized institutions such as the World Bank, the European Central Bank, the economic research of the big banks or the rating agencies.

The process is framed by two committees. The “Comité expert provisions” deals with the parameters used in the calculation of provisions: it sets the probability of realization of scenarios of evolution of the economic cycle and validates the calculations of probabilities of default and losses in case of default. The “Comité de crédit provisions” scans line by line exposures and validates their treatment in terms of impairment.

Fixed assets

Fixed assets are recognised at their acquisition cost plus acquisition expenses that are directly related and required to put them in working order so that they can be used.
After initial recognition fixed assets are valued at their nominal value less accumulated depreciation and possible impairment losses.
Fixed assets that are depreciated are subject to impairment tests in cases where evidence of a loss of value is identified at year-end. Fixed assets that are not depreciated are subject to impairment tests in cases where potential evidence of a loss of value is identified at year-end, and at least once a year.
If evidence of a loss of value is recorded, the recoverable value of the asset is compared with its net book value. In the event of a loss of value, an impairment charge is recorded in the profit and loss statement. That impairment changes the depreciation schedule of the asset going forwards. The impairment is reversed in the event of a change in the estimated recoverable value or the evidence of impairment disappears.

Tangible assets

Tangible assets are depreciated linearly over their expected useful life.

Fixed asset	Estimated usefull life
Fixtures and fittings	10 years
Computer equipment	3 years
Office furniture	9 years

Intangible assets

Software are recognised in intangible assets as they meet the following three criteria in respect of IAS 38:
- Must be identifiable;
- Be controlled by the Company;
- Is likely that the future economic advantages attributable to such an element will go to the Company.

Intangible assets are depreciated linearly over their expected useful life.

Fixed asset	Estimated usefull life
Software	5 years
Website	3 years
Software development	5 years

Debt

Debt that is not classified in financial liabilities at fair value is initially recorded at cost, which corresponds to the fair value of the amounts borrowed net of transaction costs. At year-end, the debt is valued at amortised cost according to the effective interest rate and recorded in the balance sheet under “Debt payable to credit institutions” or “Debt represented by a security”.
Debts due to credit institutions are broken down according to their initial maturity or their nature: demand debts (demand deposits, ordinary accounts) or term deposits (term accounts).

Hedge accounting

Fair value hedges are intended to provide protection from exposure to a change in the fair value of an asset or of a liability that has been recognised, or of a firm commitment that has not been recognised. Cash flow hedges are intended to provide protection from a change in future cash flows from financial instruments associated with a recognised asset or liability (for example, with all or part of future interest payments on a floating-rate debt) or a projected transaction that is considered to be highly probable. Hedges of net investments in a foreign operation are intended to provide protection from the risk of an adverse movement in fair value arising from the foreign exchange risks associated with a foreign investment in a currency other than the euro. Hedges must meet the following criteria in order to be eligible for hedge accounting:

- The hedging instrument and the instrument hedged must be eligible;
- There must be formal documentation from inception, primarily including the individual identification and characteristics of the hedged item, the hedging instrument, the nature of the hedging relationship and the nature of the hedged risk to assess whether the hedging relationship meets the effectiveness constraints of the hedge.

The hedging relationship satisfies the effectiveness constraints of the hedge if there is an economic link between the hedged item and the hedging instrument.
For an economic link to exist, the value of the hedging instrument and that of the hedged item must generally vary inversely with each other as a result of same risk, which is the risk covered.
The effectiveness of the hedge is the extent to which changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item.
Depending on the factors involved, the method of assessing the effectiveness of the hedge may consist of a qualitative or quantitative assessment.

For example, when the critical terms (such as the nominal amount, maturity and underlying) of the hedging instrument and the hedged item match or are closely aligned, it might be possible for an entity to conclude on the basis of a qualitative assessment of those critical terms that the hedging instrument and the hedged item have values that will generally move in the opposite direction because of the same risk and hence that an economic relationship exists between the hedged item and the hedging instrument

Fair value hedge

Any revaluation of the derivative is recognised in profit and loss in a way that mirrors the revaluation of the item hedged. Gains or losses attributable to the hedged risk are recognised in "Net gains or losses on financial instruments at fair value through profit and loss" in the profit and loss statement. As soon as the hedge relationship becomes effective, movements in the fair value of the hedged item are mirrored by the movements in the fair value of the hedging instrument. Any potential failure in the hedge is directly recognised in profit and loss.

The potential ineffectiveness of the hedge is recognized directly in the income statement. The relative ineffectiveness of the bi-curve valuation of collateralised derivatives is taken into account in the efficiency calculations.

The portion relating to the accrued income or expenses of the derivative instrument is recognised in Income and interest expense in the profit and loss statement at the same time as the interest income and expense relating to the hedged item.

In case of interruption of the hedging relationship (management decision, non-compliance with the effectiveness criteria or sale of the hedged item before maturity), the hedging derivative is transferred to the trading portfolio. The amount of revaluation recorded in the balance sheet for the hedged item is amortized over the remaining life of the original hedge. If the hedged item is sold before maturity or redeemed early, the cumulative amount of the revaluation is recognized in the income statement for the period.

Cash flow hedge

The change in value of the derivative is recognised in the balance sheet through a specific account in other comprehensive income for the efficient portion and any inefficient portion of the hedge is recognised in the income statement. Any profits or losses on the derivative accrued through other comprehensive income are then reclassified in the income statement when the hedged cash flows occur;

Macro-hedging

AFL Group applies the provisions of IAS 39, as adopted by the European Union, to macro-hedging transactions that are performed as part of the asset & liability management of fixed-rate positions (IAS 39 carve-out). Macro-hedging instruments are interest-rate swaps designated as fair value hedges for the Group's fixed-rate resources. Macro-hedging derivatives are accounted for according to the same principles as those described above. The revaluation of the hedging component is recognised in "Revaluation differences on portfolios hedged against interest rate risk".

Determining fair value or market value

IFRS 13 defines fair value as the price received for the sale of an asset or paid for the transfer of a liability in a standard transaction between market participants on the valuation date.

When an instrument is initially recognised, its fair value is generally the transaction price.

IFRS 13 recommends using a price quoted on an active market in the first instance to determine the fair value of a financial asset or liability. A market is considered to be active if prices are easily and regularly available from a stock exchange, a broker (multiple inputs), an intermediary or a regulatory agency, and if those prices represent real transactions (volume and price range) under normal competition conditions.

In the absence of an active market, the fair value must be determined using valuation techniques.

These techniques include the use of recent transactions performed in a normal competition environment. They are based on market data, on the fair value of substantially identical instruments, or on cash flow or option valuation discount models, and involve recognised valuation methods.

The aim of a valuation technique is to establish what the price of an instrument would be under normal market conditions.

The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price.

Fair value of financial instruments are presented in Appendix over three levels in descending order of observability of values and parameters used for their valuation:

level 1: Instruments valued using quoted prices (non-adjusted) in active markets for identical assets or liabilities. These specifically include bonds and negotiable debt securities listed on markets;

level 2: Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 2 is composed of:

- Instruments that are traded over the counter, the fair value of which is measured with models using observable market data, i.e. derived from various and independent available external sources which can be obtained on a regular basis. For example, the fair value of interest rate swaps is generally derived from the yield curves of market interest rates as observed at the reporting date.
- Instruments that are traded over the counter, the fair value of which is measured with models using observable market data, i.e. derived from various and independent available external sources which can be obtained on a regular basis. For example, the fair value of interest rate swaps is generally derived from the yield curves of market interest rates as observed at the reporting date.

Level 3: fair value that is measured using significant unobservable inputs

For some instruments that are not traded in an active market, fair value measurement is based on valuation techniques using assumptions i.e. that cannot be observed on the market for an identical instrument. Loans to local authorities are disclosed within Level 3.

Provisions

Provisions are recorded in balance sheet liabilities when the AFL Group has an obligation towards a third party and that obligation is likely or certain to cause an outflow of funds for the benefit of the third party with no expectation of a counter-payment that is at least equivalent.

Provisions and provision reversals are recorded in profit and loss on the lines that correspond to the nature of the future expenditure involved.

Interest income and expense

Interest income and expense are recognised in the profit and loss statement for all financial instruments valued at amortised cost using the effective interest rate.

Interest income and expense include for available for sale and held to maturity securities, the difference between the purchase price and the redemption value which is spread over the remaining life of the security on an actuarial basis.

The effective interest rate is the rate that discounts future cash outflows or inflows exactly over the expected life of the financial instrument, so as to arrive at the net book value of the financial asset or liability.

The calculation of this rate factors in commissions received or paid, which are by nature an integral part of the effective contract rate.

Cost of risk

The cost of credit risk includes impairment charges and reversals on fixed-income securities, and customer loans and receivables, as well as charges and reversals of impairment relating to guarantee commitments given, losses on receivables, and the recovery of amortised receivables.

Current tax expense

The current income tax expense is calculated using a 25% rate which is the effective tax rate for the 31 December 2021 period.
The Agence and its parent company AFL ST form a fiscal integration group since January 1, 2015, AFL ST is fiscal group head.

Deferred taxes

Deferred taxes are recognized using the variable carry-forward method to account for temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and their tax bases.
The tax rates enacted or substantively enacted at the balance-sheet date are used to determine deferred taxes. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
Deferred tax is recognised as tax income or expense in the profit and loss statement, except for tax relating to unrealised gains and losses on assets available for sale, and for movements in the value of derivatives classified as cash flow hedges, for which deferred tax is charged directly to equity capital.
IAS 12 prohibits discounting of deferred tax assets and liabilities.

Post-employment benefits

In accordance with IAS 19 – Employee Benefits, obligations under defined benefit plans are measured by independent actuaries using the projected unit credit method.
Under this method, each period of service gives rise to an additional unit in terms of benefit entitlement and each unit is assessed separately so as to calculate the final obligation. This final obligation is then discounted. The main items taken into account in these calculations are:

• an estimated date of payment of the benefit,
• a financial discount rate
• an inflation rate
• assumptions on salary increases, staff turnover

Changes in actuarial assumptions and experience adjustments - corresponding to the effects of differences between the previous actuarial assumptions and what has actually occurred - give rise to actuarial gains and losses on the benefit obligation or on the plan assets. These gains and losses are recorded in the “Income and expenses recognized directly in equity” statement, and will not be recycled in the income statement.

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:

• The service cost (recognized in “Operating income” in “Other general operating expenses”);
• The finance cost less the expected yield on plan assets (recognized in “Non-operating income” in “Pension obligation expense or income”). These two items (finance cost and expected yield on assets) are measured based on the rate used to discount the obligations.

V - Notes to the Balance Sheet

Note 1 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2021		31/12/2020	
(€ '000s)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Financial assets held for trading	10,385	10,376	20,000	20,182
Financial assets at fair value option through profit or loss				
Total financial assets at fair value through profit or loss	**10,385**	**10,376**	**20,000**	**20,182**

Financial assets held for trading

	31/12/2021		31/12/2020	
(€ '000s)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Equity instruments				
Debt securities				
Loans and advances				
Derivatives	10,385	10,376	20,000	20,182
Total Financial assets held for trading	**10,385**	**10,376**	**20,000**	**20,182**

	31/12/2021				31/12/2020			
	Notional amount		**Fair value**		**Notional amount**		**Fair value**	
(€ '000s)	**To receive**	**To deliver**	**Positive**	**Negative**	**To receive**	**To deliver**	**Positive**	**Negative**
FIRM TRANSACTIONS	**404,745**	**404,745**	**10,385**	**10,376**	**451,940**	**451,940**	**20,000**	**20,182**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts								
Other contracts								
Over-the-counter markets	**404,745**	**404,745**	**10,385**	**10,376**	**451,940**	**451,940**	**20,000**	**20,182**
Interest rate contracts	404,745	404,745	10,385	10,376	451,940	451,940	20,000	20,182
FRA								
Cross Currency Swaps								
Other contracts								
CONDITIONAL TRANSACTIONS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Over-the-counter markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Derivatives classified as financial assets held for transaction purposes do not constitute interest rate positions taken with a view to drawing short-term profits. They are investment portfolio fair value hedging derivatives in a fixed-rate borrower position which have been neutralised by fixed-rate lender derivatives. These contracts, concluded in a clearing house, present positions which are rigorously symmetric in terms of rates and maturities. These financial assets and liabilities, although they are the object of a framework netting agreement, are presented as assets and liabilities because future cash flows payable and receivable differ in the amount of the fixed-rate coupon payable and receivable. The positions presented in the table above do not entail any kind of residual interest rate risk, the fair value difference is only the result of payable or receivable cash flows.

Note 2 - HEDGING DERIVATIVES

Analysis by type of hedge

	31/12/2021		31/12/2020	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Derivatives designated as fair value hedges	159,474	206,626	207,981	220,174
Derivatives designated as cash flow hedges				
Derivatives designated as portfolio hedges	13,416	18,554	3,936	31,191
Total Hedging derivatives	**172,891**	**225,180**	**211,916**	**251,365**

Detail of derivatives designated as fair value hedges

	31/12/2021				31/12/2020			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**6,524,655**	**4,871,489**	**159,474**	**206,626**	**4,961,649**	**3,838,625**	**207,981**	**220,174**
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	**6,524,655**	**4,871,489**	**159,474**	**206,626**	**4,961,649**	**3,838,625**	**207,981**	**220,174**
Interest rate contracts	5,881,876	4,786,033	148,970	185,512	4,780,000	3,693,167	194,277	214,901
FRA								
Cross Currency Swaps	642,779	85,456	10,505	21,115	181,649	145,458	13,704	5,273
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	-	-	-	-	-	-	-	-

Detail of derivatives designated as interest rate hedged portfolios

	31/12/2021				31/12/2020			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**206,360**	**824,428**	**13,416**	**18,554**	**98,160**	**613,470**	**3,936**	**31,191**
Organised markets	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
Over-the-counter markets	**206,360**	**824,428**	**13,416**	**18,554**	**98,160**	**613,470**	**3,936**	**31,191**
Interest rate contracts	206,360	824,428	13,416	18,554	98,160	613,470	3,936	31,191
FRA								
Cross Currency Swaps								
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	-	-	-	-	-	-	-	-

PORTFOLIO

Note 3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Fixed-income securities - Analysis by nature

(€ '000s)	31/12/2021	31/12/2020
Government paper and similar securities	721,146	614,697
Bonds		
Other fixed income securities		
Net amount in balance sheet	**721,146**	**614,697**
Including depreciation	(453)	(374)
Including net unrealised gains and losses	2,720	14,424

Expected credit losses on debt instruments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2020	**(374)**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total transfer movment	**-**	**-**	**-**	**-**
Movment attributable to financial instruments recognized over the period	**(79)**	**-**	**-**	**-**
Acquisitions	(241)			
Re-estimate of parameters	51			
Bad debts written off				
On sales	111			
Expected losses as of 31st December 2021	**(453)**	**-**	**-**	**-**

Fixed-income securities - Analysis by contreparty

(€ '000s)	31/12/2021	31/12/2020
Local public sector	589,394	599,801
Financial institutions and other financial corporations	131,752	14,896
Non-financial corporations	-	-
Net amount in balance sheet	**721,146**	**614,697**

Fixed income securities held on Financial institutions include € 67,887K of securities guaranteed by States of the European Economic Area.

Changes in Financial assets at fair value through other comprehensive income

(€ '000s)	Total amount as of 31/12/2020	Additions	Disposals	Change in fair value recognised in equity	Change in accrued interest	Prem/Disc Amort.	Total amount as of 31/12/2021
Government paper and similar securities	614,697	687,779	(568,546)	(9,959)	687	(3,512)	721,146
Bonds	-	-	-	-	-	-	-
Other fixed income securities	-	-	-	-	-	-	-
TOTAL	**614,697**	**687,779**	**(568,546)**	**(9,959)**	**687**	**(3,512)**	**721,146**

Note 4 - SECURITIES AT AMORTIZED COST

Fixed-income securities - Analysis by nature

(€ '000s)	31/12/2021	31/12/2020
Government paper and similar securities	195,921	156,791
Bonds	10,058	10,073
Other fixed income securities		
Net amount in balance sheet	**205,979**	**166,864**
Including expected credit losses on debt instruments	(162)	(176)

Expected credit losses on securities at amortized cost	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2020	**(176)**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total des mouvements de transfert	**-**	**-**	**-**	**-**
Movment attributable to financial instruments recognized over the period	**14**	**-**	**-**	**-**
Acquisitions	(60)			
Re-estimate of parameters	39			
Bad debts written off				
On sales	34			
Expected losses as of 31st December 2021	**(162)**	**-**	**-**	**-**

Fixed-income securities - Analysis by contreparty

(€ '000s)	31/12/2021	31/12/2020
Local public sector	105,679	144,578
Financial institutions and other financial corporations	100,299	22,285
Non-financial corporations		
Net amount in balance sheet	**205,979**	**166,864**

Fixed income securities held on Financial institutions include € 86,230K of securities guaranteed by States of the European Economic Area.

Changes in securities at amortized cost

(€ '000s)	Total amount as of 31/12/2020	Additions	Disposals	Interest rate Reevaluation	Change in accrued interest	Prem/Disc Amort.	Expected credit losses change	Total amount as of 31/12/2021
Government paper and similar securities	156,791	75,382	(31,088)	(4,060)	345	(1,452)	4	195,921
Bonds	10,073	-	-	(71)	-	45	10	10,058
Other fixed income securities	-	-	-	-	-	-	-	-
TOTAL	**166,864**	**75,382**	**(31,088)**	**(4,131)**	**345**	**(1,407)**	**14**	**205,979**

Note 5 - RECEIVABLES ON CREDIT INSTITUTIONS

Accounts with central banks

(€ '000s)	31/12/2021	31/12/2020
Mandatory reserve deposits with central banks	1,175,973	601,780
Other deposits		
Cash and central banks	**1,175,973**	**601,780**
Impairment	(56)	(35)
Net amount in balance sheet	**1,175,917**	**601,746**

Receivables on credit institutions

(€ '000s)	31/12/2021	31/12/2020
Loans and receivables		
- on demand and short notice	102,135	81,754
- term	115,450	115,253
Cash collateral paid	50,195	49,954
Securities bought under repurchase agreements		
TOTAL	**267,780**	**246,960**
Impairment for expected losses	(31)	(52)
NET CARRYING AMOUNT	**267,749**	**246,908**

Note 6 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	31/12/2021	31/12/2020
Short-term credit facilities	10,510	9,265
Other loans	4,420,696	3,822,430
Customers transactions before impairment charges	**4,431,206**	**3,831,695**
Impairment	(158)	(132)
Net carrying amount	**4,431,048**	**3,831,563**
Of which individual impairment	(158)	(132)
Of which collective impairment		

Expected credit losses on loans and financing commitments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2020	**(210)**	**(9)**	**-**	**-**
Transfers from 12-month to maturity	0.4	(0.4)		
Transfers from maturity to 12-month	(4)	4		
Transfers from expected to incurred losses				
Total transfer movment	**(4)**	**4**	**-**	**-**
Movment attributable to financial instruments recognized over the period	**(10)**	**(17)**	**-**	**-**
Production and acquisition	(50)	(3)		
Re-estimate of parameters	28	(13)		
Bad debts written off				
Repayments	12	0.2		
Expected losses as of 31st December 2021	**(224)**	**(21)**	**-**	**-**

SUMMARY OF PROVISIONS ON SECURITIES, LOANS AND FINANCING COMMITMENTS

(€ '000s)	31/12/2020	Depreciation charges	Reversals amounts not used	Net charge	Utilised	31/12/2021
Financial assets at fair value through other comprehensive income						
Depreciations on performing assets	374	190	(111)	**79**		**453**
Depreciations on non-performing assets						**-**
Depreciations on doubtfull assets						**-**
Total	**374**	**190**	**(111)**	**79**		**453**
Financial assets at amortized cost						
Depreciations on performing assets	386	42	(42)	**0.4**		**386**
Depreciations on non-performing assets	9	17	(4)	**13**		**22**
Depreciations on doubtfull assets						**-**
Total	**395**	**59**	**(46)**	**13**		**408**

CLASSIFICATION OF FINANCIAL ASSETS BY RISK LEVEL

(€ '000s)	Gross amount			Depreciation			Net Amount
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	
Accounts with central banks	1,175,973			(56)			**1,175,917**
Financial assets at fair value through other comprehensive income	721,600			(453)			**721,146**
Securities at amortized cost	206,141			(162)			**205,979**
Loans and receivables due from credit institutions at amortized cost	267,780			(31)			**267,749**
Loans and receivables due from customers at amortized cost	4,408,704	18,625	3,877	(138)	(18)	(2)	**4,431,048**

Note 7 - DEFERRED TAX

The movement on the deferred tax account is as follows:

(€ '000s)	31/12/2021	31/12/2020
Net asset as at 1st of january	**5,154**	**5,616**
Of which deferred tax assets	5,401	5,635
Of which deferred tax liabilities	248	19
Recognised in income statement	**(28)**	**154**
Income statement (charge) / credit	(28)	154
Recognised in equity	**(138)**	**(616)**
Financial assets at fair value through other comprehensive income	(404)	(369)
Cash flow hedges	266	(248)
Other		
Net asset as at	**4,987**	**5,154**
Of which deferred tax assets	5,156	5,401
Of which deferred tax liabilities	169	248

Deferred tax are attributable to the following items:

(€ '000s)	31/12/2021	31/12/2020
Financial assets at fair value through other comprehensive income		235
Cash flow hedges	18	
Losses carried forward	4,944	5,031
Other temporary differences	194	135
TOTAL DEFERRED TAX ASSETS	**5,156**	**5,401**

(€ '000s)	31/12/2021	31/12/2020
Financial assets at fair value through other comprehensive income	169	
Cash flow hedges		248
Other temporary differences		
TOTAL DEFERRED TAX LIABILITIES	**169**	**248**

Note 8 - OTHER ASSETS AND ACCRUALS

(€ '000s)	31/12/2021	31/12/2020
Other assets		
Deposits	70	70
Other assets	187	96
Impairment		
Total	**256**	**166**
Accruals		
Prepaid charges	212	252
Other deferred income	62	16
Transaction to recieve and settlement accounts		58
Other accruals	8	19
Total	**283**	**344**
TOTAL OTHER ASSETS AND ACCRUALS	**539**	**510**

Note 9 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible fixed assets	31/12/2020	Additions	Transfers	Disposals	Amort. and provisions	Other	31/12/2021
Intangible fixed assets							
IT development costs	10,963	1,190				510	12,663
Other intangible assets	162	135					298
Intangible assets in progress	510	221				(510)	221
Intangible fixed assets gross amount	**11,635**	**1,546**	**-**	**-**	**-**	**-**	**13,182**
Depreciation and allowances - Intangible fixed assets	(9,331)				(766)		(10,097)
Intangible fixed assets net carrying amount	**2,305**	**1,546**	**-**	**-**	**(766)**	**-**	**3,085**

Tangible fixed assets	31/12/2020	Additions	Transfers	Disposals	Amort. and provisions	Other	31/12/2021
Commercial leases	1,232					151	1,382
Property, plant & equipment	935	41		(684)			292
Tangible fixed assets gross amount	**2,166**	**41**	**-**	**(684)**	**-**	**151**	**1,674**
Depreciation and allowances - Tangible fixed assets	(927)			682	(205)		(449)
Tangible fixed assets net carrying amount	**1,240**	**41**	**-**	**(1)**	**(205)**	**151**	**1,225**

Note 10 - DEBT SECURITIES

(€ '000s)	31/12/2021	31/12/2020
Negotiable debt securities	208,310	140,071
Bonds	6,363,421	5,155,912
Other debt securities		
TOTAL	**6,571,730**	**5,295,982**

NOTE 11 - DUE TO CREDIT INSTITUTIONS

(€ '000s)	31/12/2021	31/12/2020
Loans and receivables		
- on demand and short notice	36	24
- term		
Cash collateral paid	5,417	8,247
Securities bought under repurchase agreements		
TOTAL	**5,453**	**8,271**

Note 12 - ACCRUALS AND OTHER LIABILITIES

(€ '000s)	31/12/2021	31/12/2020
Other liabilities		
Miscellaneous creditors	2,511	2,974
Total	**2,511**	**2,974**
Accruals		
Transaction to pay and settlement accounts	613	
Other accrued expenses	1,560	844
Unearned income		
Other accruals	25	28
Total	**2,198**	**872**
TOTAL ACCRUALS AND OTHER LIABILITIES	**4,709**	**3,847**

Note 13 - PROVISIONS

(€ '000s)	Balance as of 31/12/2020	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 31/12/2021
Provisions						
Financing commitment execution risks	7	10		(7)		10
Provisions for litigations						
Provisions for employee retirement and similar benefits	75	49				124
Provisions for other liabilities to employees						
Other provisions						
TOTAL	**82**	**59**	**-**	**(7)**	**-**	**134**

OFF-BALANCE SHEET

(€ '000s)	31/12/2021	31/12/2020
Commitments given	**632,002**	**457,583**
Financing commitments	574,710	398,775
For credit institutions		
For customers	*574,710*	*398,775*
Guarantee commitments	57,292	58,808
For credit institutions		
For customers	*57,292*	*58,808*
Commitments on securities		
Securities to be delivered to the issuance		
Other securities to be delivered		
Commitments received	**2,090**	**2,219**
Financing commitments		
From credit institutions		
Guarantee commitments	2,090	2,219
From credit institutions		
From customers	*2,090*	*2,219*
Commitments on securities		
Securities receivable		

EXPECTED LOSSES ON COMMITMENTS

Expected credit losses on loans and financing commitments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2020	**7**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total transfer movement	**-**	**-**	**-**	**-**
Movment attributable to financial instruments recognized over the period	3			
Charge	10			
Utilised				
Reversal untilised	(7)			
Expected losses as of 31st December 2021	**10**	**-**	**-**	**-**

VI - Notes to the Income Statement

Note 14 - INTEREST INCOME AND EXPENSES

(€ '000s)	31/12/2021	31/12/2020
Interest and similar income	**34,447**	**25,858**
Due from banks	282	236
Due from customers	8,159	10,323
Debt securities	18,904	9,935
Macro-hedge transactions	2,257	1,398
Other interest income	4,845	3,965
Interest and similar expenses	**(21,732)**	**(14,067)**
Due to banks	(6,213)	(3,182)
Bonds and other fixed income securities	(4,118)	(2,382)
Financial assets at fair value through other comprehensive income	*(3,901)*	*(2,320)*
Securities at amortized cost	*(218)*	*(63)*
Macro-hedge transactions	(6,560)	(4,583)
Other interest expenses	(4,841)	(3,919)
Interest margin	**12,715**	**11,791**

The AFL adopted as of June 30, 2021, a new presentation of interest incom en expenses. From now on, interest from customers, securities portfolios and interest on debts issued are presented net of interest income and expenses on their micro-hedging swaps. Interest on Macro-hedge swaps are presented as income for swaps generating income on the net of the two legs of the instrument and as charges when the net of the two legs represents an interest charge. This shape of presentation was also applied to the comparative periods.

Note 15 - NET FEE AND COMMISSION INCOME

(€ '000s)	31/12/2021	31/12/2020
Fee & Commission Income	**165**	**186**
Interbank transactions		
Customer transactions	1	36
Securities transactions		
Forward financial instruments transactions		
Currencies transactions		
Financing commitments and guarantee	164	150
Other commissions recieved		
Fee & Commission Expense	**(324)**	**(255)**
Interbank transactions	(15)	(11)
Securities transactions		
Forward financial instruments transactions	(141)	(125)
Currencies transactions		
Financing commitments and guarantee		
Other commissions paid	(168)	(118)
Net Fee and Commission income	**(159)**	**(69)**

Note 16 - NET RESULT OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(€ '000s)	31/12/2021	31/12/2020
Gains/(losses) on Trading book	(0.5)	0.1
Net result of hedge accounting	(2,454)	(6,802)
Net result of foreign exchange transactions	1	(2)
TOTAL	**(2,454)**	**(6,804)**

Analysis of net result of hedge accounting

(€ '000s)	31/12/2021	31/12/2020
Fair value hedges		
Fair value changes in the hedged item attributable to the hedged risk	10,373	34,297
Fair value changes in the hedging derivatives	(10,508)	(35,147)
Hedging relationship disposal gain	(1,823)	(6,531)
Cash flow hedges		
Fair value changes in the hedging derivatives – ineffective portion		
Discontinuation of cash flow hedge accounting		
Portfolio hedge		
Fair value changes in the hedged item	(23,758)	13,479
Fair value changes in the hedging derivatives	23,262	(12,901)
Net result of hedge accounting	**(2,454)**	**(6,802)**

Note 17 - NET GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(€ '000s)	31/12/2021	31/12/2020
Gains from disposal of fixed income securities	2,584	5,878
Losses from disposal of fixed income securities	(560)	(282)
Gains from disposal of variable income securities		
Other income/(expenses) from Financial assets at fair value through other comprehensive income		
Impairment (charges) and reversals on Financial assets at fair value through other comprehensive income		
Gains or (losses) on Financial assets at fair value through other comprehensive income	**2,024**	**5,596**

Note 18 - NET GAINS AND LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST

(€ '000s)	31/12/2021	31/12/2020
Gains on derecognition of fixed income securities at amotised cost	8	
Losses on derecognition of fixed income securities at amotised cost		
Gains on loans sold	1,825	3,244
Losses on loans sold		
Total Net gains and losses on derecognition of financial assets at amortised cost	**1,834**	**3,244**

Note 19 - GENERAL OPERATING EXPENSES

(€ '000s)	31/12/2021	31/12/2020
Employee expenses		
Wages and salaries	3,843	3,206
Post-employment benefit expenses	379	347
Other expenses	1,684	1,466
Total Employee expenses	**5,906**	**5,018**
Operating expenses		
Taxes and duties	705	690
External services	4,677	4,147
Total Administrative expenses	**5,381**	**4,837**
Charge-backs and reclassification of administrative expenses	(150)	(122)
Total General operating expenses	**11,137**	**9,733**

Note 20 - COST OF RISK

(€ '000s)	31/12/2021	31/12/2020
Net charge to provisions	(92)	(348)
for financial assets at fair value through other comprehensive income	*(79)*	*(129)*
for financial assets at amortized cost	*(13)*	*(219)*
Net charge to provisions	(3)	(4)
for financing commitments	*(3)*	*(4)*
for guarantee commitments		
Irrecoverable loans written off not covered by provisions		
Recoveries of bad debts written off		
Total Cost of risk	**(95)**	**(352)**

Note 21 - NET GAINS AND LOSSES ON OTHER ASSETS

(€ '000s)	31/12/2021	31/12/2020
Gains on sales of Investment securities		
Gains on sales of tangible or intangible assets		
Reversal of impairment		
Total Gains on other assets	**-**	**-**
Losses on sales of Investment securities		
Losses on sales of tangible or intangible assets	(0.01)	(21)
Charge of impairment		
Total Losses on other assets	**(0.01)**	**(21)**

Note 22 - INCOME TAX

(€ '000s)	31/12/2021	31/12/2020
Expense and income of current tax	1	2
Expense and income of differed tax	(28)	154
Ajustement on previous period		
Total Income tax	**(27)**	**156**

Note 23 - EXTERNAL AUDITOR FEES

	Caillau Dedouit et Associés		KPMG Audit	
	2021 (€ '000s)	2020 (€ '000s)	2021 (€ '000s)	2020 (€ '000s)
Audit				
Fees related to statutory audit, certification, examination of:				
AFL-Société Opérationelle	69	65	69	65
Sub-total	**69**	**65**	**69**	**65**
Other fees and benefits (*) :				
AFL-Société Opérationelle	36	30	48	29
Sub-total	**36**	**30**	**48**	**29**
TOTAL	**105**	**95**	**117**	**94**

(*) Other fees and benefits are related to issue prospectus audit, capital increases, reliance letter and allocation review of funds raised as part of the sustainability bond issue.

Note 24 - RELATED PARTIES

There are, on 31 December 2021, an agreement of administrative services and a licensing for the use of a mark, as well as a professional lease, which were concluded which have been concluded between Agence France Locale - Société térritoriale at normal market conditions.

Remuneration for Board of AFL and the CEO of the Territorial Company :

Members of AFL Board benefited from a payment in actions in conformance with the exercise 2021 and a compensation was settled because of termination of contract of employment. No other long-term advantage was granted to them.

Their Director's remunerations on the exercise 2021 were the following ones :

(€ '000s)	31/12/2021
Fixed remuneration	679
Variable remuneration	54
Payments in kind	13
Total	**746**

In addition, members of the AFL Supervisory Board received €166k attendance fees.

VII - Notes to Risk exposure

A - Fair value of financial instruments

For financial reporting purposes, the new standard IFRS 13 requires fair value measurements applied to financial instruments to be allocated to one of three Levels, reflecting the extent to which the valuation is based on observable data.

level 1: Instruments valued using quoted prices (non-adjusted) in active markets for identical assets or liabilities. These specifically include bonds and negotiable debt securities listed on markets;

level 2: Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 3: Fair value instruments which are measured at least in part on the basis of non-observable market in the valuation.

Fair value of instruments carried at fair value:

(€ '000s)	31/12/2021			
	Total	Measured using		
		Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss	**10,385**	-	10,385	-
Hedging derivative instruments	**172,891**	-	172,891	-
Government paper and similar securities	721,146	721,146	-	-
Bonds	-	-	-	-
Other fixed income securities	-	-	-	-
Total Financial assets at fair value through other comprehensive income	**721,146**	**721,146**	**-**	**-**
Total Financial assets	**904,422**	**721,146**	**183,275**	**-**
Financial liabilities				
Financial liabilities at fair value through profit or loss	**10,376**	-	10,376	-
Hedging derivative instruments	**225,180**	-	225,180	-
Total Financial liabilities	**235,556**	**-**	**235,556**	**-**

Fair values of instruments carried at amortised cost:

(€ '000s)	31/12/2021				
	Net Carrying value	Fair value	Measured using		
			Level 1	Level 2	Level 3
Financial assets					
Cash, central banks and issuing institutions	**1,175,917**	**1,175,917**	-	-	1,175,917
Government paper and similar securities	195,921	195,543	132,797	-	62,746
Bonds	10,058	10,065	10,065	-	-
Other fixed income securities	-	-	-	-	-
Total Securities at amortized cost	**205,979**	**205,608**	142,862	-	62,746
Loans and receivables due from credit institutions	**267,749**	267,749	-	-	267,749
Loans and advances to customers (*)	**4,435,207**	4,435,207	-	-	4,435,207
Total Financial assets	**6,084,851**	**6,084,480**	**142,862**	**-**	**5,941,619**
Financial liabilities					
Debt securities	**6,571,730**	6,627,033	5,492,205	926,518	208,310
Total Financial liabilities	**6,571,730**	**6,627,033**	**5,492,205**	**926,518**	**208,310**

(*) The fair value of loans and receivables to customers includes the outstanding capital and the revaluation in interest rates of the loans hedged on the closing date.
For Loans and receivables due from credit institutions, which are deposits, the fair value used was the nominal value.

B - Credit risk exposure

The tables below disclose the maximum exposure to credit risk at 31 December 2021 for financial assets with exposure to credit risk, without taking account of collateral held or other credit risk mitigation.

(€ '000s)	Performing assets	Past due but not impaired	Impairment allowance	Total 31/12/2021
Cash, central banks	1,175,973		(56)	**1,175,917**
Financial assets at fair value through profit or loss	10,385			**10,385**
Hedging derivative instruments	172,891			**172,891**
Financial assets at fair value through other comprehensive income	721,146			**721,146**
Securities at amortized cost	206,141		(162)	**205,979**
Loans and receivables due from credit institutions	267,780		(31)	**267,749**
Loans and advances to customers	4,427,329	3,877	(158)	**4,431,048**
Revaluation adjustment on interest rate hedged portfolios	4,158			**4,158**
Current tax assets				**-**
Other assets	256			**256**
Sub-total Assets	**6,986,059**	**3,877**	**(408)**	**6,989,529**
Financing commitments given	574,710			**574,710**
TOTAL Credit risk exposure	**7,560,769**	**3,877**	**(408)**	**7,564,239**

Exposure analysis by counterparty

(€ '000s)	Total 31/12/2021
Central banks	1,175,917
Local public sector	5,705,104
Credit institutions guaranteed by the EEA States	154,116
Credit institutions	492,879
Other financial corporations guaranteed by the EEA States	
Other financial corporations	36,151
Non-financial corporations guaranteed by the EEA States	
Non-financial corporations	71
Total Exposure by counterparty	**7,564,239**

Agence France Locale's very cautious investment policy prefers securities issued by States and central governments, or ones that are guaranteed by such counterparties.
Credit institutions exposures primarily result from cash management and interest rates hedging transactions.

Exposure analysis by geographic area

(€ '000s)	Total 31/12/2021
France	6,871,963
Supranational	293,964
Canada	107,456
Finland	49,665
Switzerland	42,289
South Korea	40,012
New Zealand	30,673
Belgium	28,634
Austria	25,595
Japan	23,853
Netherland	14,507
Denmark	13,675
Germany	10,462
Sweden	7,480
China	4,012
Total Exposure by geographic area	**7,564,239**

As credits are solely granted to French local authorities, the largest exposure is to France. Exposures to other countries (EEA, North America, Asia and Oceania) result from Agence France Locale's cash management policy and its investment in sovereign or equivalent securities.

C - Liquidity risk : Assets and liabilities, analysed by remaining contractual maturity

(€ '000s)	Less than 3 month	3 month to 1 year	1 year to 5 years	more than 5 years	Total	Related receivables and payables	Revaluation	Total 31/12/2021
Cash, central banks	1,175,917				**1,175,917**			**1,175,917**
Financial assets at fair value through profit or loss	7	228	3,624	6,526	**10,385**	**(0.3)**		**10,385**
Hedging derivative instruments	2,264	1,228	24,908	131,315	**159,715**	**13,175**		**172,891**
Financial assets at fair value through other comprehensive income								
Government paper and similar securities		54,497	493,058	169,343	716,898	1,528	2,720	721,146
Bonds								
Total Financial assets at fair value through other comprehensive income		**54,497**	**493,058**	**169,343**	**716,898**	**1,528**	**2,720**	**721,146**
Securities at amortized cost								
Government paper and similar securities	4,001	13,693	59,466	119,961	197,121	685	(1,885)	195,921
Bonds		10,026			10,026		31	10,058
Total Securities at amortized cost		**23,719**	**59,466**	**119,961**	**207,147**	**685**	**(1,854)**	**205,979**
Loans and receivables due from credit institutions	152,306		115,000		**267,306**	444		**267,749**
Loans and advances to customers	139,505	248,783	1,276,879	2,743,896	**4,409,063**	**6,961**	**15,024**	**4,431,048**
Revaluation adjustment on interest rate hedged portfolios							**4,158**	**4,158**
Current tax assets								**-**
Other assets	256				**256**			**256**
TOTAL ASSETS								**6,989,529**

	Less than 3 month	3 month to 1 year	1 year to 5 years	more than 5 years	Total	Related receivables and payables	Revaluation	Total 31/12/2021
Central banks						**1,174**		**1,174**
Financial assets at fair value through profit or loss	7	227	3,624	6,525	**10,384**	**(8)**		**10,376**
Hedging derivative instruments	12	1,763	17,583	200,056	**219,413**	**5,766**		**225,180**
Debt securities	793,827	164,352	2,255,591	3,358,405	**6,572,175**	**15,905**	**(16,350)**	**6,571,730**
Due to credit institutions	5,453				**5,453**			**5,453**
Revaluation adjustment on interest rate hedged portfolios								**-**
Other liabilities	2,511				**2,511**			**2,511**
TOTAL LIABILITIES								**6,816,425**

Agence France Locale oversees the transformation of its balance sheet into liquidity by monitoring several indicators, including the difference in average maturity between assets and liabilities which is limited to 12 months, temporarily increased to 18 months, and limits in gaps.

D - Interest rate risk: sensitivity to interest rate changes

Exposure to interest rate risk relates to that of the Operational subsidiary, Agence France Locale.

Interest rate risk includes the risk that AFL will suffer losses due to unfavourable changes in interest rates due to all of its balance sheet and off-balance sheet transactions, in particular in the event of a mismatch between the interest rates generated by its assets and those arising from its liabilities. Interest rate risk includes the risk of refinancing an asset at a higher interest rate than the original interest rate, or the risk of replacing an asset at a lower rate than the original one. In both cases, in the event of a change in interest rates, there may be a negative impact on the net margin of interest that reduces AFL's income.

In order to maintain its financial base for the development of its lending activities, AFL has also set up a hedging policy for interest rate risks in order to limit the exposure of its balance sheet and the volatility of its revenues to unwanted market movements.

AFL's interest rate hedging policy consists of:

- a systematic micro-hedging of fixed-rate debt to be converted into floating-rate debt mainly indexed to the three-month Euribor reference using interest rate swaps;

- micro-hedging of loans contracted at a fixed or floating Euribor six-month or twelve-month rate to convert them into floating-rate loans indexed to the Euribor three-month reference, except for fixed-rate loans corresponding to a limited portion of the balance sheet at least equal to the re-use of prudential capital. The resulting exposure to interest rate risk is influenced by the sensitivity to AFL's net present value rate, which measures the impact of a predefined rate shock on the variation in discounted cash flows of all assets and liabilities on the AFL balance sheet; and

- a macro-hedging of fixed-rate loans that are small or whose depreciation profile is not linear.

The hedging strategy for interest rate risk translated into a notional outstanding amount of swaps of €12.5 billion at December 31, 2021.

As of December 31, 2021, the sensitivity of the AFL Group's NPV was 2.2% under the assumption of a parallel shift of over 100 basis points and -4.3% under the assumption of a shift of minus 200 basis points of the yield curve.

Throughout 2021, the sensitivity of AFL's net present value to a change of plus or minus 200 basis points remained below 15% of equity.
The table below shows the sensitivity of the NPV since December 31, 2018.

	31/12/2021	30/06/2021	31/12/2020	31/12/2019	31/12/2018	Limit
Parallel shock up + 100 bps	2.2%	2.3%	0.4%	-3.2%	-3.8%	±15%
Parallel shock down - 100 bps	-2.2%	-2.4%	-0.3%	4.0%	4.6%	±15%
Parallel shock down - 100 bps (floor)	0.1%	-0.1%	0.0%	2.0%	2.4%	±15%
Parallel shock up + 200 bps	4.4%	4.6%	1.0%	-5.8%	-7.1%	±15%
Parallel shock down - 200 bps	-4.3%	-4.9%	-0.3%	8.9%	10.0%	/
Parallel shock down - 200 bps (floor)	0.1%	-0.1%	0.0%	2.0%	2.6%	±15%

In 2021, AFL implemented the scenarios for calculating the sensitivity of the net present value (NPV) of its equity to non-linear variation of the yield curve (IRRBB) assumptions.

	31/12/2021	30/06/2021	31/12/2020	31/12/2019	31/12/2018	Limit
Parallel shock up + 200 bps	4.4%	4.6%	1.0%	-5.8%	-5.7%	±15%
Parallel shock down - 200 bps	-4.3%	-4.9%	-0.3%	8.9%	8.6%	±15%
Short rates shock up	6.1%	5.3%	3.0%	2.4%	-8.4%	±15%
Short rates shock down	-6.3%	-5.5%	-3.1%	-2.5%	9.0%	±15%
Steepener shock	-4.3%	-3.4%	-2.7%	-5.4%	-8.2%	±15%
Flattener shock	5.1%	4.2%	3.0%	4.8%	8.9%	±15%

Throughout 2021, the sensitivity of AFL Group's net present value to different interest rate variation scenarios remained below 15% of equity.

Currency risk covers the risk for the AFL Group through AFL of generating losses on capital borrowed or loaned in currencies other than the euro. AFL's policy aims to systematically hedge this risk by setting up currency micro-hedging swaps, also called cross currency swaps. Thus, assets and liabilities denominated in currencies other than the euro are systematically swapped into euros as soon as they are entered on the balance sheet and until their final maturity.

Agence France Locale S.A.

Statutory Auditor's report on the "financial statements"

Year ended 31st December 2021

Agence France Locale S.A.

112 rue Garibaldi - 69006 Lyon

This report contains 3 pages

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

Agence France Locale S.A.

Registered office: 112 rue Garibaldi - 69006 Lyon
Share capital : €.196 800 000

Statutory Auditor's report on the "financial statements"

For the year ended 31st December 2021

Ladies and Gentlemen,

In our capacity as Statutory Auditors of Agence France Locale S.A. and in compliance with your request within the framework of financial information communication to investors, we have audited the accompanying "financial statements", of Agence France Locale S.A. for the year ended 31 December 2021, presented in compliance with the IFRS (International Financial Reporting Standards) published by and as approved by the European Union and in force on that date.

Management Board is responsible for the preparation and fair presentation of these "financial statements". Our responsibility is to express an opinion on these "financial statements" based on our audit.

We conducted our audit in accordance with professional standards applicable in France and the professional doctrine of the French national auditing body (Compagnie nationale des commissaires aux comptes) related to this engagement; these standards require that we plan and perform the audit to obtain reasonable assurance whether the "financial statements" are free from material misstatement. An audit involves performing procedures, on a test basis or by other means of selection, to obtain audit evidence about the amounts and disclosures in the "financial statements". An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the "financial statements". We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the "financial statements" present fairly, in all material respects, the financial position and assets and liabilities of Agence France Locale S.A. as of 31 December 2021, and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards as adopted in the European Union.

This report is addressed to your attention in the context described above and is not to be used, circulated, quoted or otherwise referred to for any other purposes.

This report shall be governed by, and construed in accordance with French law. The Courts of France shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the engagement letter or this report, and any matter arising from them. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

The statutory auditors

Paris La Défense, on March 28th, 2022	Paris, on March 28th, 2022
KPMG S.A.	CAILLIAU DEDOUIT et ASSOCIES

French original signed by

Ulrich Sarfati *Partner*	Sandrine Le Mao *Partner*

Agence France Locale
Pillar 3 as of December 31, 2021

I. General provisions

The information contained in this document concerns Agence France Locale - Société Territoriale (LEI: 9695002K2HDLD20JU790) at the consolidated level as of December 31, 2021. Also when AFL-ST is mentioned in the rest of the report, the AFL Group should be understood as a consolidated one.
The scope of consolidation consists of Agence France Locale (LEI: 969500NMI4UP00IO8G47), which is 99.9999% owned. The data are presented in euros and under IFRS.
The information presented complies with Commission Implementing Regulation (EU) 2021/637 of March 15, 2021 defining implementing technical standards for the publication, by institutions, of the information referred to in Titles II and III of the eighth part of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, known as "Pillar 3".
In accordance with Article 19 (4) of the aforementioned regulation, the numerical values are presented as follows:

- Quantitative monetary data is published with a precision corresponding to the units;
- Quantitative data published in "Percentage" is expressed with a minimum precision of four decimal places.

II. Special provisions

III. Publication of key indicators and an overview of risk-weighted exposure amounts

Template EU OV1 - Overview of total risk exposure amounts

	Data as of 31/12/2021 (T) and 31/12/2020 (T-1)	Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		T	T-1	T
1	Credit risk (excluding CCR)	1,112,331,476	956,626,297	88,986,518
2	Of which the standardised approach	1,090,991,479	956,626,297	87,279,318
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	22,283,525	13,226,936	1,782,682
7	Of which the standardised approach	5,880,747	2,915,525	470,460
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	3,864,812	2,237,604	309,185
EU 8b	Of which credit valuation adjustment - CVA	14,553,900	8,073,807	1,164,312
9	Of which other CCR	2,015,935	-	161,275
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	6,086,886	-	486,951
21	Of which the standardised approach	6,086,886	-	486,951
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	24,303,051	21,650,456	1,944,244
EU 23a	Of which basic indicator approach	24,303,051	21,650,456	1,944,244
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	Total	1,165,004,937	991,503,688	93,200,395

Template EU KM1 - Template for key indicators

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	179,953,457	171,607,457	172,345,533	158,525,061	149,254,747
2	Tier 1 capital	179,953,457	171,607,457	172,345,533	158,525,061	149,254,747
3	Total capital	179,953,457	171,607,457	172,345,533	158,525,061	149,254,747
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1,143,664,940	1,016,668,010	975,778,055	980,871,396	986,350,559
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15.73%	16.88%	17.66%	16.16%	15.13%
6	Tier 1 ratio (%)	15.73%	16.88%	17.66%	16.16%	15.13%
7	Total capital ratio (%)	15.73%	16.88%	17.66%	16.16%	15.13%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.25%	1.25%	1.25%	1.25%	1.25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.70%	0.70%	0.70%	0.70%	0.70%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0.55%	0.55%	0.55%	0.55%	0.55%
EU 7d	Total SREP own funds requirements (%)	9.25%	9.25%	9.25%	9.25%	9.25%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	-	-	-	-	-
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-	-	-
11	Combined buffer requirement (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	11.75%	11.75%	11.75%	11.75%	11.75%
12	CET1 available after meeting the total SREP own funds requirements (%)	45,884,507	52,148,965	57,691,611	43,272,672	33,358,556
	Leverage ratio					
13	Total exposure measure	2,471,354,246	2,558,453,844	2,430,894,726	5,366,883,847	5,271,951,626
14	Leverage ratio (%)	7.28%	6.63%	7.09%	2.95%	2.83%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	-	-	-	-	-
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1,948,665,180	2,041,672,204	1,916,429,154	1,606,795,769	1,241,872,541
EU 16a	Cash outflows - Total weighted value	240,753,491	235,469,681	253,744,580	243,294,763	259,739,930
EU 16b	Cash inflows - Total weighted value	31,003,291	19,328,114	19,061,439	120,459,445	25,126,260
16	Total net cash outflows (adjusted value)	209,750,200	216,141,568	234,683,142	122,835,318	234,613,670
17	Liquidity coverage ratio (%)	929.04%	944.60%	816.60%	1308.09%	529.33%
	Net Stable Funding Ratio					
18	Total available stable funding	5,783,755,492	5,454,938,792	5,711,330,802	5,249,556,744	5,029,410,969
19	Total required stable funding	3,223,231,689	2,727,649,730	2,711,266,978	2,772,130,985	2,741,099,133
20	NSFR ratio (%)	179.44%	199.99%	210.65%	189.37%	183.48%

EU OVC table - ICAAP information

Legal basis	Row number	
Article 438, point a) of the CRR	(a)	Equity capital adequacy assessment method: AFL has adopted the “augmented Pillar 1” method, which uses the Pillar 1 assessment for risks covered by Pillar 1. Other risks are assessed by applying stress scenarios.
Article 438, point c) of the CRR	(b)	AFL did not receive a request for the publication of the results of the institution’s internal equity capital adequacy assessment process.

Lastly, Agence France Locale - Société Territoriale, which does not hold funds in insurance or reinsurance companies or insurance holding companies, and does not publish the “EU INS1” and “EU INS2” tables.

IV. Publication of risk management objectives and policies

Table EU OVA - Institutional approach to risk management

Legal basis	Row number	
Article 435, paragraph 1, point f), of the CRR.	(a)	Publication of a short risk statement approved by the management body: In March 2022, the Management Board, the AFL Supervisory Board and the AFL-ST Board of Directors approved the following paragraph. In line with the risk appetite validated by the AFL-ST Board of Directors and the AFL Supervisory Board, the AFL Group deploys a model with a conservative risk profile. At 12/31/2021, AFL's financial risk situation was good: • Credit exposures are mainly related to loans granted to AFL member local authorities. The average rating of the loan portfolio was 3.81 below 4.5 (risk appetite threshold). In 2021, the loading of the 2020 management accounts confirmed a deterioration reflecting the impact of the Covid-19 pandemic on the accounts of local authorities. The deterioration is significant for the largest authorities. Except in special cases, it is sustainable. • Credit exposures also come from exposures to sovereign agencies and, marginally, to banks linked to the liquidity reserve and interest rate hedging on the statement of financial position. The risk associated with these exposures is low. • Liquidity risk is tightly controlled. At 12/31/2021, the size of the liquidity reserve amounted to €2.3 billion and enabled it to cope with more than 12 months of activity without calls to the market. More than €1 billion is invested in an account opened at the Banque de France. In accordance with the Group's risk appetite, the transformation - measured by the difference between the average life to maturity of assets and liabilities - is less than one year (it amounts to 0.68). Consolidated regulatory indicators are within their limit with an LCR of 929% (liquidity at 30 days) and an NSFR of 179% (stable funding). • In terms of interest rate risk, the sensitivity of the AFL Group's net present value amounts to +2.0% under the assumption of a parallel translation of more than 100 basis points and +4.0% under the assumption of a shift of more than 200 basis points in the yield curve. It is lower than the regulatory limit of 15%. As of 12/31/2021, AFL's situation in terms of non-financial risks is good. • AFL has set up a global system designed to limit operational risks. • In 2021, no significant incident (i.e. impact of more than €500 thousand) was noted. The TC1 ratio was 15.73%. Prudential capital increased sharply over the year (+20.6%), with more than €29.7 million in ICCs released.

Legal basis	Row number	
		Risk appetite is detailed in section 4.1.a of the annual report and risk exposure in section 4.1.b.
Article 435, paragraph 1, point b), of the CRR.	(b)	Information on the risk governance structure for each type of risk: See section 4.1.d of the annual report
Article 435, paragraph 1, point e), of the CRR.	(c)	Statement approved by the management body on the adequacy of the risk management systems: In March 2022, the Management Board, the AFL Supervisory Board and the AFL-ST Board of Directors certified the adequacy of the AFL Group's risk management system and ensured that the risk management systems put in place since AFL's creation are appropriate in view of the Group's risk profile and strategy.
Article 435, paragraph 1, point c), of the CRR.	(d)	Publication of the scope and nature of risk reporting and/or assessment systems: The Global Risk Committee oversees all AFL risks, in terms of volume and in kind. It monitors and manages the institution's risk measurement, monitoring and management systems. It periodically analyzes and measures the risks incurred by AFL and assesses the level of control by AFL, in a cross-functional and prospective manner. It defines the scope of its monitoring and the frequency of monitoring of each of the risks it has identified. It has the measurement and control systems adapted to changes in risks, through action plans, the implementation of which it monitors. It ensures the existence of an appropriate system of limits and updates them, ensures compliance with existing limits and their periodic review. Risks are monitored using internal and regulatory indicators published at a frequency appropriate to the nature of the risk; these indicators are produced by the Commitments and Risk Department or by operational staff and controlled by the CRD. Non-financial risk indicators are mainly based on expert opinions by operational staff and the Commitments and Risk Department. The measurement of credit risk on local authorities is based on a rating model implemented by AFL since its creation. Each local authority is assessed by the AFL Commitments Division, which relies on the rating model. The rating[20] corresponds to an assessment of the financial health of the local authority and is a key element in the credit policy. This is based on a quantitative rating based, on the one hand, on financial indicators and, on the other hand, on socio-economic indicators. In addition, a qualitative analysis may be carried out depending on the risk profile or the amount granted. Moreover, the Commitments Division may have to propose to the Credit Committee an override of the system rating by downgrading or improving it. Overriding takes place exceptionally.

[20] The score assigned to the local authorities follows a grid ranging from 1 (best score) to 7.

Legal basis	Row number	
		The financial and socio-economic rating grids in place are common to all local authorities - with the exception of trade unions for which the socio-economic rating is not applied, making it possible to have homogeneous rating criteria, regardless of the type of community. The system rating (quantitative rating including socio-economic elements) is automatically generated by a rating tool on the basis of financial data (provisional data at mid-year n+1 and final data in January n+2) and socio-economic data (data available in September). In addition, AFL reserves the right to update the rating at its discretion, in accordance with the principles of monitoring and prudence. The rating model is an expert opinion model. It is undergoing maintenance work. Work to ensure the robustness and stability of the rating model is carried out at regular intervals. Liquidity and interest rate risks are monitored in ALCo on a monthly basis using indicators detailed below. Main identification and measurement tools non-financial risks are risk mapping and the incident reporting system. The objective of the risk mapping process is to consistently identify and assess the main risk areas for the entire AFL Group. To this end, it focuses on the main risks, with as criterion the importance of the potential impact and the frequency of occurrence. The exercise thus makes it possible to prioritize risks on an objective basis and to ensure coherence of evaluation between the various departments and functions involved. It is reviewed on a biannual basis. The incident collection system makes it possible to measure the impact and frequency of occurrence of the risks identified. The system provides for the systematic reporting of incidents within the AFL Group beyond predefined thresholds.
Article 435, paragraph 1, point c), of the CRR.	(e)	Information on the main characteristics of the information and risk assessment systems: The AFL information system is mainly based on a software architecture “Software As A Service” implemented in the cloud, managed by a set of service commitments signed with the various suppliers. The information system is based on two main business applications (Credit / Accounting and Market) whose data is poured into a single information center hosted in the cloud in “Infrastructure As A Service” mode at MS-Azure. Financial data and socio-economic data from local authorities are downloaded from open data and uploaded to the information center. A portal open to members and prospects makes it possible to manage loans, perform loan simulations and obtain information on AFL membership conditions. The main risk indicators are calculated using data from the information center. Certain liquidity and interest rate risk indicators are calculated using the Market Information System. Regulatory production is centralized in a repository, the data of which are produced by the information center.

Legal basis	Row number	
Article 435, paragraph 1, point a), of the CRR.	(f)	Risk management strategies and processes implemented for each distinct risk category: The AFL Group's risk management system is detailed in section 5.3 of the annual report.
Article 435, paragraph 1, points a) and d), of the CRR.	(g)	Information on risk management, hedging and mitigation strategies and processes, as well as the monitoring of the effectiveness of hedges and mitigation techniques: AFL manages its activities over time so as not to exceed its risk mandate. In the event of overruns, for example due to external developments, corrective actions are initiated to comply with the mandate. These actions may be the disposal of positions or the implementation of hedges. Relevant information is provided to stakeholders.

Table EU OVB - Disclosure of information on governance arrangements

Legal basis	Row number	
Article 435, paragraph 2, point a), of the CRR.	(a)	Number of positions held by members of the management body: • For AFL, information relating to this Committee is detailed in the AFL Supervisory Board report on corporate governance. • For AFL-ST, this information is detailed in the AFL-ST Board of Directors' report on corporate governance.
Article 435, paragraph 2, point b), of the CRR.	(b)	Information concerning the recruitment policy for the selection of members of the management body as well as their knowledge, skills and expertise: • For AFL, information relating to this Committee is detailed in the AFL Supervisory Board report on corporate governance. • For AFL-ST, this information is detailed in the AFL-ST Board of Directors' report on corporate governance.
Article 435, paragraph 2, point c), of the CRR.	(c)	Information on the diversity policy applicable to the selection of members of the management body : • For AFL, information relating to this Committee is detailed in the AFL Supervisory Board report on corporate governance. • For AFL-ST, this information is detailed in the AFL-ST Board of Directors' report on corporate governance.
Article 435, paragraph 2, point d), of the CRR.	(d)	Information on whether or not the institution has set up a separate Risk Committee, and the frequency of its meetings: AFL and AFL-ST have each set up an Audit and Risk Committee. • For AFL, information relating to this Committee is detailed in the AFL Supervisory Board report on corporate governance. • For AFL-ST, information relating to this Committee is detailed in the AFL-ST Board of Directors' report on corporate governance.
Article 435, paragraph 2, point e), of the CRR.	(e)	Description of the flow of information on risks to the management body: • The Global Risk Committee aims to provide the Management Board with an aggregated and forward-looking view of all the risks incurred by the AFL Group. • The Committee meets at least quarterly, and covers all risks borne by the two legal entities; AFL and AFL-ST. • An annual update on the AFL Group's risk situation is made by the Management Board to the AFL Supervisory Board and its Audit and Risk Committee. • An annual update on the AFL Group's risk situation is provided to the AFL-ST Board of Directors and its Audit and Risk Committee. • This information is detailed in the AFL corporate governance report for the AFL Audit and Risk Committee and in the AFL-ST corporate governance report for AFL-ST's Audit and Risk Committee.

V. Publication of scope

Template EU LI1 - Differences between the accounting scope of consolidation and the prudential consolidation scope and mapping of financial statement categories to regulatory risk categories

		a	b	c	d	e	f	g
				Carrying values of items				
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset clases according to the balance sheet in the published financial statements							
1	Cash, central banks		1,175,916,518	1,175,916,518				
2	Financial assets at fair value through profit or loss		10,384,917		10,384,917			
3	Hedging derivative instruments		172,890,526		172,890,526			
4	Financial assets at fair value through other comprehensive income		721,146,158	721,146,158				
5	Securities at amortized cost		210,271,010	210,271,010				
6	Loans and receivables due from credit institutions and similar items at amortized cost		271,061,594	271,061,594				
7	Loans and receivables due from customers at amortized cost		4,431,048,249	4,431,048,249				
8	Revaluation adjustment on interest rate risk-hedged portfolios		4,158,480	4,158,480				
9	Current tax assets		18,000	18,000				
10	Deferred tax assets		5,175,987	212,570				4,963,417
11	Accruals and other assets		451,969	451,969				
12	Intangible assets		3,084,749					3,084,749
13	Property, plant and equipment		2,703,511	2,703,511				
14	Goodwill							
15	**Total assets**		**7,008,311,668**	**6,816,988,060**	**183,275,442**	-	-	**8,048,166**
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Central banks		1,174,293	1,174,293				
2	Financial liabilities at fair value through profit or loss		10,376,092		10,376,092			
3	Hedging derivative instruments		225,179,712		225,179,712			
4	Debt securities		6,571,730,336					
5	Due to credit institutions		5,454,902	5,454,902				
6	Deferred tax liabilities		169,193					
7	Accruals and other liabilities		4,105,683	4,105,683				
8	Provisions		174,526	174,526				
9	Equity		189,946,830					
10	Equity, Group share		189,946,830					
11	Share capital and reserves		206,415,500					
12	Consolidated reserves	-	19,108,124					- 19,108,124
13	Reevaluation reserve		-					
14	Gains and losses recognised directly in equity		906,817					906,817
15	Profit (loss) for the period		1,732,637					1,732,637
16	Non-controlling interests		100					
17	**Total liabilities**		**7,008,311,668**	**10,909,405**	**235,555,804**	-	-	**- 16,468,670**

Model EU LI2 - Main sources of differences between the regulatory exposure amounts and the carrying amounts of the financial statements

		a	b	c	d	e
		Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	7,000,263,503	6,816,988,060	-	183,275,442	-
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	7,024,780,338	10,909,405	-	235,555,804	-
3	**Total net amount under the scope of prudential consolidation**	6,753,798,294	6,806,078,655	-	- 52,280,361	-
4	**Off-balance-sheet amounts**	632,001,995	632,001,995	-	-	
5	*Differences in valuations*	-	-	-	-	
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	
7	*Differences due to consideration of provisions*	-	-	-	-	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	-	-	-	-	
9	*Differences due to credit conversion factors*	- 84,426,865	- 84,426,865	-	-	
10	*Differences due to Securitisation with risk transfer*	-	-	-	-	
11	*Other differences*	211,007,497	53,178,437	-	157,829,060	
12	**Exposure amounts considered for regulatory purposes**	**7,512,380,921**	**7,406,832,222**	**-**	**105,548,699**	**-**

Template EU LI3 - Summary of the differences between the scopes of consolidation (entity by entity)

a	b	c	d	e	f	g	h
Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Agence France Locale - Société Territoriale	**Full consolidation**	**X**					**Financial holding company**
Agence France Locale	**Full consolidation**	**X**					**Credit institution**

Table EU LIA - Explanation of differences between accounting and regulatory exposure amounts

Legal basis	Row number	
Article 436, point b), of the CRR.	(a)	Differences between columns a) and b) in the EU LI1 model: There are no differences between columns a) and b) in the EU LI1 model.
Article 436, point d), of the CRR	(b)	Qualitative information on the main sources of differences between the accounting scope of consolidation and the regulatory scope of consolidation presented in the EU LI2 model: There are no differences between the accounting scope of consolidation and the regulatory scope of consolidation presented in the EU LI2 model.

Table EU LIB - Other qualitative information on the scope

Legal basis	Row number	
Article 436, point f), of the CRR	(a)	Obstacle to the rapid transfer of equity capital or the rapid redemption of commitments within the Group: There are no significant legal or factual impediments to the rapid transfer of equity capital or the rapid redemption of liabilities by its parent company, present or anticipated.
Article 436, point g), of the CRR	(b)	Subsidiaries not included in the scope of consolidation whose effective equity capital is lower than the regulatory equity capital: There are no subsidiaries not included in the scope of consolidation whose effective equity capital is lower than the regulatory equity capital.
Article 436, point h), of the CRR	(c)	Use of the exemption referred to in Article 7 of the CRR or the individual consolidation method provided for in Article 9 of the CRR: Agence France Locale has been authorized by the ACPR to use the exemption referred to in Article 7 of the CRR.
Article 436, point g), of the CRR	(d)	Total amount of any negative difference between the regulatory equity capital and the effective equity capital of all subsidiaries not included in the consolidation: There are no subsidiaries not included in the consolidation.

Mode EU PV1 - Value adjustments for prudent valuation purposes (PVA)

		a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	**Market price uncertainty**	-	-	-	-	-	-	-	-	-	-
2	Not applicable										
3	**Close-out cost**	-	-	-	-	-	-	-	-	-	-
4	**Concentrated positions**	-	-	-	-	-	-	-	-	-	-
5	**Early termination**	-	-	-	-	-	-	-	-	-	-
6	**Model risk**	-	-	-	-	-	-	-	-	-	-
7	**Operational risk**	-	-	-	-	-	-	-	-	-	-
8	Not applicable										
9	Not applicable										
10	**Future administrative costs**	-	-	-	-	-	-	-	-	-	-
11	Not applicable										
12	**Total Additional Valuation Adjustments (AVAs)**								-	-	-

VI. Disclosure of equity capital information

AFL-ST only holds Common Equity Tier 1 (CET1) equity capital.
As of December 31, 2021, AFL-ST did not include the profit(loss) for the period in the calculation of its prudential capital.

Template EU CC1 - Composition of regulatory equity capital

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	206,415,500	a
	of which: Instrument type 1	206,415,500	
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	- 19,098,097	b
3	Accumulated other comprehensive income (and other reserves)	896,790	c
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**188,214,193**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-	
8	Intangible assets (net of related tax liability) (negative amount)	- 3,084,749	d
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	- 4,963,417	e1
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	- 212,570	e2
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	-	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	- 8,260,736	d+e1+e2
29	**Common Equity Tier 1 (CET1) capital**	**179,953,457**	a+b+c+d+e1+e2

	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	206,415,500	a
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	
44	**Additional Tier 1 (AT1) capital**	**-**	f
45	**Tier 1 capital (T1 = CET1 + AT1)**	**179,953,457**	a+b+c+d+e+f
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**-**	g
59	**Total capital (TC = T1 + T2)**	**179,953,457**	a+b+c+d+e+f+g
60	**Total Risk exposure amount**	**1,143,664,940**	

Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	15.73%	
62	Tier 1 capital	15.73%	
63	Total capital	15.73%	
64	Institution CET1 overall capital requirements	8.25%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.00%	
67	of which: systemic risk buffer requirement	0.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	1.25%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	7.48%	
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	13,734,014	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Template EU CC2 - Reconciliation between regulatory equity capital and statement of financial position in audited financial statements

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets - *Breakdown by asset clases according to the balance sheet in the published financial statements*				
1	Cash, central banks	1,175,916,518		
2	Financial assets at fair value through profit or loss	10,384,917		
3	Hedging derivative instruments	172,890,526		
4	Financial assets at fair value through other comprehensive income	721,146,158		
5	Securities at amortized cost	210,271,010		
6	Loans and receivables due from credit institutions and similar items at amortized cost	271,061,594		
7	Loans and receivables due from customers at amortized cost	4,431,048,249		
8	Revaluation adjustment on interest rate risk-hedged portfolios	4,158,480		
9	Current tax assets	18,000		
10	Deferred tax assets	5,175,987		e1+e2
11	Accruals and other assets	451,969		
12	Intangible assets	3,084,749		d
13	Property, plant and equipment	2,703,511		
14	Goodwill	-		
15	**Total assets**	**7,008,311,668**		
Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*				
1	Central banks	1,174,293		
2	Financial liabilities at fair value through profit or loss	10,376,092		
3	Hedging derivative instruments	225,179,712		
4	Debt securities	6,571,730,336		
5	Due to credit institutions	5,454,902		
6	Deferred tax liabilities	169,193		
7	Accruals and other liabilities	4,105,683		
8	Provisions	174,526		
9	**Total liabilities**	**6,818,364,738**		
Shareholders' Equity				
1	Share capital and reserves	206,415,500		a
2	Consolidated reserves	- 19,108,124		b
3	Reevaluation reserve	-		
4	Gains and losses recognised directly in equity	906,817		c
5	Profit (loss) for the period	1,732,637		
6	**Total shareholders' equity**	**189,946,830**		

Since its creation, Agence France Locale - Société Territoriale has only issued ordinary shares. As such, it is not affected by the publication of the information in table EU CCA - Main characteristics of regulatory equity capital instruments and eligible liabilities.

VII. Disclosure of countercyclical equity capital buffer information

As of December 31, 2021, AFL did not hold exposures to counterparties located in countries applying a countercyclical capital buffer. Only exposures to France are significant and presented in the EU CCyB1 model below.

Model EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	Breakdown by country:													
1	France	7,134,737						729,949			729,949		100.00%	0.00%
020	Total	7,134,737	-	-	-	-	7,134,737	729,949	-	-	729,949	9,124,366	100.00%	

Model EU CCyB2 - Amount of countercyclical equity capital buffer specific to the institution

		a
1	Total risk exposure amount	1,143,664,940
2	Institution specific countercyclical capital buffer rate	0.0000
3	Institution specific countercyclical capital buffer requirement	0.0000

VIII. Disclosure of leverage ratio information

At its meeting of March 11, 2021, the ACPR's College of supervisors recognized AFL's status as a public development lending institution.
This status allows institutions to deduct incentive loans from the denominator of their leverage ratio. In the case of AFL, these are medium-long-term loans that it grants to local authorities.

Model EU LR1 - LRSum: Summary of reconciliation between accounting assets and leverage ratio exposures

	Data as of 31/12/2021	a Applicable amount
1	Total assets as per published financial statements	7,007,031,332
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	1,280,336
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	58,885,713
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	484,191,390
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	- 5,080,034,524
13	**Total exposure measure**	**2,471,354,246**

Model EU LR2 - LRCom: Leverage ratio - joint declaration

		CRR leverage ratio exposures	
	Data as of 31/12/2021 (T) and 31/12/2020 (T-1)	a	b
		T	T-1
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	6,767,896,520	4,762,562,888
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	- 3,084,749	- 7,970,026
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**6,764,811,772**	**4,754,592,862**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	75,495,513	59,472,563
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	30,088,434	59,111,515
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**105,583,948**	**118,584,078**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**-**	**-**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	568,703,044	398,774,686
20	(Adjustments for conversion to credit equivalent amounts)	- 84,511,653	-
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**484,191,390**	**398,774,686**

	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	- 4,883,232,863	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	(Total exempted exposures)	- 4,883,232,863	-
	Capital and total exposure measure		
23	Tier 1 capital	179,953,457	149,254,747
24	Total exposure measure	2,471,354,246	5,271,951,626
	Leverage ratio		
25	Leverage ratio (%)	7.28%	2.83%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	2.45%	2.83%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	7.28%	2.83%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA	NA
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	2,471,354,246	5,271,951,626
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	2,471,354,246	5,271,951,626
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	0.0728	0.03
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	0.0728	0.03

Model EU LR3 - LRSpl: Breakdown of statement of financial position exposures (excluding derivatives, SFTs and exempt exposures)

	Data as of 31/12/2021 (T)	a
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	6,860,340,404
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	6,860,340,404
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	1,556,471,154
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	4,871,162,124
EU-7	Institutions	422,487,641
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporates	-
EU-11	Exposures in default	3,979,257
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	6,240,229

Table EU LRA: Publication of qualitative information on the leverage ratio

Row number	Topic addressed	A
(a)	Description of the procedures used to manage the risk of excessive leverage	Description of the procedures used to manage the risk of excessive leverage: In order to manage its leverage and avoid excessive leverage, the Commitments and Risks Department of AFL has created a simulation tool that allows it to estimate the leverage ratio over the long term with a monthly analysis step. This tool is based on a central scenario representing the AFL business plan and makes it possible to calculate the leverage according to several alternative scenarios. Endogenous items are updated monthly according to AFL's activity (loan production, size of the liquidity reserve, changes in the cost structure, publication of financial statements, etc.) to better reflect the institution's situation.
(b)	Description of the factors that had an impact on the leverage ratio during the period to which the leverage ratio reported by the institution relates	Description of the factors that had an impact on the leverage ratio during the period to which the leverage ratio reported by the institution relates: AFL is a specialized lending institution that only finances the investment budgets of French local authorities. Having obtained the status of a public development lending institution in 2021, the main factor that has an impact on the leverage ratio is the size of the liquidity reserve. The size of the liquidity reserve increases when AFL issues bonds and decreases with loan production.

IX. Disclosure of global systemically important indicators

Agence France Locale - Société Territoriale is not recognized as a global systemically important institution (G-SII).
As such, it is not concerned by the publication of this information.

X. Disclosure of liquidity requirements

Model EU LIQ1 - Quantitative information on the liquidity coverage ratio (LCR)

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	T	T-1	T-2	T-3	T	T-1	T-2	T-3
EU 1b	Number of data points used in the calculation of averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					2,208,904,358	1,895,866,329	1,762,004,366	1,858,265,919
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	58,456,445	37,997,885	51,781,530	110,018,682	58,456,445	37,997,885	51,781,530	110,018,682
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
8	Unsecured debt	58,456,445	37,997,885	51,781,530	110,018,682	58,456,445	37,997,885	51,781,530	110,018,682
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	510,366,626	450,431,546	298,594,478	372,421,235	118,345,526	115,694,246	102,071,978	108,268,892
11	Outflows related to derivative exposures and other collateral requirements	74,787,626	78,501,213	80,236,144	78,918,632	74,787,626	78,501,213	80,236,144	78,918,632
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	435,579,000	371,930,333	218,358,333	293,502,603	43,557,900	37,193,033	21,835,833	29,350,260
14	Other contractual funding obligations	6,019,500	1,010,000	13,167,078	1,010,000	5,009,500	-	12,157,078	-
15	Other contingent funding obligations	147,052,391	24,812,112	38,269,991	38,568,608	147,052,391	24,812,112	38,269,991	38,568,608
16	TOTAL CASH OUTFLOWS					328,863,862	178,504,243	204,280,577	256,856,182
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	130,192,641	77,658,167	92,650,554	110,019,086	42,620,163	27,390,804	32,896,047	34,558,214
19	Other cash inflows	3,089,848	69,207,364	4,853,677	52,526,635	3,089,848	69,207,364	4,853,677	52,526,635
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	133,282,490	146,865,531	97,504,231	162,545,720	45,710,011	96,598,167	37,749,724	87,084,849
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	133,282,490	146,865,531	97,504,231	162,545,720	45,710,011	96,598,167	37,749,724	87,084,849
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					2,208,904,358	1,895,866,329	1,762,004,366	1,858,265,919
22	TOTAL NET CASH OUTFLOWS					283,153,851	130,696,093	166,530,853	169,771,334
23	LIQUIDITY COVERAGE RATIO					9.19	24.35	11.36	14.49

Table EU LIQB on qualitative information on the LCR ratio, supplementing the EU LIQ1 model

Row number	Topics	
(a)	Explanations concerning the main factors behind the results of the liquidity coverage ratio (LCR) calculation and the evolution over time of the contribution of the input data to the LCR calculation.	Explanations concerning the main factors behind the results of the liquidity coverage ratio (LCR) calculation and the evolution over time of the contribution of the input data to the LCR calculation: In line with the risk appetite validated by the AFL-ST Board of Directors and the AFL Supervisory Board, the AFL Group must hold a liquidity reserve to cover its liquidity needs at one year, including early loan production. Coupled with a prudent investment policy, favoring the sovereign and sub-sovereign sector classified as HQLA1 and 2A, AFL's LCR is still well above regulatory limits.
(b)	Explanations concerning changes in the LCR ratio over time.	Explanations concerning changes in the LCR ratio over time: The variability of the ratio is mainly due to two factors: bond debt repayments and loan disbursements. As loans to local authorities are seasonal in nature, they are concentrated in the last quarter of the year.
(c)	Explanations concerning the actual concentration of funding sources.	Explanations concerning the actual concentration of funding sources: AFL's sole source of stable funding is the bond market. AFL issues on different maturities, in different forms (benchmark, private placements) and in different currencies in order to broaden its investor base as much as possible, by category and geographical area.
(d)	High-level description of the composition of the institution's liquidity buffer.	High-level description of the composition of the institution's liquidity buffer: More than 85% of AFL's liquidity reserve consists of AA-rated debt securities and more than 85% of securities issued by sovereigns, agencies or supra. This reserve is sized to cover 12 months of activity. Within this cushion, a minimum amount of liquidity in the current account with the Banque de France is defined in order to secure in advance the redemption of future medium- to long-term issues.
(e)	Derivative exposures and potential collateral calls.	Derivative exposures and potential collateral calls: AFL hedges almost all of its statement of financial position (assets and liabilities) against interest rate risk. The notional amount of hedging derivatives is equivalent to twice the size of the statement of financial position. The residual position is broadly balanced. Potential security calls are made daily and on the first euro.
(f)	Currency mismatch in the LCR ratio.	Currency mismatch in the LCR ratio: AFL manages a statement of financial position in euros. Issues and reserve securities that are not denominated in euros are systematically asset-swapped, so that no residual foreign exchange position remains (excluding ineffective hedges).

(g)	Other items of the LCR ratio calculation not taken into account in the LCR disclosure model but that the institution considers relevant for its liquidity profile.	Other items of the LCR ratio calculation not taken into account in the LCR disclosure model but that the institution considers relevant for its liquidity profile: No additional information is relevant

Model EU LIQ2: net stable funding ratio

Data as of 31/12/2021

	(in currency amount)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	179,232,311	-	-	-	179,232,311
2	*Own funds*	179,232,311	-	-	-	179,232,311
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		-	-	-	-
5	*Stable deposits*		-	-	-	-
6	*Less stable deposits*		-	-	-	-
7	Wholesale funding:		958,255,671	-	5,604,523,181	5,604,523,181
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		958,255,671	-	5,604,523,181	5,604,523,181
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	4,449,402	-	-	-
12	*NSFR derivative liabilities*	-				
13	*All other liabilities and capital instruments not included in the above categories*		4,449,402	-	-	-
14	**Total available stable funding (ASF)**					**5,783,755,492**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					57,219,800
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		105,448,119	-	-	52,724,059
17	Performing loans and securities:		355,949,726	85,041,417	4,434,199,845	3,071,099,196
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		115,000,000	-	-	11,500,000
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		230,736,816	81,186,553	4,362,331,221	2,991,476,978
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		230,736,816	81,186,553	4,362,331,221	2,991,476,978
22	*Performing residential mortgages, of which:*		-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		10,212,910	3,854,864	71,868,625	68,122,218
25	Interdependent assets		-	-	-	-
26	Other assets:					
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		2,143,366			2,143,366
30	*NSFR derivative liabilities before deduction of variation margin posted*		52,145,360			2,607,268
31	*All other assets not included in the above categories*		1,973,969	-	11,434,216	11,434,216
32	Off-balance sheet items		335,100,387	139,995,965	44,979,326	26,003,784
33	**Total RSF**					**3,223,231,689**
34	**Net Stable Funding Ratio (%)**					179.44%

Table EU LIQA - Liquidity risk management

Row number	Topics	
(a)	Liquidity risk management strategies and processes, including policies to diversify the sources and duration of planned financing.	As AFL refinancing mainly comes from issues carried out on the financial markets, AFL has a particularly conservative liquidity policy. AFL's financial strategy in terms of liquidity is based on three areas, the purpose of which is to limit the three components of liquidity risk: illiquidity risk, financing risk and liquidity transformation risk: A. The establishment of a significant liquidity reserve. • AFL has a liquidity reserve at its disposal at all times, the size of which represents one year of activity. The tool used to measure this objective is the NCRR (or "Net Cash Requirement Ratio") which makes it possible to verify that the

		reserve of liquid assets makes it possible to meet the foreseeable needs over a rolling 12-month horizon. • In order to secure the repayment of future medium- and long-term issues three months in advance, AFL undertakes to hold an amount of cash in its Banque de France account corresponding to the debt repayments for the period net of certain cash inflows. • At the same time, the regulatory LCR ratio must be respected ("Liquidity Coverage Ratio"); this makes it possible to verify that the AFL reserve enables it to meet its liquidity requirements at 30 days under stress assumptions. The regulatory requirement is 100%. B. A diversified financing strategy. • Agence France Locale pursues an issuance strategy that aims to diversify its sources of financing by type of investor, maturity, geographical area and currency in order to avoid any excessive concentration of refinancing falls and to limit its financing risk. These issues mainly comprise listed bonds, in the form of benchmarks or private placements, under a program known as EMTN (Euro Medium Term Note), but also, and to a lesser extent, money market negotiable debt securities, under a program known as ECP (Euro Commercial Paper). AFL may also issue debt repayable before maturity for a limited portion of its liabilities. C. Limiting the transformation of the statement of financial position; • The statement of financial position includes amortizable loans on its assets side and debts on its liabilities side, in both cases hedged against interest and exchange rates. Unlike the loans on the assets side, the debts on the liabilities side are not amortizable, so AFL is subject to a transformation risk or price risk in liquidity. AFL severely limits its transformation into liquidity, measured by three main indicators: o Difference in average life to maturity or "ALT difference" corresponds to the average maturity difference between assets and liabilities and measures the transformation practiced by AFL; the activity will be managed in order to limit this difference to one year with potentially an additional buffer for limited periods raising the limit to 1.5 years (making it possible to absorb the possible drift of this indicator during the production of end-of-loan loans). o The "Net Stable Funding Ratio" or "NSFR" compares AFL's stable funding (at more than 12 months) to long-term funding requirements. The minimum regulatory requirement is 100%. o In addition to compliance with the average life to maturity gap, monitoring the liquidity transformation risk requires AFL to assess its liquidity by analyzing its maturity gaps (liquidity differences) arising from potential maturities of

		liabilities and assets, and likely to occur over different time horizons (time buckets). The liquidity difference is regulated via the definition of alert thresholds by buckets. With regard to access to liquidity, it should be noted that AFL has a line of credit with the Banque de France, available at any time, through the mobilization of receivables from local authorities that AFL carries on its balance sheet, via the TRiCP (Traitement Informatique des Créances Privées - Data Processing of Private Claims) system and corresponding to an amount of nearly 70% of its outstanding loans. This policy, while conservative, cannot fully protect AFL from liquidity risks. It remains sensitive, for example, to refinancing risk, i.e. the risk of not being able to raise resources at competitive levels for long maturities, or to the liquidity risk associated with the margin calls inherent in the hedging derivatives required for its hedging policy.
(b)	Structure and organization of the liquidity risk management function (authority, Articles of Association, other provisions).	The AFL Group's liquidity risk management system is detailed in section 5.3 of the annual report.
(c)	Description of the degree of centralization of liquidity management and interaction between the group's units.	Due to the structure of the AFL Group, operational activities are carried out by AFL, a specialized lending institution. The AFL Group's liquidity is managed by AFL.
(d)	Scope and nature of liquidity risk reporting and assessment systems.	Regulatory ratios and the NCRR are produced by the Commitments & Risks Department from a tool dedicated to their production as well as to the production of Corep. A tool is used to identify and measure other liquidity risk indicators via AFL's market IT system; it is maintained by ALM. Four main metrics are used to monitor liquidity risks: A. Difference in average life to maturity or ALT difference: the difference in average maturity between assets and liabilities and measures the transformation into liquidity practiced by AFL. This indicator is monitored monthly in ALCo. B. NCRR or "Net Cash Requirement Ratio": the NCRR is a 12-month liquidity ratio specific to AFL. It is monitored quarterly. C. Liquidity gap: the liquidity gap measures the flow of assets and liabilities (in static view) during a given period in order to measure the refinancing risk carried on the statement of financial position. The liquidity gap is monitored monthly by the ALM Committee, and is governed by the implementation of alert thresholds. It is presented monthly in ALCo. D. Impact on equity capital of an increase in the cost of refinancing expressed as lost opportunity in NBI, and calculated from the

		sum of the negative liquidity gaps and a stress of 20 bps on the AFL refinancing cost. It is presented monthly in ALCo. E. The LCR (Liquidity Coverage Ratio), a liquidity ratio that must enable banks to withstand acute liquidity crises (both systemic and bank-specific) with a 30-day horizon, is calculated monthly.
(e)	Liquidity risk hedging and mitigation policies, and the strategies and processes put in place to monitor the continued effectiveness of these hedges and mitigation techniques.	These items are described in lines (a) and (d) of this table.
(f)	An overview of the bank's potential financing plans.	AFL's financing plan is updated annually when the budget for the following year is drawn up. AFL's financing plan is based exclusively on the financial markets and depends on anticipated activity.
(g)	An explanation of how stress tests are used.	Stress tests are carried out quarterly and their results are presented in ALCo. The results influence the completion of the year's financing program.
(h)	A statement on the adequacy of the institution's liquidity risk management systems, approved by the management body, which ensures that the liquidity risk management systems in place are appropriate in relation to the profile and the institution's strategy.	See row (a) of the EU OVA table - "Institutional approach to risk management"
(i)	A brief statement on liquidity risk, approved by the management body, briefly describing the institution's overall liquidity risk profile associated with the business strategy. This statement contains key figures and ratios (other than those already covered in the EU LIQ1 model within the framework of this technical standard) that give external stakeholders a comprehensive overview of the liquidity risk management by the EU. institution, including how its liquidity risk profile interacts with the risk tolerance level set by the management body.	See row (c) of the EU OVA table - "Institutional approach to risk management"

XI. Disclosure of exposure to credit risk, dilution risk and credit quality

Table EU CRA: general qualitative information on credit risk

Row number	
(a)	Indicate how the business model gives rise to the components of the institution's credit risk profile: The business model aims to finance the investment budgets of French local authorities, their groups and LPEs. Credit risk is generated on the one hand by this financing activity and on the other hand by exposures from AFL's liquidity reserve.
(b)	Indicate the criteria and approach used to define the credit risk management policy and set credit risk limits: The credit risk management policy and credit risk limits reflect the institution's risk appetite.
(c)	Indicate the structure and organization of the credit risk management and control function: Information on the risk governance structure for each type of risk is provided in section 4.1.d of the annual report
(d)	Specify the links between the credit risk management, risk control, compliance and internal audit functions: Information on the risk governance structure for each type of risk is provided in section 4.1.d of the annual report

Table EU CRB: additional disclosures on the credit quality of assets

Row number	
(a)	Scope and definitions: AFL has aligned the accounting and prudential definitions of past due, impaired and defaulted exposures with the definition in Article 178 of the CRR. Past due exposures are identified based on significant, non-technical past-due payments of more than 90 days. The definitions of "impaired" and "defaulted" exposures are identical and include, in addition to "past due" exposures, exposures for which AFL has doubts about the borrower's solvency.
(b)	Significance of exposures past due (more than 90 days) not considered as impaired and the reasons for this: XII. AFL has no post due exposures (significant past due for more than 90 days) not considered to be impaired. Downgrading to default is decided by the Credit Committee before the end of the 90-day period. The only reason which could delay the downgrading to default would be the "technical" nature of an outstanding payment, unrelated to the borrower's solvency.
(c)	Description of the methods used to determine the adjustments for general and specific credit risk: AFL does not calculate an adjustment for general credit risk. For exposures representing a downgraded risk (stage 2 & 3 of IFRS 9), AFL calculates the adjustments for specific risk in accordance with IFRS 9.
(d)	Definition of restructured exposures : AFL applies the definition of restructured exposures as specified by the EBA Guidelines on default in accordance with Article 178 of the CRR, set out in Appendix V of Implementing Regulation (EU) No. 680/2014 of the Commission.

Model EU CR1: performing and non-performing exposures and corresponding provisions.

		a	b	c	d	e	f	g	h	i
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative chang		
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions		
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2
005	Cash balances at central banks and other demand deposits	1,281,421,196	1,281,421,196	-	-	-	-	- 88,159	- 88,159	-
010	Loans and advances	4,542,778,915	4,524,268,581	18,510,334	3,877,155	-	3,877,155	- 155,796	- 137,686	- 18,109
020	*Central banks*	-	-	-	-	-	-	-	-	-
030	*General governments*	*4,427,328,712*	*4,408,818,378*	*18,510,334*	3,877,155	-	3,877,155	- 155,796	- 137,686	- 18,109
040	*Credit institutions*	*115,450,203*	*115,450,203*	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	-	-	-	-	-	-	-	-	-
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-
080	*Households*	-	-	-	-	-	-	-	-	-
090	Debt securities	931,583,378	931,583,378	-	-	-	-	- 166,208	- 166,208	-
100	*Central banks*	-	-	-	-	-	-	-	-	-
110	*General governments*	*699,086,630*	*699,086,630*	-	-	-	-	- 82,262	- 82,262	-
120	*Credit institutions*	*232,496,748*	*232,496,748*	-	-	-	-	- 83,946	- 83,946	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	***574,709,678***	***574,709,678***	-	-	-	-	***10,266***	***10,266***	-
160	*Central banks*	-	-	-	-	-	-	-	-	-
170	*General governments*	***574,709,678***	***574,709,678***	-	-	-	-	***10,266***	***10,266***	-
180	*Credit institutions*	-	-	-	-	-	-	-	-	-
190	*Other financial corporations*	-	-	-	-	-	-	-	-	-
200	*Non-financial corporations*	-	-	-	-	-	-	-	-	-
210	*Households*	-	-	-	-	-	-	-	-	-
220	***Total***	***7,330,493,167***	***7,311,982,833***	***18,510,334***	***3,877,155***	-	***3,877,155***	- ***399,897***	- ***381,787***	- ***18,109***

Model EU CR1-A: maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	155,617,985	528,236,858	1,391,879,010	2,743,896,108	21,985	4,702,109,843
2	Debt securities		82,217,392	555,774,004	290,304,552	3,121,222	931,417,170
3	***Total***	**155,617,985**	**610,454,249**	**1,947,653,014**	**3,034,200,660**	**3,143,207**	**5,633,527,013**

Model EU CR2: changes in the stock of non-performing loans and advances

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	4,142,349,6
020	**Inflows to non-performing portfolios**	410,587,3
030	**Outflows from non-performing portfolios**	- 675,781,8
040	**Outflows due to write-offs**	-
050	**Outflow due to other situations**	- 675,781,8
060	**Final stock of non-performing loans and advances**	3,877,155,1

Model EU CQ1: credit quality of renegotiated exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	9,128,801	-	-	-	- 5,008	-	-	-
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	9,128,801	-	-	-	- 5,008	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	-	-	-	-	-	-	-	-
070	*Households*	-	-	-	-	-	-	-	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	***Total***	**9,128,801**	**-**	**-**	**-**	**- 5,008**	**-**	**-**	**-**

Model EU CQ3: credit quality of performing and non-performing exposures by number of days past due

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	1,281,421,196	1,281,421,196	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	4,542,778,915	4,542,778,915	-	3,877,155	3,877,155	-	-	-	-	-	-	3,877,155
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	4,427,328,712	4,427,328,712	-	3,877,155	3,877,155	-	-	-	-	-	-	3,877,155
040	*Credit institutions*	115,450,203	115,450,203	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-
080	*Households*	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	931,583,378	931,583,378	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	699,086,630	699,086,630	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	232,496,748	232,496,748	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	574,709,678			-								-
160	*Central banks*	-			-								-
170	*General governments*	574,709,678			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	-			-								-
200	*Non-financial corporations*	-			-								-
210	*Households*	-			-								-
220	***Total***	7,330,493,167	6,755,783,489	-	3,877,155	3,877,155	-	-	-	-	-	-	3,877,155

EU CQ4 model: quality of non-performing exposures by geographical location

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	***On-balance-sheet exposures***	***5,478,239,450***	***3,877,155***	***3,877,155***	***5,478,239,450***	**- 323,826**		**-**
020	*France*	4,825,316,403	3,877,155	3,877,155	4,825,316,403	- 227,743		-
030		-	-	-	-	-		-
040		-	-	-	-	-		-
050		-	-	-	-	-		-
060		-	-	-	-	-		-
070	*Other countries*	652,923,047	-	-	652,923,047	- 96,083		-
080	***Off-balance-sheet exposures***	***574,709,678***	**-**	**-**			***10,266***	
090	*France*	574,709,678	-	-			10,266	
100								
110								
120								
130								
140	*Other countries*	-	-	-			-	
150	***Total***	***6,052,949,128***	***3,877,155***	***3,877,155***	***5,478,239,450***	**- 323,826**	***10,266***	**-**

Model EU CQ5: credit quality of loans and advances granted to non-financial companies by industry

			a	b	c	d	e	f
			Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
				Of which non-performing		Of which loans and advances subject to impairment		
					Of which defaulted			
010	010	Agriculture, forestry and fishing	-	-	-	-	-	-
020	020	Mining and quarrying	-	-	-	-	-	-
030	030	Manufacturing	-	-	-	-	-	-
040	040	Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
050	050	Water supply	-	-	-	-	-	-
060	060	Construction	-	-	-	-	-	-
070	070	Wholesale and retail trade	-	-	-	-	-	-
080	080	Transport and storage	-	-	-	-	-	-
090	090	Accommodation and food service activities	-	-	-	-	-	-
100	100	Information and communication	-	-	-	-	-	-
110	110	Financial and insurance actvities	-	-	-	-	-	-
105	120	Real estate activities	-	-	-	-	-	-
120	130	Professional, scientific and technical activities	-	-	-	-	-	-
130	140	Administrative and support service activities	-	-	-	-	-	-
140	150	Public administration and defense, compulsory social security	-	-	-	-	-	-
150	160	Education	-	-	-	-	-	-
160	170	Human health services and social work activities	-	-	-	-	-	-
170	180	Arts, entertainment and recreation	-	-	-	-	-	-
180	190	Other services	-	-	-	-	-	-
190	**200**	***Total***	**-**	**-**	**-**	**-**	**-**	**-**

Model EU CQ7: security interests obtained by taking possession and execution

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	-	-
020	Other than PP&E	-	-
030	*Residential immovable property*	-	-
040	*Commercial Immovable property*	-	-
050	*Movable property (auto, shipping, etc.)*	-	-
060	*Equity and debt instruments*	-	-
070	*Other collateral*	-	-
080	***Total***	-	-

XIII. Disclosure of information on the use of credit risk mitigation techniques

Table EU CRC - Qualitative disclosure requirements for CRM techniques

Legal basis	Row number	
Article 453, point a), of the CRR	(a)	Description of the main characteristics of the policies and procedures applied in terms of on- and off-balance sheet netting and the extent to which institutions use this type of netting: AFL uses balance sheet netting for swap positions with counterparties with which it has signed an ISDA contract or equivalent. AFL does not compensate for off-balance sheet items.
Article 453, point b), of the CRR	(b)	Main features of the policies and procedures applied in terms of valuation and management of eligible collateral: AFL accepts only cash collateral for margin calls in its derivative transactions. No other eligible security is accepted by AFL.
Article 453, point c), of the CRR	(c)	Description of the main types of collateral accepted by the institution to mitigate credit risk: AFL accepts only cash collateral for margin calls in its derivative transactions. No other eligible security is accepted by AFL.
Article 453, point d), of the CRR	(d)	Main categories of guarantors and credit derivatives counterparties: On an exceptional basis, AFL accepts guarantees from member local authorities on credit exposures. Only one case has been identified to date, the guarantor is a local authority classified as a regional or local government according to the CRR.
Article 453, point e), of the CRR	(e)	Information on concentrations of market risk or credit risk in the context of credit risk mitigation operations: AFL does not engage in credit risk mitigation.

Model EU CR3 - Overview of CRM techniques: information to be published on the use of CRM techniques

		Unsecured carrying amount	Secured carrying amount			
				Of which **secured by collateral**	Of which **secured by financial guarantees**	
						Of which **secured by credit derivatives**
		a	b	c	d	e
1	Loans and advances	5,828,077,267	-	-	-	-
2	Debt securities	931,583,378	-	-	-	
3	Total	6,759,660,645	-	-	-	-
4	*Of which non-performing exposures*	3,877,155	-	-	-	-
EU-5	*Of which defaulted*	3,877,155	-			

XIV. Publication of information on the use of the standardized approach

Model EU CC1 - Composition of regulatory equity capital, complying with Article 444 §e is presented in the paragraph "D. Disclosure of equity capital information" on page 187 and following.

Table EU CRD - Qualitative disclosure requirements for the standardized approach

Legal basis	Row number	
Article 444, point a), of the CRR	(a)	Names of external credit assessment agencies (ECAIs): AFL uses the services of OEEC Moody's for risk assessment. Certain public information of S&P and Fitch may be consulted for analysis. AFL does not use the services of any ECA. No change occurred during the period.
Article 444, point b), of the CRR.	(b)	Categories of exposures for which each ECAI or ECA is used: AFL uses the services of OEEC Moody's for all exposure categories.
Article 444, point c), of the CRR	(c)	Description of the process applied to transfer the issuer's credit ratings: AFL does not hold a trading book. When available, AFL uses the credit rating of the exposure, failing which it uses the credit rating of the issuer.
Article 444, point d), of the CRR	(d)	The association between the external rating performed by each ECAI or ECA designated and the risk weightings: AFL complies with the standard association published by the EBA.

EU CR4 models - Standardized approach - Credit risk exposure and CRM effects

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	1,368,996,897	-	1,368,996,897	-	-	0.00%
2	Regional government or local authorities	4,660,571,341	568,703,044	4,660,571,341	484,191,390	993,457,735	19.31%
3	Public sector entities	103,739,301	-	103,739,301	-	9,794,466	9.44%
4	Multilateral development banks	123,199,469	-	123,199,469	-	-	0.00%
5	International organisations	171,126,270	-	171,126,270	-	-	0.00%
6	Institutions	330,043,757	-	330,043,757	-	78,614,913	23.82%
7	Corporates	-	-	-	-	-	
8	Retail	-	-	-	-	-	
9	Secured by mortgages on immovable property	-	-	-	-	-	
10	Exposures in default	3,979,257	-	3,979,257	-	5,968,885	150.00%
11	Exposures associated with particularly high risk	-	-	-	-	-	
12	Covered bonds	-	-	-	-	-	
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	
14	Collective investment undertakings	-	-	-	-	-	
15	Equity	-	-	-	-	-	
16	Other items	3,155,480	-	3,155,480	-	3,155,480	100.00%
17	TOTAL	6,764,811,772	568,703,044	6,764,811,772	484,191,390	1,090,991,479	15.05%

EU CR5 model - Standardized approach

	Exposure classes	Risk weight															Total	Of which unrated
		0	0.02	0.04	0.1	0.2	0.35	0.5	0.7	0.75	1	1.5	2.5	3.7	12.5	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	1,368,996,897	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,368,996,897	-
2	Regional government or local authorities	177,474,059	-	-	-	4,967,288,672	-	-	-	-	-	-	-	-	-	-	5,144,762,731	4,967,288,672
3	Public sector entities	54,766,973	-	-	-	48,972,328	-	-	-	-	-	-	-	-	-	-	103,739,301	-
4	Multilateral development banks	123,199,469	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123,199,469	-
5	International organisations	171,126,270	-	-	-	-	-	-	-	-	-	-	-	-	-	-	171,126,270	-
6	Institutions	-	-	-	-	288,023,218	-	42,020,539	-	-	-	-	-	-	-	-	330,043,757	115,000,000
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	3,979,257	-	-	-	-	3,979,257	3,979,257
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	-	-	-	-	-	3,155,480	-	-	-	-	-	3,155,480	3,155,480
17	TOTAL	1,895,563,667	-	-	-	5,304,284,219	-	42,020,539	-	-	3,155,480	3,979,257	-	-	-	-	7,249,003,162	12,602,442,657

XV. Disclosure of information on the use of the IRB approach for credit risk

Agence France Locale - Société Territoriale does not use the Internal Ratings-Based (IRB) approach for credit risk.
As such, it is not concerned by the publication of this Information.

XVI. Information on specialized financing exposures and exposures in the form of equities under the simple weighting method

Agence France Locale - Société Territoriale has no specialized financing exposures or equity exposures under the simple weighting method.
As such, it is not concerned by the publication of this Information.

XVII. Disclosure of counterparty credit risk exposures

AFL uses the standardized approach (SA-CCR) to calculate its exposure to counterparty credit risk.

Table EU CCRA - Qualitative information on CCR

Row number	Legal basis	
a)	Article 439, point a), of the CRR Description of the equity capital allocation methodology and credit limit setting for counterparty credit exposures, and in particular the methods for setting limits for central counterparty exposures.	AFL's interest rate risk management policy provides for almost complete variability of the institution's asset and liability exposures against Euribor3M. Exposures from derivative contracts are subject to limits via the investment and counterparty risk management policy. AFL does not set limits on its exposures with central counterparties. AFL does not allocate equity capital to these transactions.
b)	Article 439, point b), of the CRR. Description of policies relating	AFL has set up daily margin call procedures, at the first Euro with all its derivative counterparties.

	to guarantees and other credit risk mitigation measures, such as the policies applied to obtain collateral and build up credit reserves.	
c)	Article 439, point c), of the CRR Description of policies relating to correlation risk, within the meaning of Article 291 of the CRR.	AFL has no trading book and is not exposed to correlation risk.
d)	Article 431, points 3) and 4), of the CRR Other risk management objectives and relevant policies related to counterparty credit risk (CCR).	AFL has no other risk management objectives and relevant policies related to counterparty credit risk (CCR).
e)	Article 439, point d), of the CRR The amount of collateral that the institution would have to provide if its credit rating were downgraded.	AFL uses a “Clearing Broker” for its derivatives business with clearing houses. This intermediary applies a “credit buffer” to the amount of IMR claimed by the clearing house. In the event of a deterioration in AFL’s credit rating, this buffer could increase, without this being mandatory, in proportions left to the discretion of the clearing broker.

Model EU CCR1 - Analysis of CCR exposures by approach

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	53,977,809	21,414,118		1.4	105,548,699	105,548,699	105,548,699	7,729,625
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	**Total**					**105,548,699**	**105,548,699**	**105,548,699**	**7,729,625**

Template EU CCR2 - Transactions subject to CVA risk equity capital requirements

		a	b
		Exposure value	RWEA
1	**Total transactions subject to the Advanced method**	-	-
2	**(i) VaR component (including the 3× multiplier)**		-
3	**(ii) stressed VaR component (including the 3× multiplier)**		-
4	**Transactions subject to the Standardised method**	**13,104,815**	**14,553,900**
EU-4	**Transactions subject to the Alternative approach (Based on the Original Exposure Method)**	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**13,104,815**	**14,553,900**

CVA

Model EU CCR3 - Standardized approach - CCR exposures by regulatory exposure class and risk weighting

	Exposure classes	Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	92,443,884	-	-	2,238,868	10,865,948	-	-	-	-	-	105,548,699
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	-	**92,443,884**	-	-	**2,238,868**	**10,865,948**	-	-	-	-	-	**105,548,699**

Model EU CCR5 - Composition of collateral for CCR exposures

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	5,420,000	-	-	-	-	-	-	-
2	Cash – other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**5,420,000**	-	-	-	-	-	-	-

Model EU CCR8 - CCP exposures

		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		1,848,877
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	92,443,884	1,848,877
3	(i) OTC derivatives	92,443,884	1,848,877
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		5,880,747
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	13,104,815	5,880,747
13	(i) OTC derivatives	13,104,815	5,880,747
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Agence France Locale - Société Territoriale does not use the internal IRB rating approach. As such, it is not affected by the publication of the EU CCR4 model - IRB approach - CCR exposures by exposure category and PD scale.
Agence France Locale - Société Territoriale does not use credit derivatives. As such, it is not affected by the publication of the EU CCR6 - Credit derivative exposures model.
Agence France Locale - Société Territoriale does not use internal models. As such, it is not affected by the publication of the EU CCR7 model - Flow statements of RWEAs relating to CCR exposures in the context of IMM.

XVIII. Disclosure of exposure to securitization positions

Agence France Locale - Société Territoriale has no exposure to securitization positions.
As such, it is not concerned by the publication of this information.

XIX. Disclosure of information on the use of the standardized approach and internal models for market risk

Agence France Locale - Société Territoriale is not exposed to market risks.
As such, it does not publish the following tables:

- Table EU MR1: Market risk under the standardized approach
- Table EU MRA: Qualitative disclosure requirements on market risk
- Table EU MRB: Qualitative disclosure requirements for institutions using internal market risk models
- Model EU MR2-A - Market risk under the Internal Models Approach (IMA)
- Model EU MR2-B - Flow statements of RWEAs relating to market risk exposures under the IMA
- Model EU MR3 - MAI values for trading books
- Model EU MR4 - Comparison of VaR estimates with profit / loss

XX. Disclosure of operational risk

XXI. Standardized approaches

Table EU ORA - Qualitative information on operational risk

Legal basis	Row number	
Article 435, paragraph 1, points a), b), c) and d), of the CRR.	(a)	Publication of risk management objectives and policies: In order to best prevent the materialization of operational risks and the consequences of their possible occurrence, Agence France Locale has an internal control framework and risk management system. These systems aim to ensure the identification, measurement and early treatment of operational risks. These systems, which were built in compliance with best market practices, involve regular assessment of risks and the effectiveness of controls to minimize those risks and the implementation of an improvement/remediation action plan where necessary. The Management Board, through the Global Risk Committee, oversees the operational risk and the action plans to be implemented to improve the system. In accordance with regulatory requirements, the AFL Supervisory Board, assisted by its Audit and Risk Committee, as well as the AFL-ST Board of Directors, assisted by its Audit and Risk Committee, are informed of the essential elements and the main lessons that can be drawn from the risk analysis and monitoring. To this end, they are sent a report extracted from the reports of the Global Risk Committee detailing the main risks and their

		treatment methods. It also receives an extract from the internal control reports. The systems are based on the four lines of defense of internal controls (business lines – operational risk monitoring function – second-level permanent control – periodic control).
Article 446 of the CRR.	(b)	Publication of approaches for the assessment of minimum equity capital requirements: AFL uses the Basic Indicator Approach (BIA) to assess minimum equity capital requirements for operational risks.

Model EU OR1 - Operational risk equity capital requirements and risk-weighted exposure amounts

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	11,106,426	13,788,932	13,989,523	1,944,244	24,303,051
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	*Subject to TSA:*	-	-	-		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

XXII. AMA models

Agence France Locale - Société Territoriale does not use AMA models to calculate equity capital requirements for operational risk.
In this respect, the parts of tables "EU ORA, rows c and d" and "EU OR1" concerning the AMA method are not provided.

XXIII. Disclosure of interest rate exposures for positions not held in the trading book

AFL uses the standardized method and the simplified standardized methodology for NPV sensitivity referred to in Article 84, paragraph 1, of Directive 2013/36/EU.

XXIV. Management of interest rate risks inherent in the activity outside the trading book

An internal tool is used to identify and measure interest rate risk via AFL's IT system; it is maintained by ALM. Three main metrics are used to monitor interest rate risks:

A. Sensitivity of the AFL Group's Net Present Value (NPV) to IRRBB interest rate shocks: the change in the yield curve impacts the economic value of the AFL Group. The AFL Group's NPV is calculated based on the sum of the expected discounted flows of all fixed-rate assets and liabilities (with the exception of net equity capital). The sensitivity of the AFL Group's NPV represents the change in economic value due to different scenarios of instantaneous shocks to the yield curve. This metric is part of the monthly ALCo indicators.
B. Sensitivity of the net interest margin (NIM) to different interest rate scenarios: the net interest margin (differential between income from assets and liabilities) projected at 12 months and 24 months is subject to various interest rate scenarios (central, parallel movements, steepening, etc.). This sensitivity is also controlled by thresholds defined in ALCo. This metric is one of the indicators monitored quarterly.

C. Fixed-rate gap: the fixed-rate gap corresponds to each maturity pocket (bucket) as the difference between assets and liabilities whose income (after hedging) is at a fixed rate so as to measure the refinancing risk and the reinvestment risk recognized on the statement of financial position. This gap is limited in nature due to the variability policy of the AFL Group's statement of financial position, with the exception of non-swapped fixed-rate assets The rate gap is monitored monthly in ALCo. This metric is one of the indicators monitored quarterly.

The interest rate movements used to measure these indicators are instantaneous parallel movements of up to +200 bps/-200 bps, and the steepening/flattening shocks analyzed in IRRBB.

XXV. Sensitivity of the AFL Group's Net Present Value (NPV) to IRRBB interest rate shocks:

The sensitivity of the AFL Group's NPV represents the change in economic value due to different scenarios of instantaneous shocks to the yield curve. This metric is very sensitive to a change in long-term statement of financial position positions; it is framed.
The sensitivity of the AFL Group's NPV is mainly related to the amount of non-swapped fixed-rate assets that are reuse of equity capital.
This metric is one of the indicators monitored quarterly.

	31/12/2021	30/6/2021	31/12/2020	31/12/2019	31/12/2018	Limit
arallel shock up + 100 bps	2.0%	2.1%	0.3%	-3.3%	-3.9%	±15%
arallel shock down - 100 bps (floor)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
arallel shock up + 200 bps	4.0%	4.1%	0.7%	-6.0%	-7.2%	±15%
arallel shock down - 200 bps	-3.9%	-4.4%	0.1%	9.0%	10.2%	±15%
arallel shock down - 200 bps (floor)	0.1%	-0.1%	0.0%	1.9%	2.5%	±15%
Own funds S1 au 31/12/2021		179,953,457 €				

	31/12/2021	30/6/2021	31/12/2020	31/12/2019	31/12/2018	Limit
arallel shock up + 200 bps	4.0%	4.1%	0.7%	0.9%	-6.0%	±15%
hort rates shock up	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
hort rates shock down	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
teepener shock	-4.1%	-3.3%	-2.7%	-3.8%	-5.3%	±15%
lattener shock	4.8%	3.9%	2.9%	4.1%	4.6%	±15%
Own funds S1 au 31/12/2021		179,953,457 €				

The changes in 2021 are mainly due to the increase in the proportion of cash in the statement of financial position in 2021.

XXVI. Sensitivity of the net interest margin (NIM) to different interest rate scenarios

The net interest margin (differential between income from assets and liabilities) projected at 12 months is subject to different rate scenarios (central, parallel movements, steepening, etc.). This sensitivity is also controlled by thresholds defined in ALCo.

NMI sensibility	31/12/2021	30/6/2021	31/12/2020	31/12/2019	31/12/2018
arallel shock down - 100 bps	2,104,807 €	1,116,271 €	162,201 €	2,557,853 €	1,380,514 €
arallel shock up + 200 bps	8,874,617 €	6,738,019 €	4,852,481 €	1,869,167 €	3,935,888 €
arallel shock down - 200 bps	- 4,383,044 €	2,228,463 €	320,466 €	5,199,838 €	2,787,403 €

NMI SO as of 31/12/2021

NMI sensibility	31/12/2021	30/6/2021	31/12/2020	31/12/2019	31/12/2018
hort rates down	3,691,268 €	1,042,609 €	€	€	€
teepening	- 1,591,636 €	517,689 €	- €	- €	- €
lattening	4,773,243 €	2,982,746 €	- €	- €	- €

NMI SO as of 31/12/2021 14,174,166 €

In 2021, the sensitivity of the NIM to interest rate risk (at the end of the quarter) increased: a significant instantaneous increase in interest rates is more favorable for the NIM at December 31, 2021 than for that projected in previous quarters.
Over 2021, the main changes in the statement of financial position concerning items affecting the sensitivity of the NIM are:

- The gradual increase in the proportion of cash on the statement of financial position;
- The decrease in outstanding variable rate loans.

XXVII. Fixed rate gap

The interest rate gap measures the difference per bucket between fixed-rate assets and liabilities (after hedging), in order to measure the refinancing risk and the reinvestment risk carried on the statement of financial position. This gap is limited in nature due to the variability policy of the AFL Group’s statement of financial position, with the exception of non-swapped fixed-rate assets The rate gap is monitored monthly in ALCo. At the current stage of its development, the AFL Group does not set a limit on the interest rate gap.

Maturity	1 day	30 days	6 months	12 months	5 years	10 years	15 years	20 years
Gap (M€)	1,194	1,509	43	-13	-7	-4	-4	-1

XXVIII. Description of general interest rate risk management and mitigation strategies

Due to the structure of its statement of financial position and, more specifically, the mismatch between its liabilities - consisting, with the exception of equity capital, exclusively of fixed or variable rate debt instruments with a profile of amortization “bullet” or repayable before maturity - and its asset - consisting mainly of medium- and long-term amortizable loans and cash assets - AFL is naturally exposed to interest rate risk.
With the aim of immunizing its statement of financial position against interest rate risk - i.e. neutralizing the interest rate component of replacement and refinancing risks - AFL’s central objective is to make almost all of its resources variable. and most of its uses against 3-month Euribor.
The following uses are excluded from this variability through swaps:

- Loans for a fraction of and to replace equity capital that bear interest at a fixed rate;
- An envelope of loans without early redemption indemnity, and therefore not swapped, dedicated to bridging loans for a limited amount corresponding to a maximum of 2% of AFL's NPV sensitivity for a shock of 200 basis points;
- Current accounts;
- A limited amount of securities with maturities of less than 18 months net of fixed-rate liabilities.

The following resources are exempt from this variability through swaps:

- Refinancing operations of less than 18 months in the form of debt securities or fixed-rate bond issues such as ECP or EMTN.

To hedge against interest rate risk, AFL implements a quasi-systematic micro-hedging policy for its debts and assets (mainly loans and securities constituting the liquidity reserve) at fixed rates to transform them into fixed-rate into variable-rate debts and assets using 3-month Euribor fixed / variable rate swaps. In addition to this central micro-hedging policy, there is a macro-hedging policy, in particular for low-unit fixed-rate loans granted to local authorities for which micro-hedging is too costly in order to transform them into variable-rate loans on a 3-month Euribor benchmark as well as amortizable loans with a constant maturity, given their characteristics and loans with a tailor-made profile that cannot be swapped for compensation on the standard AFL fixing dates.

XXIX. Average maturity and longest maturity for interest rate revision on deposits without maturity

AFL has deposits with no maturity at the Banque de France and French credit institutions. In both cases, the rate revision deadline is one day.

XXX. Publication of information on the compensation policy

Table EU REMA - Compensation policy

Line		
(a)	Information on the bodies that supervise compensation.	The components of compensation and the criteria for determining them are presented to the Appointments, Remuneration and Corporate Governance Committee and to the Supervisory Board of AFL in accordance with the applicable provisions of the French Monetary and Financial Code. The related information is specified in the AFL corporate governance report.
(b)	Information on the design and structure of the compensation system for identified staff.	AFL's compensation policy is built in compliance with regulations, in particular with the French Monetary and Financial Code and the Decree of November 3, 2014 on the internal control of companies in the banking, payment services and investment services sector subject to control by the ACPR. The compensation policy applies to all employees of Agence France Locale. Agence France Locale's compensation policy is based on six main principles: 1. Compliance with regulations; 2. Alignment with the economic strategy, objectives, values and long-term interests of Agence France Locale and, more broadly, of the Agence France Locale Group; 3. Consistency with sound risk management and financial balances and the strengthening of its financial base; 4. The ability to attract talent and involve them in the development and sustainability of AFL, with a view to building employee loyalty; 5. Recognition of the key role of a compensation policy in employee motivation in the banking sector; 6. Compensation policy and practice are based on the principle of equal compensation for men and women workers for the same work or work of the same value.

		AFL has long-term objectives and specificities (bank, local sector, VSE). Its compensation policy has been designed in line with AFL's economic strategy, objectives, values and long-term interests, which are the long-term financing of the French local sector. Talent is attracted on the basis of fixed compensation corresponding to market standards for similar positions. AFL is a specialized lending institution, composed of qualified people, recognized in their functions, and whose image must enable local authorities to benefit from the technical expertise of their pooled financing tool. From 2021, AFL set up a profit-sharing scheme for all employees excluding the Chairperson of the Management Board. Variable compensation is a key element in a company. AFL implements a policy that values the efforts made to serve the Company.
(c)	Description of the way in which current and future risks are taken into account in the compensation process. The information to be published includes an overview of the main risks, their assessment and how this assessment affects compensation.	Agence France Locale awards variable compensation based on the following criteria: a. Achievement of objectives set, individual and collective, quantitative and qualitative; b. The combined assessment of the individual's performance, the department to which they belong and the performance and financial trajectory of AFL as a whole; c. Assessment of the need to comply with regulatory requirements and best practices in terms of internal control, risk management and compliance; d. Performance measurement takes into account the risks taken or likely to be taken by AFL, liquidity requirements and the cost of capital; e. Depending on the performance and financial trajectory, the qualitative and quantitative results obtained by AFL, the Management Board sets a variable compensation package attributable for the year to all employees.
(d)	Ratios between the fixed and variable components of the compensation defined in accordance with point g) of Article 94, paragraph 1, of the CRD.	As part of its compensation policy, AFL caps each variable compensation at 15% of the employee's fixed salary.
(e)	Description of how the institution seeks to link compensation levels to	The limit on variable compensation to 15% of the fixed salary of each AFL employee is a ceiling particularly low

	the performance achieved during a performance measurement period.	in the professions held by these categories of employees in the banking sector. However, this amount appears to be large enough to motivate the staff of Agence France Locale to make the necessary efforts to benefit from it. If the maximum is paid, this may correspond to more than a month and a half of annual salary. This very limited cap aims to differentiate Agence France Locale from its competitors, both private and public; it is a strong focus of professional ethics which is one of the essential foundations of the Agence France Locale Group's creation. This cap of 15% and the other factors to which the allocation of variable compensation is linked does not encourage excessive risk-taking.
(f)	Description of how the institution seeks to adjust compensation to reflect long-term performance.	In accordance with the requirements of the regulations, for employees having a significant impact on the Company's risk and those having a significant role, Agence France Locale sets up a deferred payment of variable compensation in accordance with the provisions expressly contained in their employment contract for those whose annual variable compensation exceeds €50 thousand euros. To date, given the amount of fixed salaries at AFL coupled with the limit of 15% for the variable salary, this deferral will not be activated. This deferred payment, adapted to the size and internal organization of Agence France Locale as well as the nature, scope and complexity of the activities carried out, takes the following form: - The deferral is only triggered when the variable amount exceeds €50 thousand; - The amount of the variable compensation less than or equal to the threshold of €50 thousand is paid at the beginning of year n+1, subject to the employee's presence in the AFL workforce on the date of payment of the variable compensation; - The variable amount above the €50 thousand threshold is deferred and paid at the beginning of year n+2 and at the beginning of year n+3, then at the beginning of year n+4 for 33% at each of these financial years subject to the condition of the employee's presence in the AFL workforce on the payment date of the variables for years n+1, n+2 or n+3, n+4.

		The population of employees with an impact on risk and employees with a significant role in AFL include: - The Members of the Supervisory Board, - The Members of the Management Board, namely the Chairperson of the Management Board, the Chief Financial Officer and the Head of Commitments and Risks, - The Secretary General, - The General Counsel, - The Director of Membership and Credit and his deputy, - The Accounting Director, - Head of Treasury and Short-Term Financing, Head of Long-Term Financing in the Finance Department, - The ALM manager, - The Head of the Prudential and Financial Risks division, - The Head of the Non-Financial Risks and Compliance division, - The Head of the Commitments division in the Commitments and Risks Department.
(g)	The description of the main parameters and rationale for any variable-component scheme and non-cash benefits, in accordance with Article 450, paragraph 1, point f), of the CRR.	The Agence France Locale Group does not grant any shares or options to its employees or executives.
(h)	At the request of the Member State concerned or the relevant competent authority, the total compensation for each member of the management body or senior management.	These elements are presented in the AFL corporate governance report for the AFL management body and in the AFL-ST corporate governance report for AFL-ST's management body.
(i)	Information on whether the institution benefits from an exemption under Article 94, paragraph 3, of the CRD in accordance with Article 450, paragraph 1, point k), of the CRR.	Due to the level of compensation granted to AFL, it benefits from an exemption under b of Article 94, paragraph 3, of the CRD. All employees and managers are concerned.
(j)	Large institutions publish quantitative information on the compensation of their collective management body, distinguishing between executive and non-executive members, in accordance with Article 450, paragraph 2, of the CRR.	AFL is not considered to be a large institution.

Model EU REM1 - Compensation granted for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	9	6	-	9
2		Total fixed remuneration	38,334	1,035,990	-	1,040,780
3		Of which: cash-based		1,035,990	-	1,040,780
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	9	6	-	9
10		Total variable remuneration	133,337	161,550	-	142,600
11		Of which: cash-based	133,337	161,550	-	142,600
12		Of which: deferred		19,550	-	
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	Total remuneration (2 + 10)		171,671	1,197,540	-	1,183,380

Model EU REM2 - Special payments to staff whose professional activities have a significant impact on the institution's risk profile (identified staff)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	9	6	-	9
2	Guaranteed variable remuneration awards - Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	-
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

Model EU REM3 - Deferred compensation

	Deferred and retained remuneration	a Total amount of deferred remuneration awarded for previous performance periods	b Of which due to vest in the financial year	c Of which vesting in subsequent financial years	d Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	e Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	f Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	EU-g Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	EU-h Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function								
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	MB Management function	72,580	22,830	49,750				8,250	49,750
8	Cash-based	72,580	22,830	49,750				8,250	49,750
9	Shares or equivalent ownership interests								
10	Share-linked instruments or equivalent non-cash instruments								
11	Other instruments								
12	Other forms								
13	Other senior management	10,566	2,816	7,750				1,500	7,750
14	Cash-based	10,566	2,816	7,750				1,500	7,750
15	Shares or equivalent ownership interests								
16	Share-linked instruments or equivalent non-cash instruments								
17	Other instruments								
18	Other forms								
19	Other identified staff	15,050	7,775	7,275				4,650	7,275
20	Cash-based	15,050	7,775	7,275				4,650	7,275
21	Shares or equivalent ownership interests								
22	Share-linked instruments or equivalent non-cash instruments								
23	Other instruments								
24	Other forms								
25	Total amount	98,196	33,421	64,775				14,400	64,775

Model EU REM5 - Information on the compensation of staff whose professional activities have a significant impact on the institution's risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										15
2	Of which: members of the MB	9	4	4							
3	Of which: other senior management										
4	Of which: other identified staff					9			2		
5	Total remuneration of identified staff	171,671	851,210	851,210		1,242,706			287,003		
6	Of which: variable remuneration	133,337	122,550	122,550		146,600			35,000		
7	Of which: fixed remuneration	38,334	728,660	728,660		1,096,106			252,003		

Agence France Locale - Société Territoriale did not pay compensation of €1 million or more per financial year.
In this respect, the EU REM4 Model - Compensation of €1 million or more per financial year is not provided.

XXXI. Disclosure of encumbered and unencumbered assets

Model EU AE1 - Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	109,665,942	57,643,850			6,217,133,489	1,964,224,801		
030	Equity instruments								
040	Debt securities	57,683,450	57,683,450	57,683,450	57,643,850	898,470,726	786,847,170	874,177,989	786,847,170
050	of which: covered bonds								
060	of which: securitisations								
070	of which: issued by general governments					488,783,082	475,562,156	475,562,156	475,562,156
080	of which: issued by financial corporations					122,470,824	23,300,532	126,240,757	23,300,532
090	of which: issued by non-financial corporations					30,324,930	-	30,230,880	-
120	Other assets	52,194,517	-			5,318,325,945	1,155,018,834		

Model EU AE2 - Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the disclosing institution**	**4,330,000**	-	-	-
140	Loans on demand				
150	Equity instruments				
160	Debt securities				
170	of which: covered bonds				
180	of which: securitisations				
190	of which: issued by general governments				
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received	4,330,000	-		
240	**Own debt securities issued other than own covered bonds or securitisations**				
241	**Own covered bonds and securitisations issued and not yet pledged**				
250	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED				

Model EU AE3 - Sources of asset encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**4,330,000**	**4,330,000**

Table EU AE4 - Additional descriptive information

Row number	
(a)	General descriptive information on asset encumbrance: The only source of congestion is the payment of daily margin calls and initial margin calls to derivative counterparties and clearing houses.
(b)	Descriptive information on the impact of the business model on asset encumbrance: AFL's business model requires all assets and liabilities of the institution to be hedged against Euribor. The notional amount of derivatives is therefore significant. The residual position requiring the encumbrance of assets (variation margin and initial margin) is relatively balanced due to the hedging of both assets and liabilities.

XXXII. Statement on the adequacy of the AFL Group's risk management systems

We certify the adequacy of the AFL Group's risk management system and ensure that the risk management systems put in place since the creation of the AFL are appropriate, given the risk profile of the AFL Group and its strategy.

French original signed by

Yves MILLARDET
AFL-ST Deputy Chief Executive Officer
AFL Chairman of the Management Board