



**BUSINESS REVIEW
AND SUSTAINABLE
DEVELOPMENT REPORT**

2022

THE BANK THAT CHANGES BANKS

WE ARE “ THE VOICE OF AFL

“We joined AFL a year ago. I really appreciated it as a bank managed by local authorities with a focus on solidarity and addressing sustainable development.

I would also like to stress the fact that AFL treats both large and small local authorities in the same way. They really help you, perhaps unlike other banks that are more interested in profitability.”

Bertrand Hauchecorne,
Mayor of Mareau-aux-Prés (45)

“We are now a department with a low level of debt. We know that we will have significant future investments. It is therefore the right time for us to diversify our financing methods.

AFL goes further than traditional banks, with the values that it upholds, offering a way to optimize our financing for the future.”

Bruno Ollier,
Deputy Director General of the Haute-Garonne Department (31)

“All the projects that are currently being carried out by the Metropolis of Lyon, which also benefit the municipalities, will allow us to truly embrace the ecological transition by 2026.

Participating in green finance also means successfully working with financial organizations that share certain values and wish to help local authorities. AFL achieves this ambition”

Bertrand Artigny,
Vice-Chairperson in charge of Finance of the Metropolis of Lyon (69)

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2022 was set to be the year when the crisis ended, after two years affected by Covid-19. However, Russia's invasion of Ukraine on February 24, 2022 shook up the economic and financial environment in Europe and world-wide.

Local government again needed to draw on its resilience to deal with the rise in energy prices, the social crisis caused by inflation, the accommodating of refugees, the energy transition being demanded, difficulties procuring commodities, and other issues.

Against this backdrop, AFL, the bank that they created, embodied this resilience by offering its member authorities the necessary financial support, and the expertise needed, to meet these challenges.

The focus was on three main areas of action in 2022:

The first was playing the role of local government financier. With 600 shareholder authorities representing more than 22% of local public debt, and more than €1.4 billion in loans granted in 2022, AFL has been there for its customers. Many and all kinds of investments have been financed, including energy renovation work, the construction of schools and daycare centers, the renovation of city centers, and the development of new forms of transport. AFL has become the 4th largest local authority bank lender (source: Finance Active).

The second area of action was meeting its member authorities' expectations in terms of sustainable finance. Having completed a second issue of €500 million of sustainable bonds in 2022, AFL is able to provide all local authorities, both large and small, with sustainable financing for their investments. AFL does not offer

complicated green loans or impact loans, but financing from investors wanting to allocate their funds to social and environmental investments that benefit local residents. AFL has also developed its sustainable finance expertise through studies on green budgets and community financing for the benefit of the ecological transition, which were both carried out with the assistance of student administrators from INET and contributions from I4CE.

The third area of action was providing the necessary solidity and robustness to local authorities in an uncertain and fluctuating environment. This solidity is highlighted by the record results achieved by AFL, with consolidated net income of €2.8 million, a doubling of gross operating income year on year, and pledged capital of €272 million.

The member authorities have created a tool that now, more than ever, supports them in a constantly changing and uncertain environment.



Olivier Landel,
Chief Executive
Officer of AFL-ST



Yves Millardet,
Chairperson of the
Management Board
of AFL



A WORD FROM “ THE CHAIRPEOPLE

The war on the EU's doorstep has had many and deep political, social, economic and financial implications. The interruption of commodity trading has inevitably pushed up prices, particularly energy prices.

The daily lives of our fellow citizens, economic trends, and the social fabric of our regions, have been greatly affected as a result. As local elected representatives, we are on the front line of this crisis and are trying to work to find practicable solutions.

This means finding solutions to cope with the current emergencies (such as falling buying power, fuel poverty and the challenges facing small businesses), without losing sight of the investments needed to manage the major transitions that we must make. This requires that we adapt our regions to the effects of climate change while trying to mitigate their extent.

By definition, each of our local authorities differs in the investments they need and are able to make to achieve this, and therefore also in their ability to act.

With this in mind, we wanted AFL, together with all the local authority shareholders, to be a bank that resembles us and brings us together: a responsible bank, embodying responsible finance that allows us to finance every kind of local investment, and especially investments with an environmental purpose, which benefit every region.

While green loans are offered elsewhere, AFL is aimed at all local authorities, both large and small, urban and rural, in mainland France and overseas, giving them access to sustainable finance through an innovative, restriction-free system.

The record number of new local authorities that became members in 2022 shows that the model we wanted was the right one. It has met, is meeting, and will continue to meet, the expectations of local authorities, regardless of the context.



Pia Imbs,
*Chairperson of the
Eurometropolis of
Strasbourg,
Chairperson of the
Board of Directors of
AFL-ST.*



Sacha Briand,
*Vice-Chairperson in
charge of Finance
of the Metropolis of
Toulouse, Chairperson
of the Supervisory
Board of AFL.*

AT
DECEMBER
31, 2022

599
SHAREHOLDER
AUTHORITIES
IN THE AFL GROUP



See a list of all
our members



HIGHLIGHTS OF 2022



JANUARY

- › AFL kicks off its seventh year of activity, with **496 member authorities** and over €5.6 billion in loans granted since 2015.
- › AFL raises €500 million through sustainable bonds
- › The Nouvelle Aquitaine Region joins AFL



City of Pau,
Nouvelle Aquitaine

FEBRUARY

- › AFL successfully completes its first public issue in a non-euro zone currency, of GBP 250 million

MARCH

- › AFL fully redeems its first bond issue: €750 million raised in 2015 with a 7-year maturity
- › AFL publishes its annual results for 2021, showing the acceleration of its growth
- › Delphine Cervelle joins AFL's Supervisory Board

APRIL



- › A new study published with INET: **le budget vert, un outil pour les collectivités au service de la transition écologique?** (the green budget: a tool for local authorities for the benefit of the ecological transition?)
- › The members of AFL's Supervisory Board and Board of Directors hold a seminar to discuss the Group's strategy

MAY



- › A second study published with INET: **Comment mobiliser le financement privé et citoyen pour favoriser la transition énergétique?** (How can private and community financing be used to benefit the energy transition?)
- › Annual General Meeting of AFL-ST's shareholder authorities
- › 25 new local authorities become AFL shareholders following the 32nd capital increase

JUNE

- › AFL and the ADEME sign a partnership to enhance the sustainable development tools provided to local authorities
- › Organization by AFL of its Annual Day for member authorities and partners addressing a given theme: *"Finance verte, Santé financière des collectivités, Quelles perspectives pour les collectivités locales à l'aune de la crise?"* (Green finance and the financial health of local authorities: what is the outlook for local authorities in the wake of the crisis?)



- › The third AFL survey of the financial health of local authorities: a real rebound but uncertainties remain

JULY-AUGUST

- › The Haute-Garonne Department joins AFL

SEPTEMBER

- › Laurence Leydier, Head of Membership and Lending, is appointed as a member of the Management Board
- › Marie Lemarie joins AFL's Supervisory Board
- › AFL publishes its half-yearly results confirming steady development

OCTOBER

- › AFL welcomes 54 new shareholder authorities following its 33rd capital increase

NOVEMBER

- › Third public issue of 2022 for AFL, with €500 million of 7-year debt raised
- › Participation in the AFL conference organized by the University of Lyon 2
- › AFL participates in the AMF's Mayors' Trade Fair & Congress, where the 10-year anniversary of François Hollande's speech announcing the creation of AFL was celebrated.
- › Publication of a second financial health survey of the "Small towns of tomorrow", in partnership with ANCT



The AMF's
Mayors'
Trade Fair &
Congress

DECEMBER

- › Julien Denormandie and Sophie Souliac-Dallemagne join AFL's Supervisory Board
- › Publication of a study exploring small towns' access to European funds, as a tool for the financing of the transition
- › AFL participates in the ETS conference for local authority managers through the presenting by INET's student administrators of a new study on the energy renovation of buildings
- › AFL completes its 34th capital increase, welcoming 24 new local authorities
- › Record year-end for AFL, with a total of 599 shareholder authorities and more than €1.4 billion in loans.



AFL's
Annual
Day

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

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

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

AFL'S PURPOSE

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

This purpose reflects the AFL Group's DNA.

Embodying
a sustainable finance
to increase
the empowerment of
local government
in order to meet
the present and future needs
of local residents

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

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

THREE KEY VALUES

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



Expertise

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



Solidarity

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



Transparency

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

AN ETHICAL CHARTER TO ASSERT AFL'S GUIDING PRINCIPLES

In keeping with the will of our shareholder authorities, AFL's directors and managers share two convictions:

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

AFL has therefore laid out its commitments and its values through an ethics charter and an ethics manual that serve as references for guiding principles and rules of good conduct, and through a set of internal policies. These guide every decision made on a daily basis, and assure us that our bank embodies responsible finance, just as we wished.



A UNIQUE GOVERNANCE MODEL

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

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

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

ITS SHAREHOLDERS:

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

ITS MISSION:

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

THE SUPERVISORY BOARD

- ◆ 3 colleges
- ◆ 13 local authorities represented

AGENCE FRANCE LOCALE (AFL): LENDING INSTITUTION

ITS SHAREHOLDERS:

More than 99.9% owned by the Société Territoriale

ITS MISSION:

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

THE SUPERVISORY BOARD

- ◆ 13 qualified individuals including
- ◆ 7 independent directors

COMPOSITION OF THE BOARD OF DIRECTORS OF AFL-ST AT DECEMBER 31, 2021

Pia Imbs Chairperson
Sacha Briand Vice-Chairperson

THE SENIOR MANAGEMENT

Olivier Landel
 Chief Executive Officer
Yves Millardet
 Deputy Chief Executive Officer

REGIONAL BLOCK

REGION OF THE PAYS DE LA LOIRE

Didier Reveau
 Regional Councillor

REGION OF OCCITANIE

Stéphane Bérard
 Regional Councillor

DEPARTMENTAL BLOCK

DEPARTMENT OF ESSONNE

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

DEPARTMENT OF SAVOIE

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

DEPARTMENT OF SEINE-SAINT-DENIS

Daniel Guiraud
 Vice-Chairperson in charge of Finance, the Modernization of Administration and General Resources

MUNICIPAL BLOCK

MUNICIPALITY OF CONCHES-EN OUCHE

Jérôme Pasco - Mayor

MUNICIPALITY OF GRENOBLE

Hakim Sabri
 Deputy Mayor in charge of Finance and Ecological Accounting (until the end of 2022)

METROPOLIS OF GREATER NANCY

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

EUROPEAN METROPOLIS OF LILLE

Michel Colin
 Vice-Chairperson in charge of Risk Control and Management, and the Certification and Transparency of Financial Statements

METROPOLIS OF LYON

Bertrand Artigny
 Vice-Chairperson in charge of Finance

EUROPEAN METROPOLIS OF STRASBOURG

Syamak Agha Babaei
 Vice-Chairperson in charge of the Budget and Finance

CONURBATION OF GRAND BOURG

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

MUNICIPALITY OF MAREAU-AUX-PRÈS

(since 03/29/2022)
Bertrand Hauchecorne
 Mayor

COMPOSITION OF AFL'S SUPERVISORY BOARD AT DECEMBER 31, 2022

Sacha Briand Chairperson
Pia Imbs Vice-Chairperson

Sophie L'Hélias
 Founder and Chairperson of LEADERXXCHANGE

Lars Andersson
 Founder of Kommuninvest

Victoire Aubry
 Chief Financial Officer of the ICADE Group

François Drouin
 Chairperson of ETI FINANCE

Nicolas Fourt
 Deputy Chief Executive Officer of Sienna Private Credit

Delphine Cervelle
 (since 03/23/2022)
 Director General of Services for the

Town of Saint-Ouen

Rollon Mouchel-Blaisot
 Prefect, in charge of a National Industrial Real Estate Task Force

Marie Lemarie
 (since 09/28/2022)
 Chief Executive Officer of Scor Ireland

Julien Denormandie
 (since 12/05/2022)
 Chief Impact Officer of Sweep

Sophie Souliac-Dallemagne
 (since 12/05/2022)
 Chief Executive Officer of Hiram France

Olivier Landel
 Executive Director of France Urbaine and Chief Executive Officer of AFL-ST

THE MANAGEMENT BOARD

Yves Millardet
 Chairperson of the Management Board

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

Laurence Leydier
 Head of Membership and Lending

Thiébaut Julin
 Chief Financial Officer



A STREAMLINED OPERATING MODEL

WHERE DOES THE MONEY COME FROM?

◆ EQUITY CAPITAL ◆

€272 MILLION
in capital pledged by
shareholder authorities

◆ THE BOND MARKET ◆

+ THAN €8 MILLION
raised on the financial
markets since 2015

+ THAN 280
investors

€1.5 BILLION
raised in 2022



WHERE DOES THE MONEY GO?

◆ OUR SHAREHOLDER AUTHORITIES AT DECEMBER 31, 2022 ◆

599
LOCAL AUTHORITIES

- 5 regions
- 11 departments
- 2 French overseas authorities
- 14 14 metropolises
- 5 5 urban communities
- 31 5 suburban communities
- 48 municipal communities
- 6 public regional institutions
- 28 inter-municipal and joint local and regional authorities
- 465 municipalities

58%
of the French
population live in
a local authority
that is a member
of the AFL

23%
AFL members'
share of local
public debt at
December 31, 2022

103 local authorities became
shareholders in 2022

Our smallest member
at December 30, 2022
Aulan (26): 12 inhabitants

Our largest member
at December 30, 2022
Nouvelle-Aquitaine Region:
6 million inhabitants

IN 2022

NEARLY €1,4 BILLION
in loans were granted

317
loan agreements
were signed

213
authorities borrowed
from AFL

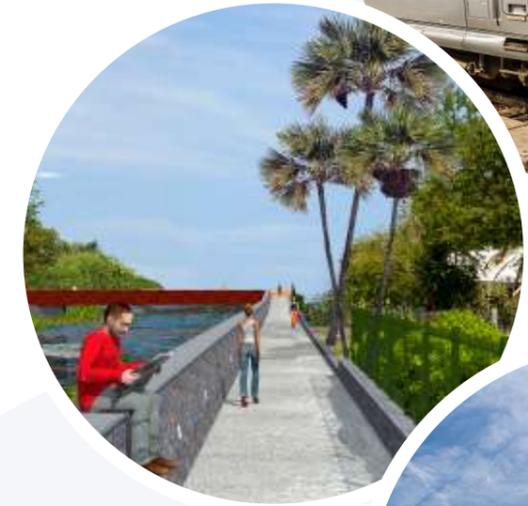
70%
of the time, AFL was chosen
in consultations

51%
was the financing market
share for AFL members
in 2022

Our smallest loan in 2022
€10,000

Our largest loan in 2022
€45 million

WHAT IS THE MONEY FOR?



A BANK COMMITTED TO INCREASINGLY SUSTAINABLE REGIONAL DEVELOPMENT

500 MILLION raised through sustainable bonds

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

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

WHAT MECHANISM?

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

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

SUSTAINABLE BOND ISSUES

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

Who are the investors targeted?

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

What are the advantages of this mechanism?

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

Is the mechanism recognized?

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

Municipality of Bouscat (33)

Creation of new kindergarten classes and construction of an eco-daycare center



Metropolis of Rouen (76)

Thermal retrofitting of social housing in urban districts undergoing renovation



Department of Allier (03)

Preservation of water resources in connection with the diversification of agricultural activities



Region of Occitanie

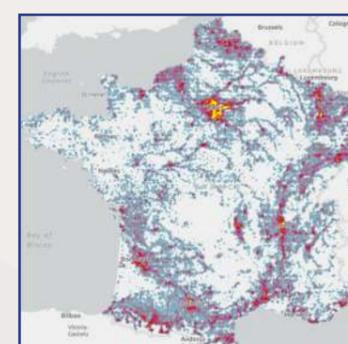
Modernization of railway lines and procurement of new rolling stock



Metropolis of Lille (59)

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

SPOTLIGHT ON CLIMATE RISK



Why include climate vulnerability in credit analyses of local authorities?

- To meet a regulatory requirement.
- Because climate events may have an impact on the budgets of French regional authorities.
- Because the risks will increase in the coming years (according to bodies such as the IPCC, the ACPR and France Assureurs) and need to be more closely considered in the assessment of credit risk by banks.

AFL has developed an indicator for the measurement of local authorities' vulnerability to climate risk based on official public data regarding climate events and prevention plans (Géorisques, Ministry for the Ecological Transition).

AFL's analysis teaches us a number of things:

- Most municipalities are not very vulnerable at this stage
- A minority are already particularly exposed
- The levels of exposure are usually high around large conurbations

ASSISTANCE WITH FINANCING FOR LOCAL GOVERNMENT

As a bank 100% dedicated to financing local public investment, AFL only finances public interest projects. It does not finance fossil fuels or weapons, and does not offer structured loans.

Metropolis of Bordeaux (33)
Expanding of the Bordeaux Surcouf waste recycling center

ILEVA (974)
Construction of the household waste recycling center RUN'EVA covering Réunion Island's needs



Town of Montreuil (93)
Planting of trees to create cool areas in the town's various districts

Department of Loire-Atlantique (44)
Complete renovation of Le Galinet à Blain school



Conurbation of Grand Bourg (01)
Construction of a green cycle path to promote cycling

INSTITUTIONALIZATION IN LOCAL GOVERNMENT

As a partner of national associations of elected representatives for many years, AFL signed and deployed several major partnerships with leading national associations in 2022, including:

- › **ADEME**, through a partnership aimed at strengthening AFL's expertise in the analysis of sustainable expenditure by local authorities, in order to be able to offer a precise understanding of related issues to local authorities.
- › **CNFPT**, through a three-year master agreement. This agreement establishes the joint actions carried out by the two institutions over the long term, and asserts AFL's unique place in the local public ecosystem.



EXPERTISE FOR THE BENEFIT OF LOCAL AUTHORITIES

In addition to its role as a local authority financier, in 2022 AFL strengthened its expertise for the benefit of our local authorities, in particular through:

The publication of three ground-breaking studies on the financing of the ecological transition:



-) The first on **green budgets** as a tool for local authorities for the benefit of the ecological transition.

This study, conducted by student engineers and administrators from INET, with the assistance of I4CE, and numerous national associations of elected representatives, is designed to be an educational tool available to local authorities that wish to engage in green budgeting.



-) The second on **private and community financing** as a means of financing the energy transition of local authorities.

This was also conducted by student engineers and administrators from INET.



-) The third on **access to European funds** for small towns in order to finance the ecological transition of their communities.

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

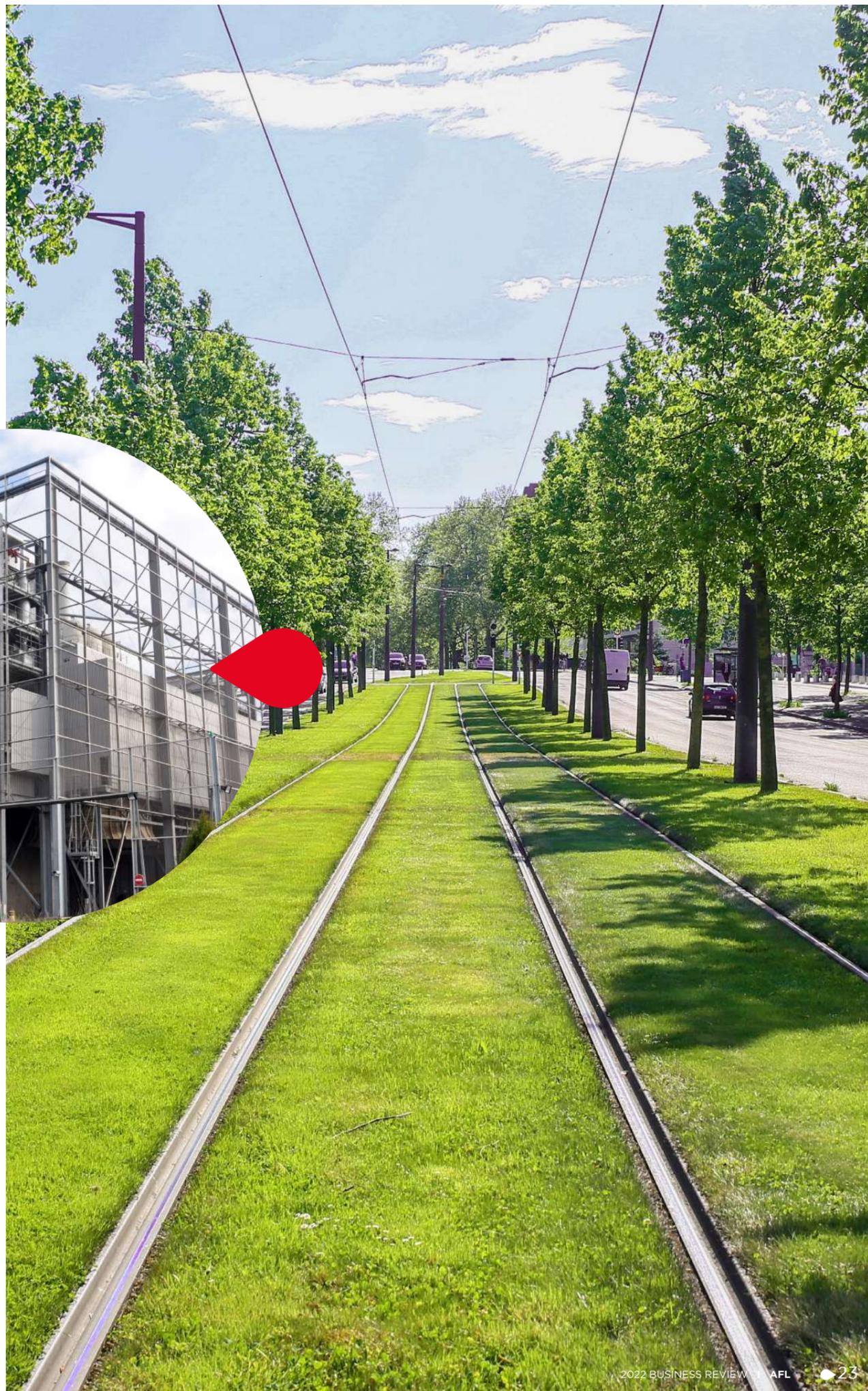
The publication of AFL's third survey

of local authorities' financial health, as well as a version specific to the "small towns of tomorrow";



The development of training courses

on bank financing issues, led by the National Center for Regional Public Service (Centre National de la Fonction Publique Territoriale, CNFPT), for local authority employees.



SPOTLIGHT

SPOTLIGHT ON THE AFL DAY

Contributions from elected representatives

DURING the Day organized by AFL, Bertrand Artigny, Vice-Chairperson of Finance of the Metropolis of Lyon, presented the objectives assigned to green budgets in the Metropolis of Lyon, which has produced its own indicators, and reiterated that the tool is a way to measure the fitness of the budgeting tools for the objectives of the ecological transition.

Bertrand Hauchecorne, Mayor of Mareau-aux-Prés, member of the AMRF's Executive Board and Co-Chairperson of the AMF's Environment Commission, for his part stressed the advantages of a comparative approach between authorities, and presented a suggested simplified method suited to the 32,000 small municipalities in France.

Counterpoint contribution

Julien Lefournier, co-author of L'illusion de la finance verte (The illusion of green finance), spoke next. The limitations of green finance that he discussed mainly consisted of the absence of products that combine a green underlying asset with the existence of a green premium for the financier. He ended by stating that the obtaining of results depends on a general change in the regulations.

A MODEL CENTRED ON POOLING LOCAL AUTHORITIES' ACCESS TO THE BOND MARKET

In 2022, AFL raised a record volume of €1.5 billion on the bond market.

For the first time since its launch, AFL held two syndicated issues in the same year, both denominated in euros and totalling €500 million each: a 7-year sustainable bond issue paying 25 basis points over the OAT curve, and a 9-year bond paying 53 basis points over the OAT curve.

In addition to these two issues, the bank held a syndicated issue in pounds sterling, its first ever syndicated issue in a non-euro currency. Besides these, AFL carried out a number of private placements to optimize the maturity profile of its debts and financing costs.

With a weighted average margin of 41.1 basis points over the OAT curve, and a weighted average maturity of 7.5 years, the 2022 borrowing program raised financial resources on good terms, with appropriate backing from balance sheet assets.

IN 2022

1.5 BILLION
were raised on the bond market through long-term issues

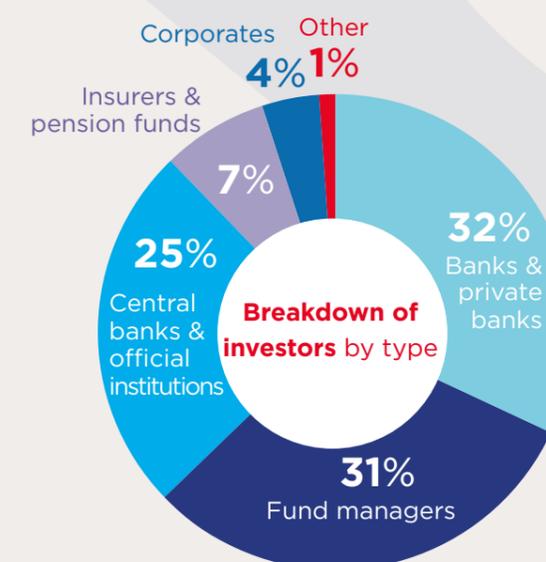
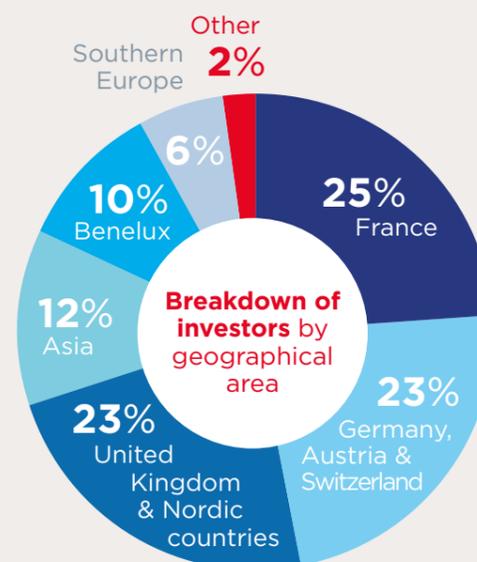
41.1 BASIS POINTS
was the average yield in excess of the OAT curve

7.5 YEARS
the weighted average maturity was

750 MILLION
were redeemed in March 2022, i.e., the inaugural 7-year issue completed in 2015.
This was the first complete redemption of a bond issue by AFL.



OUR INVESTORS BY GEOGRAPHICAL ORIGIN AND BY TYPE



KEY FIGURES

"Since it was created in 2015, AFL has raised a little over **€8 billion** to finance the investments of its member authorities. With the support of leading banks, it has won the trust of more than **280 different investors**, proving its creditworthiness, the soundness of its model, and the appeal of France and local authorities."



Thiébaud Julin
Chief Financial Officer and member of the Management Board of AFL

MOODY'S INVESTORS SERVICE

Aa3 / P-1
Stable outlook

Moody's rating (last credit opinion: June 3, 2022)

S&P Global Ratings

AA-/A-1+
Stable outlook

S&P rating (last credit opinion: August 25, 2022)

MANAGEMENT OF THE GROUP'S SOCIAL AND ENVIRONMENTAL IMPACT

With its lightweight operating model, AFL pays close attention to its social and environmental impact in its operations. As our local authorities are behind its creation, we wanted it to uphold local government values in its daily practices.

Each year, AFL goes further in its commitments, to increase its social involvement and take into account its environmental impact.

KEY FIGURES

"AFL has carried out its first Bilan Carbone® (carbon footprint assessment) in accordance with the official methodology.

*In 2021, a total of **411 tonnes of CO₂ equivalent** were emitted by AFL (scopes 1-2 and 3, excluding financed emissions), equal to **10 tonnes per employee**, which is within the average for public banks and financial institutions.*

We see this first measurement as a benchmark. Using our CSR roadmap, we want to make commitments aimed at limiting this carbon footprint".

Ariane Chazel,
Head of Commitments & Risks, Climate & Sustainable Finance and member of the Management Board of AFL





Digitize business processes

- Continued rollout of new digital systems (market finance, payroll production, management of regulatory declarations, credit monitoring, etc.)
- More than 20% of loan agreements were signed electronically in 2022
- Electronic voting for the General Meeting of Shareholders and the approval of company agreements by employees



Take social and environmental issues into account in the procurement policy:

- No more plastic at AFL! Implementation of a responsible purchasing policy in the choice of its suppliers, with the purchase of responsible and "Made in France" goodies and the elimination of the purchase of plastic supplies.



Ensure the well-being of employees

- 100% of the eligible employees have signed the remote working charter, meaning that they can benefit from remote working up to 10 days a month
- Charter on the right to disconnect
- Creation of working groups with volunteer employees to examine quality of life at work issues, taking a social dialogue-based approach.



OUR SOCIAL COMMITMENTS

Because AFL's 35 employees play a leading role in the company's performance, since its creation AFL has defined and deployed a human resources policy aimed at promoting the fulfillment and development of its employees' skills.

OUR ENVIRONMENTAL COMMITMENTS

AFL has committed to:



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

- A bank in control of its resources: a single physical site in France, in Lyon, with a small surface area to limit the carbon impact
- Adding to the remote working charter, signed by all of the eligible employees, of five extra days of remote working for all this winter.
- Introduction of an environmentally-friendly transport package
- 274 kg of paper/cardboard recycled on the premises;
- 254 kg of paper consumed (based on printing)
- Tougher sustainability criteria in the business expense reimbursement policy
- Participation in the inter-company mobility challenge organized by the Auvergne-Rhône-Alpes Region
- Rollout of a 40-day internal sports challenge aimed at encouraging employees to take part in sports (cycling, walking, running) on a daily basis



Apply an anti-discrimination policy and promote professional equality

- Non-discrimination in recruitment, professional development and the compensation policy
- Following of diversity rules for AFL's Management Board (50% women) and Supervisory Board (6 women out of 13 members).
- Objective of gender balance among AFL employees according to age category.



Develop an inclusivity policy

- Integration of young people: Three professional training contracts & two apprenticeship contracts were signed in 2022, and three internship agreements.
- Employee training: 24 days of training were provided in 2021, i.e., 0.75 days per employee. 42% of women and 57% of men received training in 2022
- Internal promotion: 4 employees were promoted in 2022; 2 men and 2 women
- Integration of people with disabilities: AFL purchases a number of services from organizations for the integration of people with disabilities or ESATs (purchase of supplies, printing, etc.)



A FASTER RATE OF DEVELOPMENT IN 2022

Results at 12/31/2022
Consolidated IFRS figures

The AFL Group¹ announces solid results with substantial growth:

- Consolidated net income of €2.8 million
- Operating income doubled year-on-year
- Cost/income ratio up more than 10% to 76.1%
- Stable solvency ratio at over 15.5%

€2,8 MILLION
of consolidated net income

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

Lending to local authorities, the AFL Group's core business, generated strong revenue growth, driving a 23% year-on-year rise in net interest income.

For the first time since its foundation, the AFL Group's operating income exceeded €4 million.

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

Operating expenses, which rose by 10.5% to just over €13 million, are proof of careful management in step with a bank in an expansionary phase, and they include a €449,000 additional contribution to the Single Resolution Fund.

The cost of risk was limited to €404,000, and increased mainly due to the effect of an unfavourable change in the weighting of the macroeconomic scenarios that underlie the provisioning model, as a result of the geopolitical and macroeconomic context, and to the automatic effect of the increase in AFL's balance sheet.



SPOTLIGHT ON AFL'S RATIOS

- 15.57%: solvency ratio (CET1)
- 500%: LCR
- 7.81%: leverage ratio

2022 results in figures:

In thousands of euros	Dec 31, 22	Dec 31, 21
Net banking income - NBI	17,569	13,960
Non-recurring income: capital gains net of hedging of the capital losses from sales of loans and securities	1,467	1,871
Income net of IFRS hedge accounting	367	-631
Net interest income	15,602	12,715
Transactions with customers	31,182	3,856
Liquidity reserve	2,447	-9,773
Debts and collateral	-18,027	18,632
General operating expenses	-13,378	-12,108
Staff costs	-6,124	-5,906
Administrative costs	-6,389	-5,231
Depreciation and amortization	-866	-971
Gross operating income	4,190	1,852
Cost of risk	-404	-95
Income tax	-1,029	-27
Net Income	2,758	1,730

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