ANNUAL REPORT

OF AFL FOR THE PERIOD FROM JANUARY 1 TO 31 DECEMBER 2023

AFL
La banque des collectivités

EDITORIAL BY THE CHAIRMAN OF THE EXECUTIVE BOARD

"The year 2023 marks 10 years since the adoption of the law of 26 July 2013, which authorised French local authorities to create their own banking institution: AFL. Over these 10 years, the conditions under which AFL has had to carry out its operations have changed considerably, representing new challenges. During this period, however, AFL has been able to lay solid foundations and to fulfil successfully the mandate entrusted to it by its founding fathers, by making an increasing contribution each year to financing its members' public policies under optimal conditions.

In 2015, central banks, including the European Central Bank, implemented unconventional monetary policies in a coordinated manner, with the main result being a massive injection of liquidity into Western economies. This abundance of resources, which lasted until the start of 2022, meant that the comparative advantages of the local authority finance agency model, embodied in France by AFL, were temporarily less visible. This model has also proved highly effective for decades in the countries of Northern Europe, where it is the almost exclusive source of finance for local authorities.

Moreover, the 2010s were a period of budgetary restraint for local authorities. In this way, between 2014 and 2018, the Dotation générale de fonctionnement [General operating allowance] was cut by €13 billion, leading local authorities to reduce their capital expenditure and their borrowing in mechanical manner.

With the Covid crisis, a new period began in 2020, characterised by 3 profound changes in the environment in which AFL operates: a change in the way in which organisations operate in general, a new round of unconventional monetary policy measures, but also the start of a resumption of investment spending by local authorities and consequently, an increase in recourse to borrowing, with the aim of supporting demand and meeting the challenges of an ecological transition.

The year 2022 marked a new turning point, with the end of unconventional monetary policies triggered by the very rapid rise in inflation following the outbreak of the conflict in Ukraine. Interest rates rose sharply and central banks tightened credit considerably. For AFL, as for all issuers of debt on the capital markets, this meant a more expensive resource but also an environment that normalised, allowing it to find its rightful place.

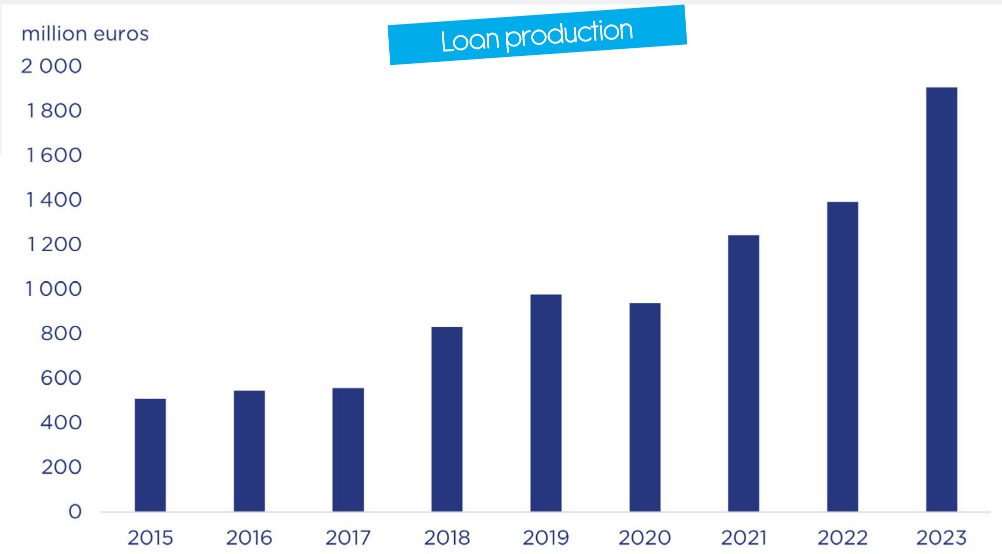
Ultimately, these ten years and their ups and downs have been a tremendous opportunity to demonstrate the relevance of the decision taken in 2013 by the historic member local authorities to create AFL, their own bank. In ten years, AFL has demonstrated that a model based on fairness and transparency that places local authorities at the heart of its operations is resilient and solid. As a lasting response to the ongoing attempts by certain players to reintroduce structured products, AFL has now attracted more than 800 local authorities of all categories and sizes. By granting almost €9 billion in loans on competitive terms, AFL is now recognised as a major long-term player in the local authority financing market in France.

Yves Millardet,
Chairman of AFL's Executive Board.

ACTIVITIES IN 2023

LOAN ORIGINATION

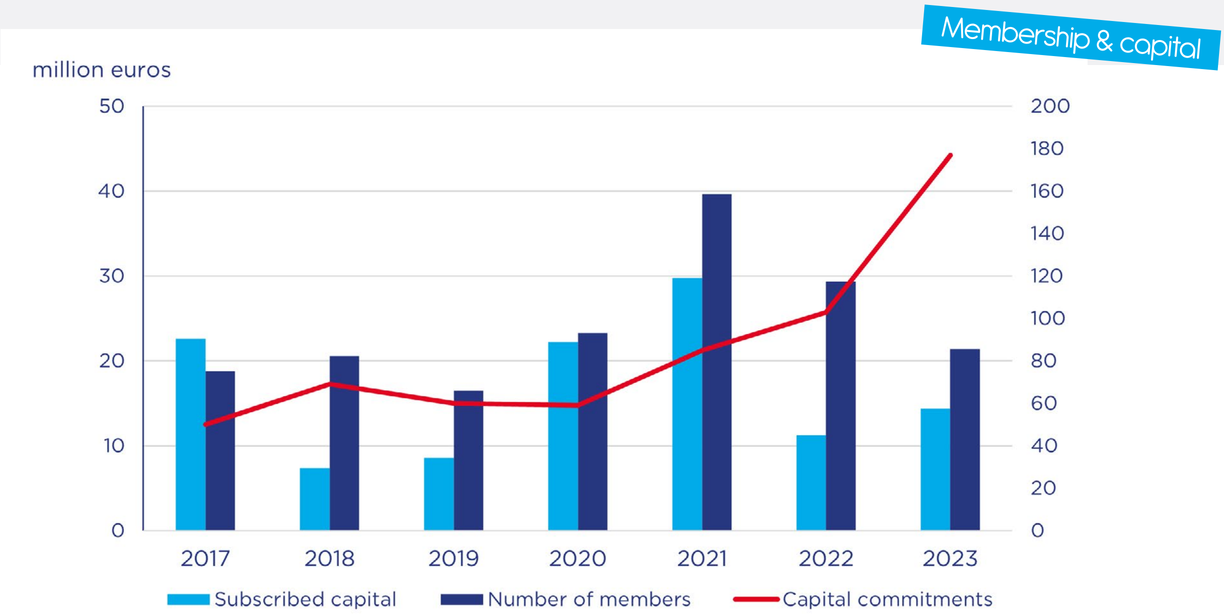
Origination of loans by AFL amounted to €1.907 billion in 2023. Since the creation of AFL, loan origination has grown strongly and steadily, reaching a total of €7.8 billion in outstanding signed loans. The growth in loan origination is emblematic of the success AFL has enjoyed with French local authorities since its creation.



MEMBERSHIPS

In 2023, the number of new members reached 177 local authorities, bringing the total number of local authority members to 776. As a result, pledged capital rose by €21.4 million to €293.6 million and paid-up share capital by €14.4 million to €232 million. At 31 December 2023, five metropolitan regions, 15 metropolises and 14 departments were members of AFL, plus many other municipality groupings and municipalities of all sizes.

In terms of outstanding debt, at 31 December 2023, AFL members accounted for 24.6% of the total debt of French local authorities.



RESOURCES

In 2023, AFL raised a record amount of resources on the bond market, totalling €2.1 billion at an average spread of 49 basis points over French government bonds (OATs). Despite the geopolitical turmoil and financial market volatility resulting from major changes in the European Central Bank's monetary policy, AFL consolidated its position with investors, enabling it to finance its rapid development under the best possible conditions.

KEY FIGURES (on 31/12/2023)

776 local authority members

294 million euros of pledged capital

85% success rate with member local authorities in 2023 by number of consultations and **55%** by volume[1]

9 billion of loans granted since its creation

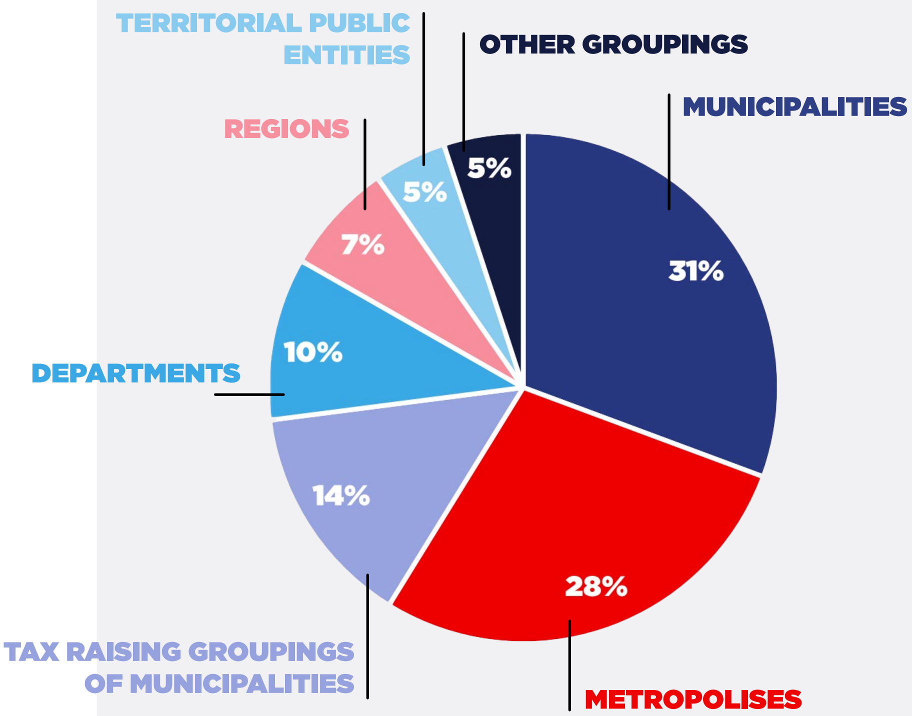
8,5 billion euros of outstanding debt raised on the markets

[1] Amount of medium and long-term loans signed / amount of medium and long-term loan requests submitted to AFL

BALANCE SHEET AND RESULTS

The growth in outstanding loans granted benefits all members of AFL Group, regardless of their size and category. For example, the smallest loan granted by AFL in 2023 amounted to €10,000, while the largest was €80 million.

Distribution of exposures by member category in %
as at 31 december 2023



AFL, which refinances itself exclusively by issuing debt in the capital markets, continues year after year to build up a euro-denominated curve over a wide range of maturities, combined with bond issues in foreign currencies and private placements.

The primary aim of this strategy is to diversify the investor base, thereby strengthening the placement of AFL's debt, while meeting the need to strengthen the balance sheet.

In this way, since 2015, AFL has been able to raise the equivalent of €11 billion on the primary bond market, including €9.7 billion on the euro market, from 292 investors.

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

Since 2020, this mechanism has allowed it to raised €1.1 billion on the bond market, with these resources relent to its members in order to finance investments in basic social services, the energy and ecological transition and sustainable infrastructure, all of which contribute directly to achieving the sustainable development goals of the United Nations.

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GLOSSARY

ACC	Additional Capital Contribution
ACPR	Autorité de Contrôle Prudentiel et de Résolution (French Prudential Supervision and Resolution Authority)
AFL	Agence France Locale
AFL-ST	Agence France Locale Société Territoriale
ALM	Asset and Liability Management
ALT	Average lifetime
AMF	Autorité des Marchés Financiers (French Financial Markets Authority)
ARC	Audit and Risk Committee
C3S	Company social solidarity contribution
CAVC	Corporate added-value contribution
CBPP	Covered bond purchase programme – ECB
CET1	Common Equity Tier One
DTA	Deferred tax assets
DTL	Deferred tax liabilities
EAPB	European Association of Public Banks
ECB	European Central Bank
ECP	Euro Commercial Paper – short term corporate securities
EMTN	Euro Medium Term Notes – bonds
EPCI	*Établissement public de coopération intercommunale* (Groupings of municipalities)
FGTC	French General Tax Code
GOP	Gross operating income
GRC	Global Risk Committee
HQLA	High quality liquid assets
ICC	Initial Capital Contribution
ICC	Internal Control Committee
IFRIC	IFRS Interpretations Committee, the IASB (International Accounting Standard Board) committee responsible for interpreting IFRS international accounting standards.
IMR	Initial margin requirement
LCR	Liquidity Coverage Ratio
LPE	Local public entity
Members	French local authorities, their groupings and local public bodies that are shareholders in AFL-ST.
NBI	Net banking income
NDS	Negotiable debt securities
NI	Net income
NIM	Net interest margin
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
OAT	*Obligations Assimilables du Trésor* (French Treasury bonds)
OMT [MOS]	Monetary operations on securities - ECB
PEPP	Pandemic Emergency Purchase Programme
PSPP	Public Sector Purchase Programme - ECB
RRD	Recovery and Resolution Directive
RWA	Risk weighted assets

SaaS	Software as a Service
TL-TRO	Targeted longer-term refinancing operations
TPE	Territorial public entities

I. The Company's Activity

1. Development strategy and model

Authorised by Law No. 2013-672 of 26 July 2013, on the separation and regulation of banking activities and created on 22 October 2013, the Agence France Locale Group ("**AFL Group**") is organised around a dual structure consisting of Agence France Locale - Société Territoriale ("**AFL-ST**", the parent company with the status of financial holding company) and Agence France Locale ("**AFL**", the subsidiary, a specialised credit 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 specialised credit institution (AFL), from the shareholder representation, 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 could arise in the form of intervention by the member local authorities in the day-to-day management activities of AFL, to ensure that the involved parties are accountable in the context of their missions and lastly to have adequate control and monitoring mechanisms.

In this capacity, AFL-ST's Board of Directors has adopted the rule that independent members must have a majority on the Supervisory Board of the lending institution. 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 guidelines and of the risk appetite framework; and
- Promotion of the model among local authorities, jointly with AFL, with a view to increasing 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), its majority shareholder, which holds a stake of over 99.9%.
The optimisation of the cost of financing on the capital markets is the result of AFL's high credit quality, which is supported by the quality of the assets on its balance sheet, prudent financial policies and a double mechanism of explicit, irrevocable and on demand guarantees.

- On the one hand, the "**Member Guarantees**" granted by local authorities that are AFL-ST shareholders to the benefit of any financial creditor of AFL allow the local authority shareholders to be called on directly as guarantors. The amount of this guarantee is intended to be equal to the total amount of outstanding loans with a maturity of more than 364 days contracted by each member local authority with AFL. In this way, 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 organised to create solidarity between the member regional and local authorities in the payment of the amounts due while the liability of each is limited to the size of 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:

- On average, between 70% and 80% of the total amount of AFL's borrowings on the markets are used to grant medium and long-term loans to members;

- As a result, around 20% to 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 practice, and to offer cash loans 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 for the benefit of any of AFL's financial creditors, enables the creditor(s) to call on AFL-ST directly for a guarantee. 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 28 September 2018, then to €15 billion by the Board of Directors on 13 June 2022. It covers all of the commitments of its AFL subsidiary to its beneficiary creditors. At 31 December 2023, the amount of guaranteed securities issued by AFL, corresponding to debt issues and financial transactions with counterparties, amounted to €11.9 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 statutory provisions, 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 call mechanism is to be able to mobilise guarantees on behalf of creditors to prevent non-compliance with the regulatory ratios or an event of default.

1.1 A highly prudent liquidity policy

AFL has a liquidity policy with three objectives:

- The construction of a sufficient liquidity reserve to maintain its operational activities, in particular its lending activities, for a period of twelve months; this reserve is largely made up of liquid assets that can be used 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 its liquidity price risk, AFL strictly monitors the maturity gaps. It has undertaken to limit the difference in average maturity between its assets and liabilities to 12 months, with the possibility of extending it to 24 months over a maximum period of six months.

Regarding access to liquidity, it should be noted that AFL has a credit line with the Banque de France, available at any time, through the mobilisation 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.

1.2 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

[2] The guarantee models are accessible on the AFL Group's website: www.agence-France-locale.fr

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 on-line services that combine efficiency and speed and ensure users the highest levels of security to better meet the needs of its member borrowers.

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

1.3 Rating of bonds issued by AFL

Since its creation, AFL has benefited from an excellent rating, which represents recognition of the solidity of the model that it embodies.
AFL's bond issuance program has received the same rating from Moody's and Standard & Poor's rating agencies.

Rating/Rating agency	Moody's	Standard & Poor's
Long term	Aa3, stable outlook	AA-, stable outlook
Short-term rating	P-1, stable outlook	A-1+, stable outlook

1.4 General ESEF information

Name or other identifier of the reporting entity: Agence France Locale (AFL) – LEI No. 969500NM14UP001O8G47 - Lyon Trade Register No. 799 379 649
Explanation of changes to the name or other identifier of the reporting entity since the end of the previous reporting period: N/A
Country of the entity's registered office: France
Information on the legal structure under which the entity operates: Société anonyme (French public limited company) with an Executive Board and Supervisory Board under French law.
Country of incorporation of the entity: France
Address of the entity's registered office: 112, rue Garibaldi, 69006 Lyon, France
Principal place of business of the entity: 112, rue Garibaldi, 69006 Lyon, France
Description of the nature of the entity's operations and its principal activities: see Part 2.
Name of the entity's parent company: Agence France Locale Société Territoriale
Name of the parent company of the group: Agence France Locale Société Territoriale
Information on the duration of the entity if constituted for a limited time: 99 years from the date of its registration in the Trade Register, i.e. until 23 December 2112, unless extended or dissolved early.

2. Review of activities over the 2023 financial year and highlights

2.1 Economic and financial environment

Economic and market situation

2023 can be divided into 2 periods.
The first period is characterised by ongoing vigorous tightening of monetary policies by Central Banks, including the ECB, with a rapid increase in its key rates, with the aim of reversing inflationary expectations and curbing second-round risks, i.e. the spread of wage demands and pay rises to the economy as a whole. During the period, the rate rises were accompanied by an acceleration in the repayment of targeted long-term refinancing operations (TLTROs) for the banking system and the

scheduled end of securities purchase programmes, with the aim of rapid withdrawal of excess liquidity from the market. All in all, this situation is resulting in an increase in the cost of refinancing for all economic agents, including governments such as France, whose indebtedness continues to rise, in a much less favourable interest rate environment, with the fear of a sharp future rise in the cost of debt over the coming years.
This context of tightening of monetary policy is taking place at a time when commodity prices, particularly for gas and oil, are stabilising, albeit at levels close to their highs, raising fears of a sharp slowdown in economic activity.

In geostrategic terms, the war in Ukraine remains at the heart of the news, with the first half of 2023 being marked by a resumption of the initiative by Ukraine and a wave of optimism regarding its capacity to recover its territory. In parallel, the consequences of the war on the economies are beginning to find solutions for their resolution. Diversification of supplies and measures to reduce gas and electricity consumption are being implemented.
The second half of 2023 was characterised by a change in the expectations of economic agents: the fear of recession took precedence over the risk of inflation, especially as the figures were encouraging in this regard. A divergence was nevertheless witnessed between the situation in the United States, where the economy is proving extraordinarily resilient, with a buoyant job market and full order books, and that in Europe, where growth is close to zero, thereby accelerating the fall in long-term rates in the last few weeks of the year. The situation in Germany, the Eurozone's leading economy, is of particular concern, given the difficulties faced by Olaf Scholz's government in meeting the challenges facing that country. In terms of geopolitics, the failure of the Ukrainian offensive in the summer of 2023 and the outbreak of conflict between Israel and Hamas following the attacks on 7 October are further heightening tensions and oppositions, making it difficult to find a way out of the crisis in the short term. At the same time, the crises remain confined to Eastern Europe, the Middle East and Africa, and there is no evidence of any contagion effect. International trade routes are being reorganised, trade remains dynamic, prices are stabilising and expectations of interest rate cuts are likely to increase sharply as early as the first half of 2024.

The year 2023 ended with lacklustre economic prospects, albeit which confirm the continued expansion of activity in the countries of the European Union and the Eurozone. Indeed, the latest forecasts from Eurostat, which is responsible for statistical information at EU level, lowered the growth outlook for 2024 to 0.9% for the European Union and to 0.8% for the Eurozone. With regard to inflation, Eurostat anticipates a more significant fall in 2024 than in 2023, with a rate of 3% for the European Union compared with 6.3% in 2023, and 2.7% for the Eurozone compared with 5.4% in 2023. This situation should continue to drive an easing of monetary conditions over the coming months.

Financial position of local authorities

As in 2022, in 2023, local authorities evolved in an environment marked, on the one hand, by the consequences of the Russian-Ukrainian conflict, reflected in a deterioration in economic activity and high inflation and, on the other, by the full effects of measures and reforms specific to local authorities (increase in the index point, changes in the local tax basket, etc.).
According to provisional data provided by the Direction Générale des Finances Publiques (DGFiP)[3], the 2023 budget year represents a break with the two previous years. It was characterised by:

- A contraction in savings and the emergence of two distinct budgetary trajectories: at all levels combined, gross savings fell by 14.6% in 2023 to €25bn, i.e. a volume of savings significantly higher than in 2019 (€20.5bn), the benchmark year. Municipalities and EPCIs with their own tax status witnessed growth in their gross savings of 10.4% and 14.7% respectively, while the regions and departments witnessed a fall in their gross savings of 11.8% and 45.7% respectively. This change came after two years of significant recovery in local finances as a whole. This can be explained by the surge in real operating expenditure (DRF), even though real operating revenue (RRF) recorded moderate growth in 2023. At the end of December 2023, the RRF of all local authorities rose by 3% (or €6.1bn), notably on account of the rise in tax revenues (+2.5%, or €3.5bn). Local authority DRF increased by 5.9%, or €10.4 bn, driven mainly by staff costs (+4.9%, or €3.4 bn), purchases and external charges (+8.4%, or €2.6 bn), and compulsory contributions (+6.4%, or €0.9 bn). The local authority segment most affected was the department, which witnessed a fall in its gross

[3] Source: https://www.impots.gouv.fr/sites/default/files/media/9_statistiques/data_colloc/smcl/15/smcl_15.pdf - Disclaimer: Provisional data aggregated for all principal budgets of local authorities that does not allow for definitive conclusions on the financial health of local authorities and, above all, masks disparities between and within each tier of local authorities.

savings of 45% (€6.3bn in 2023). This deterioration was the result, on the one hand, of the contraction in the property market, and hence in the income from transfer taxes, and, on the other, of inflation and an increase in social spending.

- Growing investment despite a fall in net savings: after two years of growth in investment expenditure, a scenario contradicting the electoral cycle for investment, which calls for a pause in the first two to three years of the term of office - in 2023, all local authorities reported an increase in investment expenditure: +7.6% for local authorities, +5.8% for regions and +2.8% for departments. As in 2022, the "price effect" accounted for most of this increase in expenditure.

2.1 Loan origination

In 2023, medium and long-term loan origination by AFL amounted to €1,907 million, compared with €1,392 million in 2022, with a total of 511 loan contracts, compared to 317 loan contracts in 2022. This new increase in origination volume, of 37% year-on-year, once again underlined the strong growth dynamic to which AFL has been committed for several years, driven by a growing flow of new local authority members of the AFL Group.

The average maturity of medium- and long-term loans issued in 2023 was 18.6 years, compared with 19.6 years in 2022, a level close to that of 2021. This development is mainly explained by a reduction in the maturity of loan offers by banks, which led local authorities to make adjustments. The reduction in the average maturity of loans granted to local authorities, while moderate, was mainly attributable to municipalities, groups with their own tax status and regions, while maturity was stable for trade unions and increased for departments.

In addition to medium- and long-term loans, €344 million cash loans were issued, compared with €201 million in 2022.

At the end of the financial year 2023, outstanding loans, expressed pursuant to French accounting standards, amounted to €7.012 billion in loans made available and €832 million in financing commitments, giving a total of €7.844 billion in signed commitments, which also included cash loans.

The increase in AFL's loan origination in 2023 took place in an environment in which local authority recourse to borrowing remained at a high level, driven by a recovery in investment spending by local authorities that began in 2020, as a means of counter-cyclical support for demand and, more structurally, with a view to meeting the challenges of the ecological transition and the national low-carbon strategy.

2.2 Membership

Continuous development

In 2023, 177 new local authorities joined the AFL Group. By way of illustration, these new members included the departments of Ille et Vilaine and Landes, the Urban Community of Greater Reims, the Pays Ajaccien Conurbation Community, the CIVIS (Intercommunal Community of Solidarity Towns) and the municipalities of Quimper, Anglet and Peyre-en-Aubrac. The subscriptions made during 2023 increased pledged capital by €21.4 million4, bringing the total to €293.6 million. In this way, at 31 December 2023, the share capital of AFL-ST had risen to €232,047,600 and that of AFL to €221,700,000.

At 31 December 2023, the AFL Group had 776 members, including 6 regions, 14 departments, 582 municipalities and 174 groupings, including 15 metropolises, 6 EPTs, 8 urban communities, 40 conurbation communities, 60 communities of municipalities and 45 trade unions.

The following table shows the breakdown of AFL-ST's share capital and voting rights by category of local authority at 31 December 2023 after the 38th capital increase.

[4] The pledged capital means the amount of capital contributions voted by local authorities when 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.

Figures in € thousands	Number	Committed capital	Paid in capital	% of capital and voting powers
Region	6	68 187	30 434	13,12%
Department	14	44 497	39 296	16,93%
Municipalities	582	60 926	55 564	23,94%
Groupings	174	119 974	106 753	46,00%
Metropolises	*15*	*79 702*	*72 877*	*31,41%*
Territorial public entities	*6*	*6 077*	*5 772*	*2,49%*
Urban communities	*8*	*4 096*	*3 760*	*1,62%*
Suburban communities	*40*	*13 908*	*9 607*	*4,14%*
Municipality communities	*60*	*3 150*	*2 163*	*0,93%*
Other groupings	*45*	*13 040*	*12 574*	*5,42%*
TOTAL	776	293 583	232 048	100%

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

2.3 CSR strategy

AFL is implementing a CSR strategy that is grounded in its corporate purpose, which reflects the aims of its local authority founders and shareholders.
This strategy is based on a roadmap structured in accordance with the recommendations of the TCFD (Task Force on Climate Related Financial Disclosures).

- The AFL Group has a rich **governance** based around the two companies comprising the Group: AFL and AFL-ST. The AFL Group's ambition is to bring this governance system to life, enabling local authorities to be at the heart of their bank's strategy, with powers and counter-powers to be exercised while respecting each other's roles and being aware of the issues involved in managing a specialised credit institution, thereby meeting the challenges faced by the local public sector in optimal fashion. Work in 2023 focused on enhancing governance, with a view to clarifying roles and responsibilities with regard to CSR.
- In terms of **strategy**, AFL is positioning itself beside local authorities in the face of the transitions that these entities must make by lending them the financing they need at the best possible cost. To this end, AFL issues sustainable bonds on the financial markets. As an integral part of the French local public ecosystem, it conducts and publishes studies on issues related to transition financing. It also seeks to apply responsible practices in day-to-day operations, taking account of their impact for stakeholders and the environment. In 2023, AFL continued to issue sustainable bonds. With a will to control the environmental footprint of its activities, it conducted its first carbon assessment.
- AFL is aware of the **risks** that future developments are likely to generate and intends to manage them. In 2023, AFL carried out a mapping of environmental risks; it also deployed the climate vulnerability index, which permits an assessment of the impact of climate change on the financial health of local authorities.
- These actions lead to a definition of new **indicators** that will serve as a regular measure of the bank's achievements in terms of CSR.

For AFL, a specialised lending institution that issues debt securities, the challenges also lie in complying with ESG regulatory requirements, a subject on which a workshop was launched in early 2024.

2.4 Influence strategy

In 2023, AFL continued with the actions that it had been implementing for several years, consisting of ensuring that public authorities recognise that the capital weighting of French local authorities in banks' balance sheets is equivalent to that of the French State, an equivalence recognised by the Solvency 2 regulations applicable to insurance companies. Following the example of the associations of elected representatives, AFL considers that the current situation, which consists of weighting banks' exposure to French local authorities at 20%, is detrimental to these, insofar as it degrades the qualification of the debt issued directly or indirectly by French local authorities, requires the mobilisation and remuneration of an excessive amount of capital and consequently increases their financing costs.

2.5 The Company's financial market operations

- The Company's borrowing program

The AFL's medium- and long-term borrowing programme for 2023, approved by the Supervisory Board on 5 December 2022, was set at a maximum of €1.9 billion, compared with €1.2 billion for the previous year, plus €600 million allocated to pre-financing of the borrowing programme for 2024.

- Bond issues

AFL has a bond issue program, the EMTN program, under which it carries out its bond issues.

In 2023, AFL made two syndicated euro-denominated issues, with respective maturities of 7 and 15 years. The first issue, with a 7-year maturity and for an amount of €750 million, was made at a margin of 54 basis points above the OAT curve, and the second issue, for an amount of €500 million, was realised at a margin of 44 basis points above the OAT curve. To these two issues, we may add two top-ups to an issue denominated in sterling, maturing in June 2025 and several private placements in euros, for the first time including private placements redeemable at the option of AFL ("*callable*"). In general, private placements allow AFL to optimise its debt maturity profile and its financing costs.

With a weighted average margin of 49 basis points above the OAT curve (compared with 41 basis points in 2022) and a weighted average maturity of 8.5 years (against 7.5 years in 2022), the 2023 borrowing programme made it possible to raise resources over a wide range of maturities and on good terms, enabling AFL to maintain an adequate balance sheet and a competitive product offering to borrowers. We nevertheless note the deterioration in financing conditions relative to the OAT curve, which is specific to the French and European public sector as a whole, and which can be explained by the end of the ECB's securities purchase programmes.

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

In addition to AFL's medium- to long-term borrowing program, it was authorised to issue €500 million of commercial paper under its 2023 ECP program, a similar amount to that authorised for 2022.

In the context of this programme, AFL made several ECP issues during the period, mainly in euros but also in foreign currencies, with a view to optimising its cash management.

These issues were made under favourable conditions at a rate lower than the ECB deposit rate.

Average outstanding ECP issues in 2023 amounted to €389 million.

2.6 Results of the past financial year – Key figures pursuant to IFRS standards

NBI for the financial year 2023 amounted to €23.213 million, compared with €17.569 million for the financial year 2022. This change can be explained by the following factors: the sharp increase in net interest margin, which rose from €15.602 million at 31 December 2022 to €24.118 million at 31 December 2023, capital gains on disposals of €540,000, compared with €1.467 million at 31 December 2022, and net income from hedge accounting of €1.576 million, compared with €367,000 at 31 December 2022.

The increase in NIM is the result of three factors: further growth in outstanding loans, stabilisation of the credit margin and the rise in interest rates.

General operating expenses for the period represented €14.513 million at 31 December 2023, compared with €12.513 million for the previous financial year, once restated for the application of the IFRIC[5] relating to software used in SaaS mode. After depreciation of €1.081 million, compared with €866,000 at 31 December 2022, gross operating income was €7.619 million, compared with €4,190 million at 31 December 2022.

At 31 December 2023, AFL reversed provisions for ex-ante impairment for expected losses on financial assets under IFRS 9 for an amount of €117,000, compared with a net charge of €404,000 for the previous year.

This change is explained by the following factors: the change in the weighting of the macroeconomic scenarios underlying the provisioning calculation model, which includes the estimated impact of geopolitical changes on all of AFL's commitments, the reclassification as phase 1 of loans that were classified as phase 3 at 31 December 2022, for an amount of €4.35 million, and virtual stability in outstanding phase 2 loans at €78 million at 31 December 2023, compared with €82 million at 31 December 2022. With regard to liquidity reserve assets, the reversal of provisions is mainly due to a reduction in outstanding amounts. It should be noted that a large proportion of the assets in the liquidity reserve consisted of deposits with the Banque de France, which, by their nature, are only lightly provisioned. In total, the stock of ex ante provisions stood at €1.158 million at 31 December 2023, compared with €1.276 million at 31 December 2022, corresponding to 1.3 basis points of outstanding amounts, compared with 1.7 basis points at 31 December 2022.

For the fourth consecutive year, the 2023 financial year ended with a positive net result of €5.738 million compared with €2.758 million for the year ended 2022, once restated for the application of IFRIC 2021 on the treatment of configuration and customisation costs for SaaS software, thus confirming the continuing sustained growth of AFL's business and its strong resilience in an uncertain economic and financial environment.

3. Significant events since the end of the financial year

3.1 Market operations

AFL's medium- and long-term borrowing programme for 2024, approved by the Supervisory Board on 12 December 2023, was set at a maximum of €2.5 billion, including €500 million allocated to pre-financing the borrowing programme for 2025.

Since the start of the year, AFL has executed several bond issues under the EMTN programme, including a new syndicated 10-year euro-denominated issue for €750 million, as well as four private placements, including one in US dollars and three callable private placements. In total, on 29 February 2024, €904 million was raised at a weighted average spread of 45 basis points over the OAT curve, with an average life of 9.1 years.

The €750 million 10-year issue, which was made at the beginning of January, attracted 38 investors with strong geographical and category diversification, confirming the attractiveness of AFL's signature in the bond market. The transaction was executed at a spread of 49 basis points over the OAT curve.

[5] IFRIC or IFRS Interpretations Committee: committee of the IASB (International Accounting Standard Board) responsible for interpreting IFRS international accounting standards.

3.2 Increase in share capital

On 31 January 2024, AFL Group launched its 39th capital increase, which closed on 18 March 2024. This new capital increase resulted in the arrival of 61 new Member local authorities, bringing the total number of Members to 837 and AFL-ST's share capital to 242,082,700 euros. The share capital of AFL is therefore 231,250,000 euros.
The new local authorities joining AFL as a result of this capital increase include, by way of example, les Départements de Maine et Loire et des Yvelines, les Communautés d'agglomérations de Dreux et de Soissons (Grand Soissons agglomération), le Syndicat des Eaux de Pinon Brancourt et les villes de Roubaix, du Vésinet et de Gémil.

3.3 Capital markets

The situation prevailing in the capital markets since the start of the year is very similar to that observed in the 4th quarter of 2023, which was characterised by a deterioration in the spread between swap curve rates and the rate on the German government bond curve, leading in its wake to a deterioration in the cost of issuance for all European public sector issuers, including sovereigns, public agencies and supranational organisations. This situation can be explained by the very substantial financing needs of sovereign issuers, which are already heavily indebted at a time when the economic slowdown in European Union countries is weighing on tax revenues.

In the absence of the role played for more than a decade by the Central Banks, and notably the ECB through its various securities purchase programmes (OMT, PSPP, PEPP, etc.), in the secondary market, lower demand, combined with an increase in supply evidently translates mechanically into a rise in the price of debt securities.

The issue of government debt levels, and in particular France's, at over 110% of GDP, is a source of concern regarding its sustainability, against a backdrop of rapidly rising interest rates.

In parallel, we observe major resilience in the banking sector, with the credit spreads demanded by the markets on bank debt close to their lowest levels, with the exception of covered bonds, which have ceased to benefit from the ECB's purchases on the primary market via its CBPP programme, so that their valuation has consequently been revised upwards. The slowdown in economic activity could nevertheless lead to an increase in bad debts on the balance sheets of banks in 2024.

4. Expected situations and future prospects

The AFL has entered its 10th year of activity and, with the arrival of new local authority members, is continuing to develop a regular and rapid increase in loan origination and a high and stable equipment rate among its members.

The result has been a rapid increase in the size of AFL's balance sheet, a trend that can reasonably be expected to continue over the next few years. Already growing steadily in the years following the creation of AFL, new memberships have accelerated since 2020, exceeding 100 in 2022 and reaching 177 in 2023. In this way, year after year, the increase in the origination of loans granted to its members generates greater recourse to refinancing by AFL on the capital markets.

Since 2020, following the law of 27 December 2019 on involvement in local life and the proximity of public action, which broadened the scope of entities authorised to join the AFL Group, a greater number of unions are joining the AFL Group, with the impact of the demand for long-term loans to finance the infrastructure expenditure of these entities.

With the progressive implementation of conditions which allow the various types of local public bodies to be accommodated, new local players should join the AFL Group, thereby fuelling its continued development.

The healthy financial situation of local authorities, albeit with a slight deterioration estimated for the 2023 accounts compared to previous years, is also an element of security and robustness for AFL, since it enables local authorities to maintain a significant borrowing capacity and a sustained rate of investment expenditure.

II. Balance sheet assets at 31 December 2023 (IFRS standards)

At 31 December 2023, AFL's assets consisted in part of a steadily increasing proportion of loans to member local authorities, as well as assets in the form of securities held in the Company's liquidity reserve and deposits with the Banque de France.

Extracts from the main asset items (IFRS)

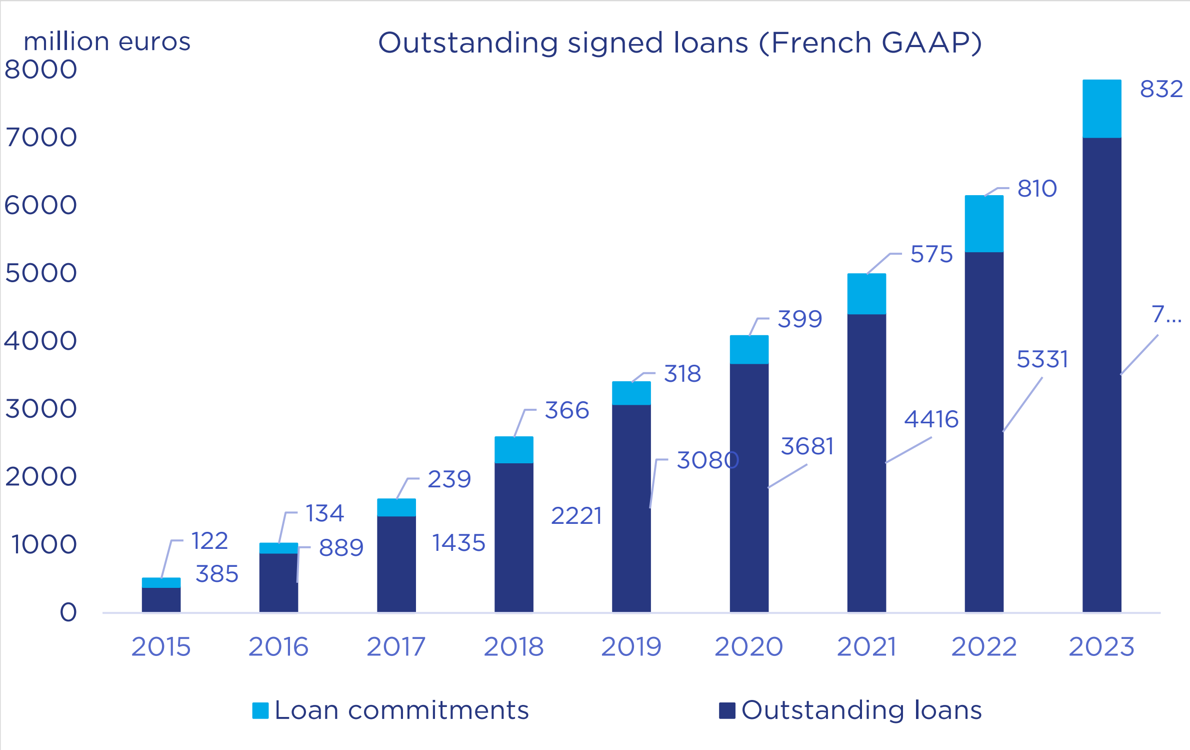
In thousands of euros	Dec. 31 2023	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec.31 2019
Loans and customer transactions	6 576 479	4 690 415	4 431 048	3 831 563	3 160 500
Securities at fair value through other comprehensive income	591 496	707 306	721 146	614 697	535 900
Securities held at amortized cost	329 201	256 891	205 979	166 864	135 387
Loans and receivables due from credit institution	71 509	93 151	217 554	196 955	110 632
Margin calls	103 784	177 604	50 195	49 954	79 190
Cash and central banks	975 130	1 134 411	1 175 917	601 746	165 604
Hedging derivative instruments	705 064	912 259	172 891	211 916	130 957

1. Loans granted to local authorities

The loan portfolio, recorded on the assets side of AFL's balance sheet, recognised at amortised cost, represented an outstanding amount of €6.576 million at 31 December 2023, compared with €4.690 million at 31 December 2022, after taking into account the consequences of the 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 an overall view of AFL's outstanding loans. At 31 December 2023, off-balance sheet financing commitments amounted to €832 million, compared with €810 million at 31 December 2022. In this way, at 31 December 2023, AFL's total loan commitments to local authorities amounted to €7.409 billion, compared with €5.501 billion at 31 December 2022. This 35% increase in outstanding loans in 2023 was due to a record number of new local authority memberships and dynamic loan origination across all AFL members, as well as to the impact on outstanding loans of the fall in interest rates during the last part of 2023, as a result of hedge accounting.

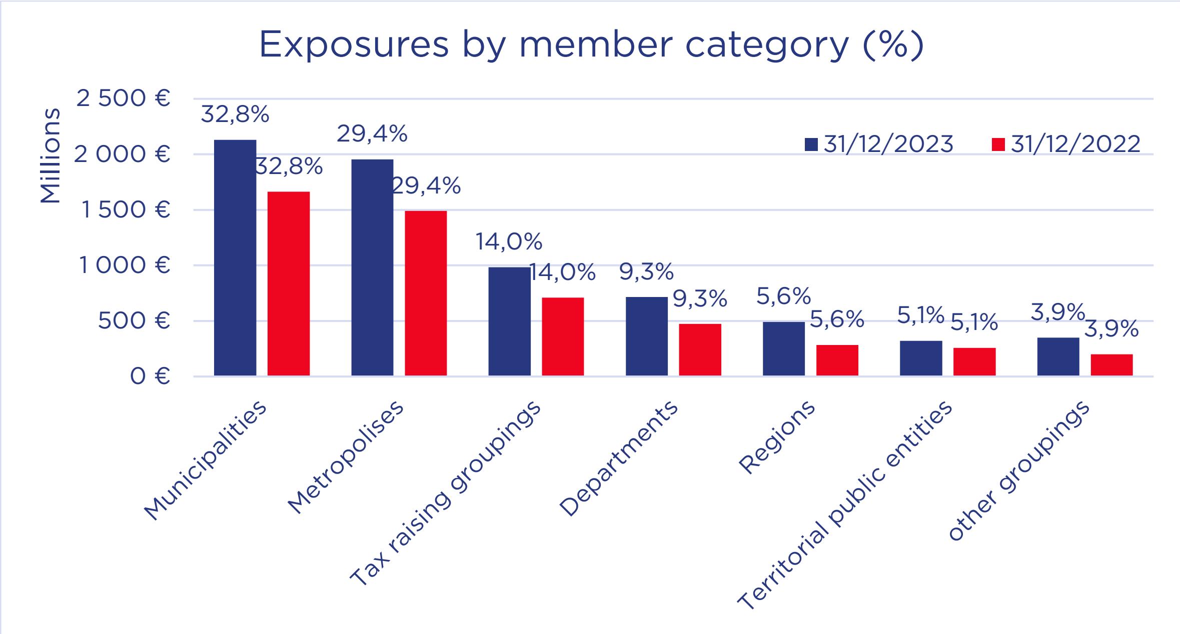
The following graph shows the change in the outstanding loan portfolio.

Outstanding loans at 31 December 2023



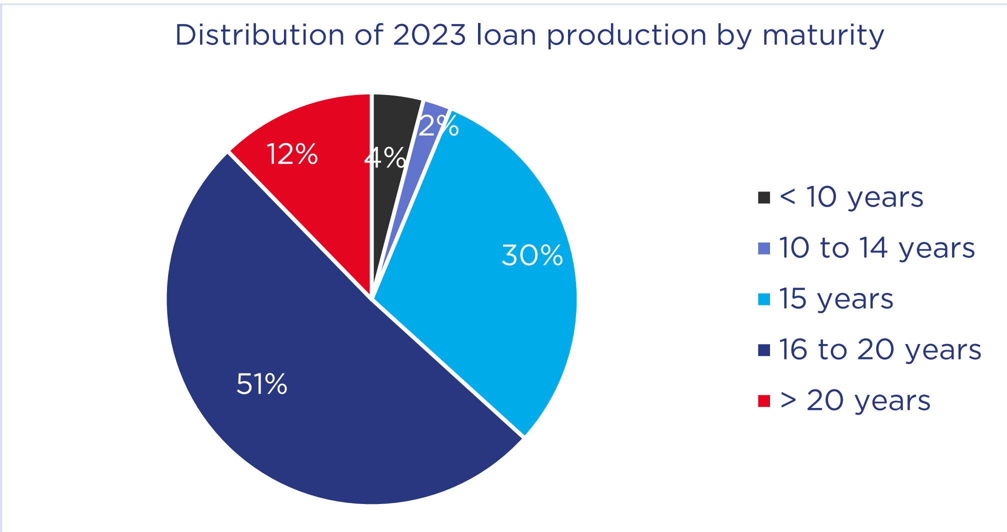
AFL lends exclusively to French local authorities, to their groupings and to the local public bodies that are shareholders in AFL-ST (the "members"). As indicated in the following graph on the breakdown of exposures by category of local authority in percentage terms and in millions of euros, the composition of the portfolio is very stable from one year to the next. At 31 December 2023, the loan portfolio consisted for 77.6% of exposures to local authorities as a whole, compared with 81.2% at 31 December 2022, 42.3% to groups with their own tax status, compared with 43.4% at 31 December 2022, and 28.1% to metropolitan areas alone, against 29.4% at 31 December 2022. Exposure to the departments was 9.5%, compared with 9.3% at 31 December 2022, and to the regions 7.1%, compared with 5.6% at 31 December 2022.

Exposures by type of member



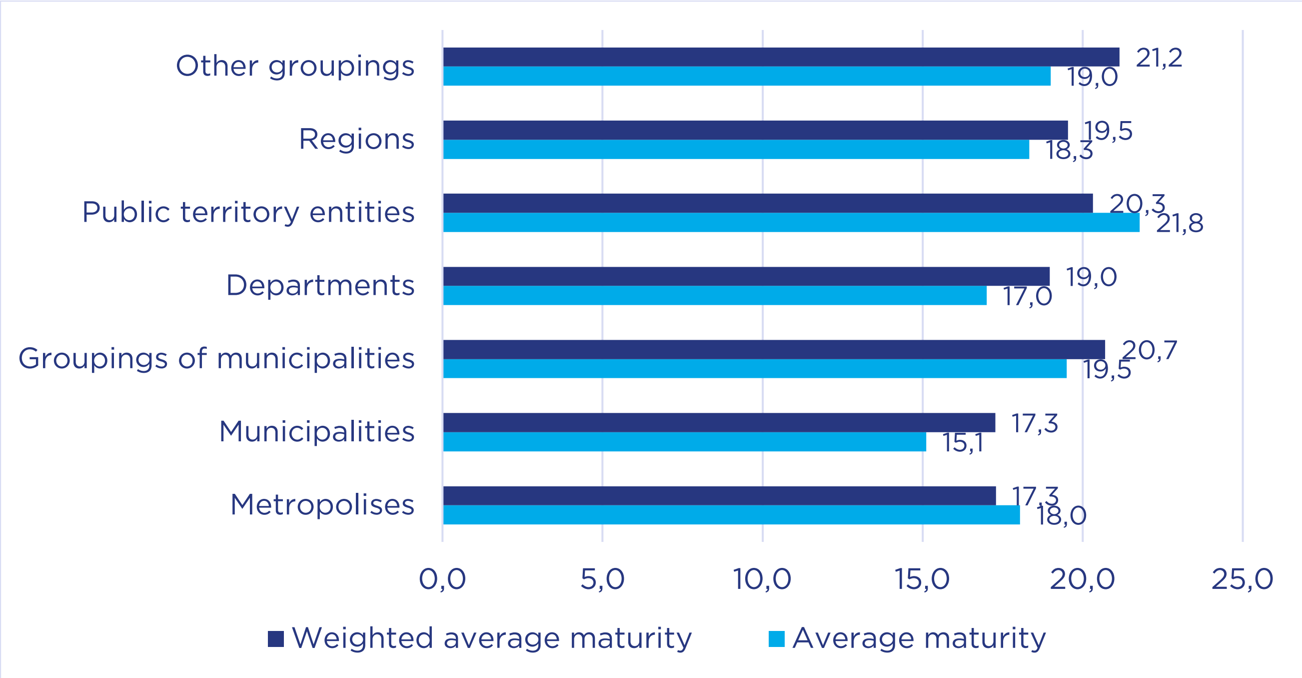
As shown in the chart below, 83% of the loans originated by AFL in 2023 had a maturity of between 10 and 20 years, including 30% at 15 years, compared to 21% in 2022. 4% of origination was for loans maturing in less than 10 years, against 2% in 2022, and 12% for loans maturing in over 20 years, against 22% in 2022. In 2023, this breakdown showed a stabilisation, or even a slight decline in the trend observed since 2020 towards a lengthening of the average maturity of loans originated.

Breakdown of the origination of loans to local authorities by maturity in 2023



The graph below shows the average maturities and volume-weighted average maturities of AFL's loan production during 2023, as of 31 December 2023, by category of local authority. We may observe a fairly high degree of homogeneity between categories, with a bias towards slightly longer maturities for trade unions, EPTs and groups with their own tax status, excluding metropolitan areas, than for the regions, departments and municipalities.

Average maturity of loans originated in 2023 by local authority segment (in years)



2. Liquidity reserve

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

AFL's liquidity reserve serves the principal purpose of meeting the institution's cash flow requirements, with the primary objective of providing the liquidity required for lending activities, debt servicing and margin calls that AFL may have to make as a result of its use of interest rate and exchange rate hedging instruments, in accordance with its financial policies and management objectives. This liquidity must be available regardless of market circumstances, it being specified that the resources which may be mobilised by AFL are resources raised on the capital markets.

At 31 December 2023, the assets comprising the liquidity reserve amounted to €1.967 billion, compared with €2.192 billion at 31 December 2022. This liquidity reserve is divided into 2 main segments:

- A segment invested in very short-term instruments and consisting of debt securities, deposits on *nostri* accounts, term accounts and deposits with the Banque de France amounting to €1.047 billion[6];
- A segment mainly but not exclusively consisting of securities benefiting from the HQLA label, due to their rating quality and high degree of liquidity, amounting to €920.7 million[7].

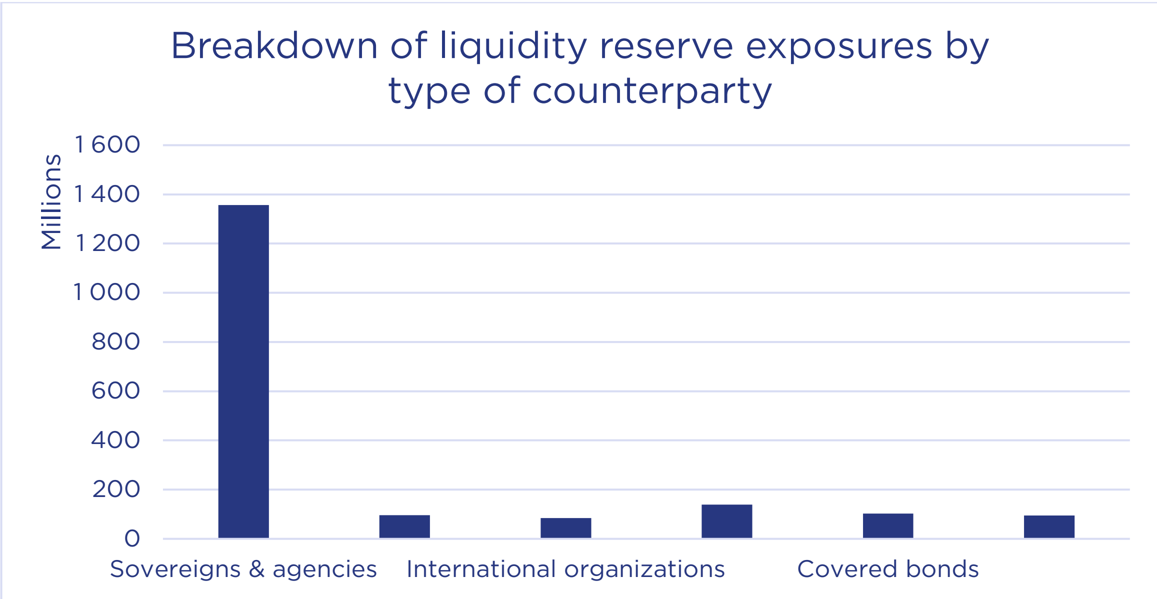
Due to the investments made as part of the liquidity reserve, AFL bears a credit risk on the issuers of assets that it acquires or on the exposures that it takes. This credit risk is nevertheless limited in view of the quality of the counterparties, which all enjoy excellent rating levels from the major rating agencies. At 31 December 2023, €1.711 million, or 90% of the liquidity reserve, consisted of HQLA assets, mainly sovereign and supranational issuers and public agencies or development banks. The remaining 10% principally 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

[6] €975 million in central bank deposits and €175 million in bank deposits, including €104 million in margin calls.
[7] €591 million of securities at fair value through equity and €329 million of securities at amortised cost.

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 following graphs 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[8]

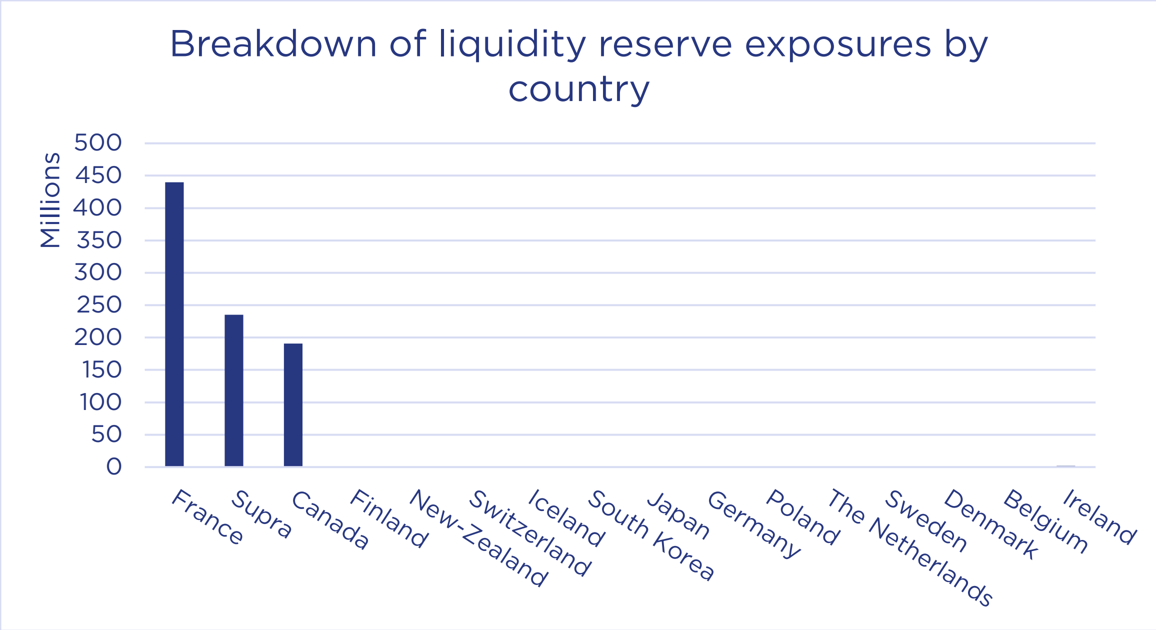


As shown in the following graphs, the assets comprising the liquidity reserve relate mainly to French issuers but also include European and international issuers. France's high proportion is explained by deposits with the Banque de France, which account for €975 million out of a total of €1.967 billion.

Excluding deposits with the Banque de France, the liquidity reserve is highly diversified, notably the securities portfolio, which provides strong resilience under market conditions that are severely disrupted by geopolitics and the tightening of monetary policies.

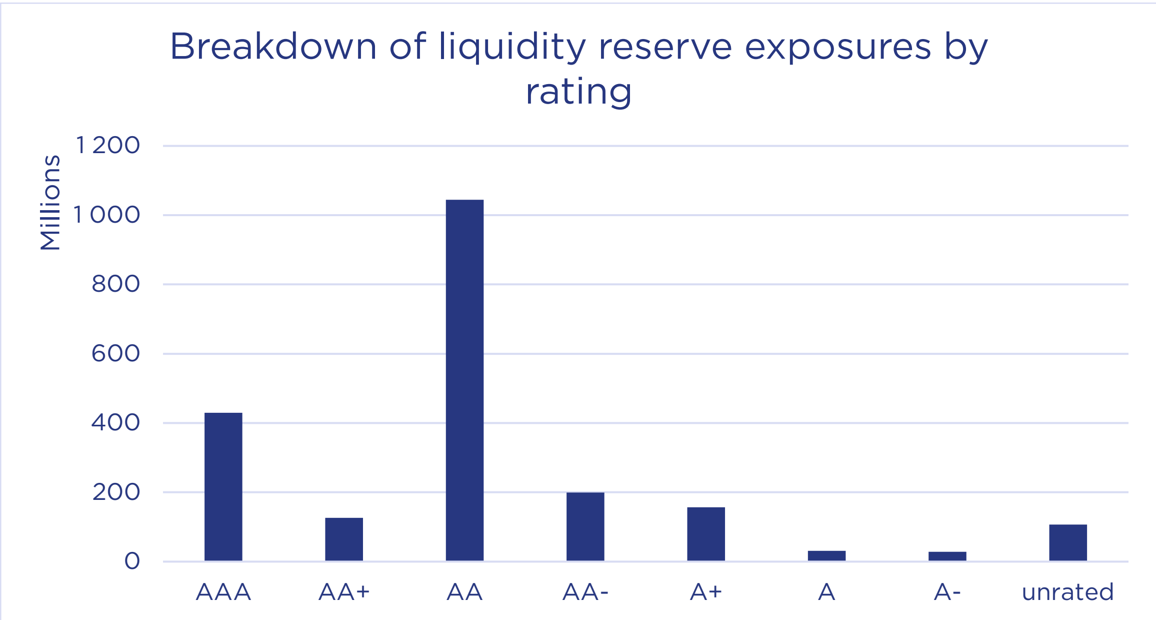
[8] "Promotional" banks or "public development credit institutions" (see the Delegated Act on the LCR liquidity coverage ratio, issued by the European Commission on 10 October 2014 and CRR2 published on 7 June 2019), represent a category of financial institutions eligible for the HQLA standard in view of its specific features.

Breakdown of liquidity reserve exposures by country



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

Breakdown of liquidity reserve exposures by rating



3. Margin calls paid

Excluding loans to local authorities and liquidity reserve assets, the balance of financial assets on AFL's balance sheet consists of margin calls relating to interest rate and currency hedging derivatives, which are paid to the clearing house, LCH Clearnet, and to market counterparties. These margin calls amounted to €103.8 million at 31 December 2023, compared with €177.6 million at 31 December 2022. AFL hedges its exposure to interest rate risk and exchange rate risk through the use of swaps. This results in the payment of margin calls as a function of the value of these hedging derivatives.

4. Subsidiaries and shareholdings

4.1. Activities of Company subsidiaries and companies under its control

AFL has no subsidiaries or holdings in other companies.

4.2. Equity investments and takeovers

AFL did not acquire any holdings in any company with its registered office in France or abroad during the financial year ended 31 December 2023.

Moreover, at 31 December 2023, AFL did not control any company pursuant to article L.233-3 of the French Commercial Code. There were thus no treasury shares held by a subsidiary.

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. Indicator of returns on assets

Since AFL's net income at 31 December 2023 was positive under both French GAAP and IFRS, the return on assets was consequently positive. The growth in AFL's banking activities in 2023 led to a significant increase in outstanding loans to local authorities, for which interest received net of interest paid generated profits after taking into account current operating expenses and depreciation. This resulted in increasing profitability of AFL's activities. In this way, at 31 December 2023, AFL's operating income after cost of risk as a proportion of shareholders' equity was 3.7%, compared with 2% at 31 December 2022.

III. Balance sheet liabilities and debt management (IFRS)

AFL's liabilities consisted mainly of debts incurred in the context of bond issues since the start of AFL's activities that have not yet matured. At the end of the financial year ended 31 December 2023, outstanding debt, recorded at amortised cost, amounted to €8.262 billion, compared with €6.589 billion at 31 December 2022, after taking into account the impact of changes in interest rates since the issue date of these debt instruments, due to hedge accounting.

With regard to AFL's equity, after four capital increases during 2023, subscribed share capital reached

€221.7 million, compared with €207.6 million at 31 December 2022 and equity under IFRS stood at €208.1 million, compared with €187.3 million at 31 December 2022.

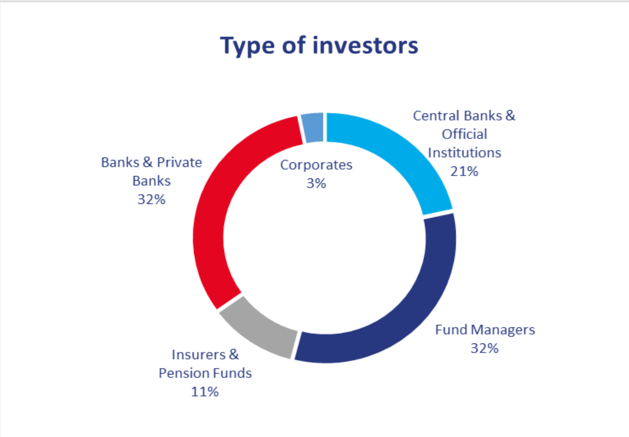
Extracts from the main liability items (IFRS)

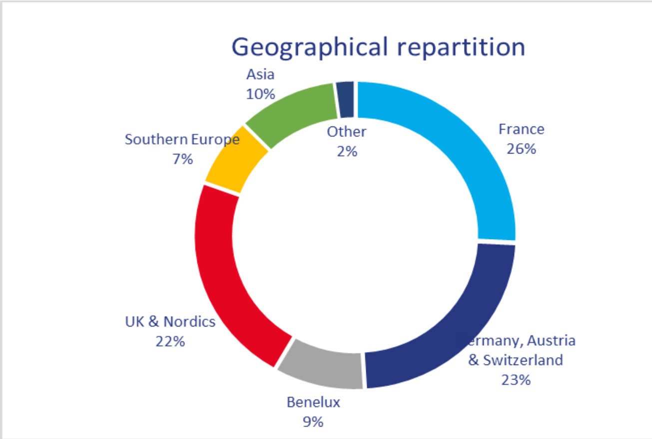
In thousands of euros	Dec. 31 2023	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec.31 2019
Debt securities issue	8 262 191	6 589 082	6 571 730	5 295 982	4 036 974
Equity	208 136	187 333	179 698	149 728	123 854

1. Financial debt of AFL

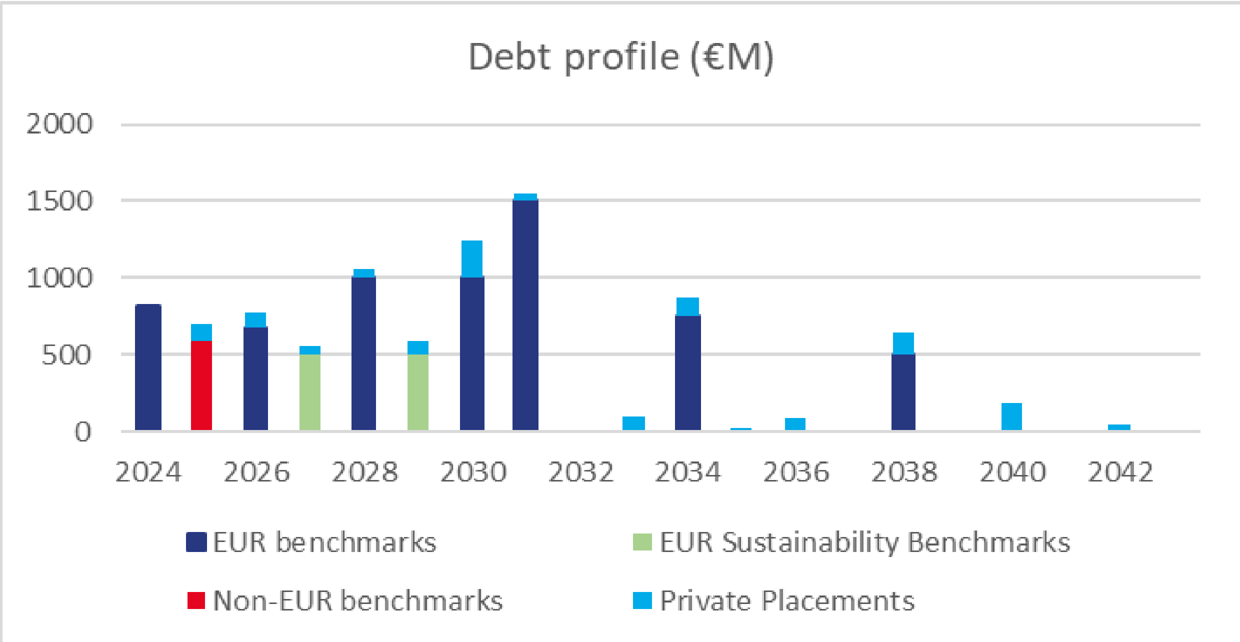
The debt portfolio recorded on the liabilities side of AFL's balance sheet, representing an outstanding amount of €8.262 billion at 31 December 2023, consisted of bonds issued by AFL to finance the growth of its lending activities and its liquidity reserve in the context of its financial policies. This portfolio consisted of benchmark-sized syndicated issues denominated in euros, with AFL having made one new issue of this type each year until 2021, then two issues of this type per year since 2022. To this should be added a syndicated issue denominated in sterling, launched in 2022 and topped up in 2023, and numerous private placements denominated in euros and in other currencies, including the US dollar, the Australian dollar and the Swedish krona. This mix of instruments and currencies reflects the implementation of AFL's issuance strategy, which consists of favouring syndicated benchmark-sized issues, denominated in euros, in order to establish AFL's signature on the markets and to ensure that it has the resources necessary for its development on a long-term basis, while at the same time making private placements denominated in euros or in foreign currencies, when demand permits. Private placements represent a very useful complement to syndicated issues, providing additional diversification for the placement of AFL's debt under conditions that are generally optimised, in terms of cost and maturity. The distribution of the portfolio of syndicated euro-denominated issues is shown in the following graphs.

Geographical distribution and type of investor for AFL's euro-denominated issues





At 31 December 2023, the average maturity of AFL's bond debt was 5.3 years, compared with 5.5 years at 31 December 2022. The debt maturity profile is shown in the following graph:



2. Breakdown of accounts payable

The figures presented below refer to the composition at the end of the financial year ended 31 December 2022 of the balance of debts to AFL suppliers, in accordance with Article D. 441-4 of the French Commercial Code.

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

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

Total trade payables (including tax in euro)				
Dec. 31 2023	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec.31 2019
946 094 €	888 766 €	1 043 284 €	1 464 312 €	1 101 026€

The following table indicates the number and amounts net of tax of supplier invoices received and not yet paid at the closing date of the financial year. Information on late payments is provided as a breakdown by late payment tranches, expressed as a percentage of the total amount of purchases and of revenues during the financial year. The benchmark terms of payment used to prepare this table are the contractual payment deadlines. It emerges from this table that AFL's supplier debt is characterised by a payment deadline of less than 30 days.

Invoices received and not paid as of December 31, 2022 which term is past due (excluding taxes in euros)						
	Article D.441-6 I, 1° : Invoices received and not paid at the end of the financial year and which term is past due					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total invoices (1 day or more)
(A) Late payment tranches						
Number of invoices concerned	66	-	-	-	2	2
Total amount of invoices concerned excl. Tax	672 532,91 €	-	-	-	173,27	173,27
Percentage of the total amount of purchases excl. Tax for the financial year	7,77%	-	-	-	0	0
Percentage of revenue excl. Tax for the financial year	4,84%	-	-	-	0	0
(B) Invoices excluded from (A) relating to disputed or unrecognised debts						
Number of invoices excluded	-	-	-	-	-	-
Amount of invoices excluded	-	-	-	-	-	-
(C) Reference payment period used (contractual or legal period - Article L.441-6 or Article L.443-1 of the French Commercial Code)						
Payment periods used to calculate late payments	Contractual					

The following table shows the number and amounts net of tax of invoices relating to disputed or unrecognised payables and receivables.

Invoices overdue 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 invoices (1 day or more)
(A) Late payment tranches						
Number of invoices concerned	1 152	26	12	3	14	55
Total amount of invoices concerned excl. tax	8 430 486 €	172 049 €	37 951 €	10 369 €	9 770 €	230 138 €
Percentage of the total amount of purchases excl. tax for the financial year	97,34%	1,99%	0,44%	0,12%	0,11%	2,66%
Percentage of revenue excl. Tax for the financial year	60,73%	1,24%	0,27%	0,07%	0,07%	1,65%
(B) Invoices excluded from (A) relating to disputed or unrecognised debts						
Number of invoices excluded						
Amount of invoices excluded						
(C) Reference payment periods used (contractual or legal period - Article L.441-6 or Article L.443-1 of the French Commercial Code)						
Payment periods used to calculate late payments	Contractual					

3. Margin calls received

Excluding debt instruments, the balance of financial liabilities in AFL's balance sheet consists of margin calls relating to interest rate and exchange rate hedging activities received from the clearing house, LCH Clearnet, and market counterparties. These margin calls amounted to €133.3 million at 31 December 2023, compared with €102.4 million at 31 December 2022.

IV. Net income for the period ended 31 December 2023

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

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 for the financial year ended 31 December 2022, on a voluntary basis, which are discussed in this report.

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

1. French GAAP financial statements

Key events of the past financial year

The year 2023 marked a further very significant increase in earnings from lending activities, in line with the Company's development trajectory, in accordance with its 2022-2026 strategic plan. Earnings growth excluding non-recurring items reflected the strong trend in revenue generation momentum from loan origination since 2015, when AFL began lending, and is notably measured by the regular and continuous increase in the value of loans granted to member local authorities.

The origination of medium- and long-term loans by AFL in 2023 amounted to €1,907.4 million, against €1,391.5 million in 2022. This increase is explained by the large number of new memberships, generally followed by a call for credit, and by the increased financing requirements of local authorities, linked to a sustained rate of capital expenditure.

At the close of the financial year 2023, net banking income generated by the business amounted to €23.570 million. The net banking income for 2023 mainly corresponded to a net interest margin of €24.028 billion, an increase of 52% compared with the net interest margin for 2022, which was €15.790 billion, capital gains from the sale of investment securities of €540,000 compared with €1.467 million in 2022, arising from management of the liquidity reserve, and charges to provisions for impairment of investment securities of €1.107 million compared with €3.565 million in 2022. Provisions for impairment in value of marketable securities were due to the deterioration in credit margins on securities in the investment portfolio, as a result of the continued tightening of monetary policy by the ECB since the end of the first half of 2022, which resulted in a steady rise in key rates and the end of banking sector refinancing and securities purchase programmes.

Indeed, in accordance with the principle of prudence governing French accounting standards, impairments on short-term investment securities were recorded in 2023. At the same time, these provisions cannot be taken as indicators of proven counterparty risk.

The net interest margin of €24.028 million is attributable to three factors:

- Firstly, income relating to the loan portfolio of €221.566 million, after hedging effects, compared with €31.182 million at 31 December 2022, is up sharply due to the rapid increase in outstanding loans and above all the sharp rise in the 3-month Euribor rate, to which most of AFL's loan portfolio is indexed through hedging derivatives, automatically resulting in an increase in interest income.

- Secondly, income from the liquidity reserve, which amounted to €84.138 million, compared with €2.641 million at 31 December 2022, showed a similar trend, again due to the sharp rise in the 3-month Euribor rate and the ECB deposit rate, to which these assets are indexed. In this regard, we should also note a reduction in the cost of carrying of liquidity due to the higher profitability of Banque de France deposits, with the deposit rate actually rising faster than market expectations of rate rises.

- Lastly, interest on debt, which amounted to €281.676 million, compared with €18.033 million at 31 December 2022, increased symmetrically due to the sharp rise in the 3-month Euribor rate, to which the debt issued by AFL is indexed through hedging derivatives.

For the year ended 31 December 2023, general operating expenses amounted to €14.438 million, compared with €12.428 million for the previous year. These expenses include staff costs of €7.351 million, compared with €6.152 million at 31 December 2022, and administrative expenses of €7.087 million, compared with €6.276 million at 31 December 2022, after deducting rebillings between AFL and AFL-ST and deferred charges.

The increase in operating expenses may be explained by the following factors:

- Staff costs rose from €1.198 million to €7.351 million at 31 December 2023 due to new recruitment and increases in fixed salaries and in variable remuneration.

- External services, net of rebilling between AFL and AFL-ST and deferred charges, increased by €615,000 to €5,722 million at 31 December 2023, compared with €5,107 million at 31 December 2022. The increases principally derived from IT system operating costs, an increase in the use of non-legal advisers and from marketing and communication expenses.

- An increase in taxes and compulsory contributions of €196,000 to €1.364 million at 31 December 2023, compared with €1.169 million at 31 December 2022. The main component of this increase was the €158,000 contribution sociale de solidarité des sociétés [company social solidarity contribution] (C3S).

At the end of the financial year, depreciation and amortisation amounted to €1.191 million, compared with €1.065 million at 31 December 2022, an increase of €126,000. This increase in depreciation mainly reflects continued investment in AFL's overall IT infrastructure, including the credit chain, the data reservoir, the third-party database, the development of regulatory reporting and the information system dedicated to the processing of market transactions.

After an income tax charge of €406,000, net income at 31 December 2023, at €7.534 million, was significantly higher than the net income for 2022, which stood at €348,000, confirming the viability and sustainability of the model adopted by AFL.

Revenues generated by AFL's recurring activities continued to grow rapidly, resulting in a positive result for the fourth consecutive year and a cost/income ratio of 66.3%, compared with 85.5% at 31 December 2022.

In accordance with practices of financial institutions for presenting their results, the following paragraph shows the formation of the profit for the year according to the IFRS benchmark. The difference between the French GAAP and IFRS benchmarks mainly concerns deferred tax assets not recognised under French GAAP, hedge accounting and the restatements relating to IFRS 16 on leases.

Reconciliation of French GAAP accounts with IFRS standards

Transition from French GAAP to IFRS (in thousands of euros)	31-déc-23
Net profit under French GAAP	7 534
IFRS restatements	
Cancellation of provisions for unrealized losses on investment securities	1 107
IFRS 9 impairment losses	117
Hedging inefficiencies of financial instruments	-1 553
Deferred tax adjustments	80
Other treatments	-1 546
Net profit under IFRS	5 738

2. IFRS financial statements

Key events of the past financial year

The year 2023 marked a further very significant increase in earnings from lending activities, in line with the Company's development trajectory, in accordance with its 2022-2026 strategic plan. Earnings growth excluding non-recurring items reflected the strong trend in revenue generation momentum from loan origination since 2015, when AFL began lending, and is notably measured by the regular and continuous increase in the value of loans granted to member local authorities.

Medium and long-term loan origination by AFL in 2023 amounted to €1,907.4 million, compared with €1,391.5 million in 2022. This increase is explained by the large number of new memberships, generally followed by a call for credit, and by the increased financing requirements of local authorities, linked to a sustained rate of capital expenditure.

At the end of the financial year 2023, net banking income generated by the business amounted to €23.213 million, compared with €17.569 million at 31 December 2022. NBI for 2023 mainly corresponded to a net interest margin of €24.118 million, compared with €15.602 million at 31 December 2022, an increase of 55%; to capital gains on disposals of investment securities of €540,000, compared with €1.467 million in 2022, after adjustment for hedging items sold; and net income from hedge accounting on balance sheet items of -€1.576 million, compared with €367,000 in 2022.

The sharp rise in the net interest margin can be explained by the following factors: the increase in outstanding loans at a stable margin net of the cost of debt, the rise in interest rates which translated into a higher return on assets replacing equity capital, and the very significant fall in the carrying cost of liquidity, due to the ECB raising its key rates faster than market expectations.

The net interest margin of €24.118 million had the following breakdown:

- Firstly, income from the loan portfolio, which amounted to €221.566 million after hedging effects, compared with €31.182 million at 31 December 2022, rose sharply due to the rapid increase in outstanding loans and above all, the sharp rise in the 3-month Euribor rate, to which most of AFL's loan portfolio is indexed through hedging derivatives, leading mechanically to an increase in interest income;

- Secondly, income from the liquidity reserve, which amounted to €84.229 million, against €2.460 million at 31 December 2022, showed a similar trend, again due to the sharp rise in the 3-month Euribor rate and the ECB deposit rate, to which these assets are indexed. In this regard, we also note a reduction in the cost of carrying liquidity due to the higher profitability of Banque de France deposits.
- Lastly, interest on debt, which amounted to €281.677 million, compared with €18.040 million at 31 December 2022, increased symmetrically due to the sharp rise in the 3-month Euribor rate, to which the debt issued by AFL is indexed through hedging derivatives.

The net result of hedge accounting, which amounted to €1.576 million, represents the sum of the fair value differences between the hedged items and their hedge. Of these differences, -€1.015 million related to charges for valuation differences on instruments classified as macro-hedges, -€2.348 million to income from valuations of asset instruments classified as micro-hedges and €1.787 million to charges from debts classified as micro-hedges.

Indeed, unrealised valuation differences persisted between hedged items and hedging instruments, one of the components of which stems from a market practice that recognises a valuation asymmetry between hedging instruments that are collateralised on a daily basis, discounted on a €STR curve, and hedged items, discounted on a Euribor curve. According to IFRS standards, this led to the recognition of hedge ineffectiveness, which was recorded in the income statement. It should be noted that this was nevertheless an unrealised income item.

For the year ended 31 December 2023, general operating expenses amounted to €14.513 million, compared with €12.513 million at 31 December 2022, once restated for the application of IFRIC relating to software used in SaaS mode. These expenses include staff costs of €7.343 million, compared with €6.124 million at 31 December 2022. General operating expenses also included administrative expenses, which amounted to €7.170 million compared with €6.389 million at 31 December 2022, after deducting rebillings between AFL and AFL-ST.

The increase in operating expenses may be explained by the following factors:

- Staff costs increased by €1.219 million to €7.343 million at 31 December 2023, due to new recruitment, higher fixed salaries and higher variable remuneration.

- External services net of rebillings between AFL and AFL-ST increased by €586,000 to €5.806 million at 31 December 2023, compared with €5.220 million at 31 December 2022. The increases principally derived from IT system operating costs, an increase in the use of non-legal advisers and from marketing and communication expenses.

- An increase in taxes and compulsory contributions of €196,000 to €1.364 million at 31 December 2023, compared with €1.169 million at 31 December 2022. The main component of this increase was the €158,000 *contribution sociale de solidarité des sociétés* [Company social solidarity contribution] (C3S).

At the end of the financial year, depreciation and amortisation amounted to €1.081 million, compared with €866,000 at 31 December 2022, an increase of €215,000. The depreciation provisions for the period took into account the restatements resulting from the IFRIC ruling on the implementation costs of Information Systems, which has been applied since 1 January 2022.

In addition to this regulatory impact, this change mainly reflected ongoing investment in AFL's entire IT infrastructure, including the credit chain, the data repository, the third-party database, the development of regulatory reporting and the information system dedicated to the processing of market transactions.

After depreciation and amortisation, gross operating income at 31 December 2023 amounted to €7.619 million, compared with €4.190 million at 31 December 2022.

The cost of risk relating to ex-ante impairment for expected losses on financial assets under IFRS 9 was a reversal of a provision of €117,000, compared with an allocation of €404,000 at 31 December 2022.

The result was an overall stock of IFRS 9 provisions of €1.158 million at 31 December 2023, compared with €1.276 million at 31 December 2022, corresponding to 1.3 basis points of outstanding loans, compared with 1.7 basis points at 31 December 2022. This reduction was the result of a change in the weighting of the macroeconomic scenarios underlying the provisioning calculation model, given that loans to local authorities and securities held in AFL's portfolio are low-risk by nature.

At 31 December 2023, AFL had total deferred tax assets of €4.609 million, compared with €6.641 million at 31 December 2022. This decrease principally corresponded to the reduction in tax loss carry-forwards accumulated since the creation of AFL. The tax charge of €1.999 million for 2023 corresponded to corporation tax of €406,000 and a deferred tax charge of €1.673 million relating to the use of tax losses.

After tax, AFL ended the financial year 2023 with net income of €5.738 million, compared with €2.758 million at 31 December 2022.

Revenues generated by AFL's core activities grew rapidly, as was demonstrated by the sharp improvement in the cost/income ratio, which fell from 76.1% at 31 December 2022 to 67.2% at 31 December 2023, confirming the viability and sustainability of the model adopted by AFL.

3. Proposed allocation of net income

It was proposed that the entire net profit for the year ended 31 December 2023 (financial statements prepared in accordance with French GAAP) of €7,534,665 should be allocated to retained earnings.

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

No dividends were distributed by way of the financial year ending 31 December 2022 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 31 December 2023, AFL did not incur any 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 implemented a comprehensive risk management system, which aims to identify, measure, manage and control the risks of all kinds that affect 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 the overall risks associated with its activity. Reviewed annually, the risk appetite is validated by AFL-ST's Board of Directors and AFL's 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:

Rating of French local authorities

- Each local authority that is a member of AFL is rated before any loan is granted. The assessment of a member's credit quality is based on a quantitative rating based, on the one hand, on financial indicators and, on the other hand, on socio-economic indicators (NSE). This quantitative rating, consisting of two scores, is applied to all credit applications and is used to obtain a system score. In addition, a qualitative analysis may be carried out depending on the risk profile or the amount granted.

- AFL takes into account the environmental, social and governance (ESG) factors and risks likely to have an impact on the creditworthiness of borrowers in its lending policy, as follows:
    - AFL takes social risks into account in its policy for granting loans via the rating, the NSE impact of the rating of local authorities, incorporating social factors, such as the unemployment rate or per capita income;
    - AFL takes governance risks into account in its credit granting policy via the rating. The qualitative approach developed for certain local authorities includes aspects of local authority governance, even though local public management is generally considered to be robust and stable due to a particularly restrictive legal and budgetary framework;
    - In order to integrate the environmental factor into its lending policy, AFL has developed a Climate vulnerability index. At this stage, this index applies exclusively to municipalities. It allows for the incorporation of an assessment of the vulnerability of a local authority to climatic hazards.

Credit risk for French local authorities

All French local authorities - regions, departments, municipalities, their groupings and local public bodies regardless of their size - can join Agence France Locale, provided that 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.[9].

The two criteria established by Decree for a local authority to join AFL are as follows:

- Its debt reduction capacity, calculated over the average of the last three years, must be less than 9 years for regions and single territorial authorities, 10 years for departments and the Metropolis of Lyon, and 12 years for municipalities, the City of Paris and local public groupings and establishments.
- If the first criterion does not meet the threshold of the Decree, its current cash flow, also calculated on the average of the last three years, 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 AFL-ST's Board of Directors on a scale ranging from 1 (best score) to 7.

The following limits govern the granting of a loan.

[9] Decree No. 2020-556 of 11 May 2020, relating to the application of Article L. 1611-3-2 of the General Local Authorities Code.

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 mobilisation phase, and cash lines. The distribution of any structured product is prohibited.

Shareholder membership of AFL-ST is a necessary but not a sufficient condition for obtaining a loan from AFL. 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 80% 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 as a function of 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 outstanding loans 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 linked to the liquidity reserve

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

- Ensuring AFL's liquidity under all circumstances, in order to be able to deal with all cash outflows relating to its banking activity, regardless of market conditions;
- Protecting 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 European Economic Area and North America;
- Investment in the securities of other public sector issuers;
- Investment in securities of public sector issuers with less liquidity or which are not rated for a limited portion of the liquidity reserve.

Authorised 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 European Economic Area 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" - "High Quality and Liquidity Assets").

This management, while 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 securities in the reserve, reflecting 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 unrealised 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%, with a range of 80-125%.
  - 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 AFL's reserve will allow 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 bonds traded on a regulated market, in the form of benchmarks or private placements, under an EMTN (Euro Medium Term Note) program, but also, and to a lesser extent, money market negotiable debt securities, under an ECP (Euro Commercial Paper) program. 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 amortisable 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 amortisable, so that AFL is subject to a transformation risk or price risk in liquidity. AFL severely limits its transformation, measured by two ratios:
    - The average life gap corresponds to the average maturity gap between assets and liabilities and measures the transformation practised by AFL; the activity is steered to limit this gap to one year. The 12-month limit may nevertheless be exceeded, for example during peaks in loan origination. These overshoots must be temporary and limited to a period of no more than 6 months from the date on which the overshoot is recorded. In such cases, the average life gap must never exceed 24 months.
    - The "Net Stable Funding Ratio" or "NSFR" compares AFL's stable funding (at more than 12 months) to long-term funding requirements. The regulatory requirement is 100%.
    - Over a 20-year period, the nominal value of loans granted by AFL after amortisation must not exceed the amount of ICCs promised.

This policy, while conservative, cannot fully protect AFL against 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 to the hedging derivatives required for its hedging policy.

Interest rate and foreign exchange risks

AFL seeks to ensure that the income generated by its activity or its equity capital is not sensitive to interest rates or exchange rates. To this end, AFL has implemented a quasi-systematic policy of hedging its statement of financial position instruments via derivatives.

The systematic subscription, at the time of issues or investments in currencies, of currency swaps (mirror contracts) reduces the entire AFL statement of financial position to a single exposure to the euro.

AFL hedges almost all fixed-rate items on its balance sheet to variable rates against either a 3-month Euribor benchmark or, to a limited extent, an €STR basis by arranging interest-rate swaps, with the exception of an unhedged exposure envelope, which notably includes fixed-rate loans, certain bridging loans, certain securities in the reserve and a liability envelope of unhedged debts issued by AFL.

These policies enable AFL to limit the sensitivity of its income and equity capital to changes in interest rates or exchange rates to a large extent, albeit without completely eliminating its sensitivity. In particular, the balance sheet remains sensitive to changes in interest rates when these are in negative territory, to the accounting ineffectiveness of the hedges implemented, to the basis risks between the different rates to which the balance sheet items remain exposed, and to a fixing risk linked to the different fixing dates of the variable rates on its balance sheet. 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 linked to margin calls. The counterparty risk associated with hedging transactions is mainly limited by the fact that exposures related to these hedging transactions are collateralised to the first euro and by the fact that a large proportion of these transactions are processed through a clearing house.

Sensitivity to interest rate risk is controlled by the regulatory indicator of the sensitivity of the net present value of AFL's economic value to a change in interest rates and by the indicator of the sensitivity of the Group's net interest margin to a change in interest rates.

In the event of a rise or fall of 2% in interest rates, the change in the AFL Group's net present value must not exceed 15% of prudential capital.

In the event of a rise or fall of 2% in interest rates, the change in the AFL Group's net interest margin must not exceed 5% of prudential capital.

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 materialisation of non-financial risks, which are inseparable from the completion of AFL transactions, particularly in the context of a sharp increase in volumes traded.

In order to illustrate this appetite for non-financial risks of AFL, the following points shall be highlighted:

AFL has set itself the objective of setting the deductible of its main insurance policies as 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, 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 €500,000, 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 net banking income over the last three years and amounted to €2.2 million at 31 December 2022.

Solvency and leverage ratio floor requirements

In order to have sufficient capitalisation, 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.

AFL Group undertakes to maintain a solvency ratio in excess of 12.5%, rising to 13% from 31 March 2024 onwards.

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 that could, in AFL's estimation at the date of this report, affect AFL's activity, financial position, reputation, results or prospects, as identified in particular in connection with the preparation of the risk mapping of 14 June 2017, as amended. This mapping, which will be updated in 2022, assesses the criticality of risks, i.e. their seriousness in terms of operational, financial, legal/regulatory and reputational impact, as well as the likelihood of their occurrence, after taking into account the action plans put in place.

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

Within each of the risk categories mentioned below, the risk factors that AFL considers to be the most significant at the date of this report are mentioned first. The exposure figures presented provide information on AFL's degree of exposure but are not necessarily representative of future risk trends.

1. Strategic risks

A. The global economic, financial and political environment in countries and markets where AFL does business or raises finance may have a significant impact on AFL's business and financial position and net income

AFL, which is a specialised credit institution, financing French local authorities exclusively, could be strongly affected by a significant deterioration in the economic, financial, political or geostrategic environment of the countries and markets in which it carries out its activities, in which it refinances itself or in which it invests its cash.

At end-2023, geopolitical tensions were high, global and multi-faceted. Present in Ukraine and in Gaza following the Hamas attacks, these are fuelled by the prospect of presidential elections in the United States, Russia and China in 2024. These tensions reveal an acceleration in the fragmentation of the world into blocs with opposing visions. A change in this situation could destabilise Europe, AFL's main area of activity, and generate volatility in the international financial markets in which AFL refinances itself or in which it invests its cash.

At end-2023, on emerging from the Covid 19 crisis, France's debt reached 110% of GDP, with the cost of debt gradually rising as interest rates returned to positive territory. On 28 April 2023, Fitch downgraded the French government's long-term rating from AA to AA-. At the end of 2023, S&P kept the rating on negative watch. A downgrade of France's sovereign rating cannot be ruled out. This could lead to a downgrading of AFL's rating, even if this latter entity is not mechanically linked to it, and could contribute to increasing AFL's refinancing costs, which would weigh on AFL's profitability if it were unable to pass these on to borrowers.

At the start of 2024, as a result of the ECB's vigorous monetary policies, total French inflation (HICP index), which had peaked at the beginning of 2023, continued to fall: according to the Banque de France, after an annual average of 5.7% in 2023, it will fall sharply to 2.5% in 2024. If inflation is effectively brought under control, both short and long rates could fall. This evolution could weigh on AFL's capital ratios and net interest margin, even though the latter is largely insensitive to interest rates.

In terms of spreads, in 2023, the weakening growth of the German economy led to a deterioration in the spread of the Euribor rate curve against the Bund. If this spread continues to deteriorate, for example, if the German economy continues to weaken, AFL's refinancing cost could deteriorate, weighing on its situation if it is unable to pass on the cost of the resources raised to its borrowers.

Lastly, according to the Banque de France, by 2024, the French economy should be gradually emerging from inflation without a recession. In the short term, the Banque de France expects growth to be revised slightly downwards to 0.8% for 2023, while maintaining its growth projection for 2024 unchanged at 0.9%.

A recession in Europe and France would result in lower economic activity, with a rise in unemployment that could drive up public sector deficits and further boost sovereign debt already impacted by the Covid crisis.

With regard to the financial position of local and regional authorities, early indicators released by the Ministry of Finance show that the local public sector accounts were in good overall shape in 2023. It nevertheless appears that there are diverging trends, different segments of local authorities and even within each of these. As a result of the crisis in the property market, tax receipts from transfer taxes (*Droits de mutation à titre onéreux* - DMTO) fell in 2023, although there were territorial differences. With regard to 2024, weaker growth or even a recession in France, could have a negative impact on local authority tax revenues, particularly index-linked revenues (VAT), and hence on their financial situation.

Other uncertainties remain for 2024, notably with regard to the expected budgetary contribution of local authorities to balancing the public accounts. The public finance programming law evokes an effort to control the operating expenses of local authorities by limiting their growth. Coupled with an increased borrowing requirement linked to the need to invest to manage ecological and social transitions, this could lead to a weakening of the financial situation of French local authorities, which are AFL's sole borrowers.

More generally, AFL's exposure to the French local public sector exposes it to risks arising from the economic and social situation in France, which may weigh on local authority budgets, and to risks arising from changes in public policies (local or national) relating to the financing of local authorities, which are likely to restrict the debt capacity of member local authorities and reduce their budgets, both of which could significantly affect AFL's loan origination and its results.

B. The competitive environment could affect AFL's activities and it may not arouse the expected interest among local authorities. AFL carries out these activities for the exclusive benefit of its member local authorities and therefore has no prospect of diversification.

Existing and/or growing competition in the local public sector financing market, notably resulting from players such as the LBP-SFIL-CAFFIL-la CDC group, the EIB, the BPCE group and the Crédit Agricole group, could lead: (i) to significant reductions in AFL's profit margins; and (ii) to very limited new lending for AFL, with a negative impact on AFL's net banking income.

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 the interest of the model used by AFL for local authorities. In 2023, AFL accounted for a market share estimated at nearly 55% 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, to make capital contributions and to act as guarantors under the Member Guarantee, or by the restrictions on recourse to debt to which they may be subject.

A lack of interest among 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, could jeopardise its sustainability.

By way of application of Article L. 1611-3-2 of the French General Local and Regional Authorities Code, AFL carries out these activities for the exclusive benefit of its member local authorities and hence 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 an alternative activity, which could call its sustainability into question.

C. AFL is supervised by the Autorité de Contrôle Prudentiel et de Résolution and is subject to a constantly evolving regulatory framework, which could have an impact on its financial situation.

AFL has been benefited from authorisation by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) since 12 January 2015 as a specialised lending institution. This authorisation is indispensable for the exercise of AFL's activity. This authorisation 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 15 July 2014, as amended by Regulation (EU) 2019/877 of 20 May 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 which 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 for tackling banking crises in advance, preserving financial stability and minimising the exposure of taxpayers to losses.

The SRM regulations provide for the application of several resolution tools that can be implemented: (a) in the event of an actual or foreseeable default of AFL or the Group; (b) if there is no reasonable prospect that a measure other than private action or supervisory action will prevent the failure; and (c) a resolution measure is necessary in the public interest.

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

- Disposal on normal terms either of the institution itself or of all or part of its business, without the consent of the shareholders;
- Bridge institutions - allow 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, which may then also form the object of other reduction or impairment measures.

The level of minimum capital requirements and eligible liabilities of each lending institution is determined by the Resolution Council on the basis of the following criteria: the need for the resolution measures taken to satisfy in full the objectives of the resolution; the need, where applicable, for the lending institution to have a sufficient amount of eligible commitments 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 fulfil the conditions of its authorisation and to carry out the activities for which it was authorised 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 Agence France Locale Group has already imposed an internal solvency ratio limit of 12.5% since its creation. This will be raised to 13% from 31 March 2024 onwards.

On 22 December 2023, the ACPR confirmed the Agence France Locale Group's obligation to hold capital which permitted it to comply with a total prudential capital requirement of 9.25%, including the minimum capital requirement of 8% and an additional capital requirement, known as Pillar 2, of 1.25%. In addition, AFL Group is required in principle to hold capital enabling it to meet the capital conservation buffer requirement set at 2.5%. The countercyclical buffer rate applicable to French exposures since 7 April 2023 is 0.5%. It was increased to 1% with effect from 2 January 2024 onwards.

Due, in particular, to its risk profile and activity, the liquidation strategy was adopted as the Group's resolution strategy, with the MREL requirement thus set at 11.75%, limited to the loss absorption amount, calculated as the sum of the capital requirements. At 31 December 2023, prudential capital amounted to € 207 million. Given the credit quality of the assets carried by the Agence France Locale Group, the solvency ratio reached 13.23% on a consolidated basis.

The powers granted to the resolution authorities, or the non-compliance by AFL with the minimum capital requirements and eligible liabilities, could have an influence on the form of its management, 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 authorisation and jeopardise the sustainability of its existence.

2. Financial risks

A. AFL is exposed to three types of liquidity risk:

- 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 mismatch between the maturity of refinanced assets and that of the liabilities; this mismatch most commonly occurs with assets with a longer maturity than the liabilities. At 31 December 2023, the average maturity difference between AFL's assets and liabilities was 1.27 years and the NSFR ratio was 231%.

- Financing risk: this is the risk that AFL will be unable to raise the liquidity it needs to meet its commitments and the financing requirements associated with its development. At 31 December 2023, AFL had a liquidity reserve of €1.967 billion, corresponding to an NCRR ratio of 80%. The regulatory 30-day liquidity ratio (LCR) was 541%.

- Illiquidity risk: this is the risk of a disruption in short-term cash flow, notably linked to the risk that AFL may be unable to sell an asset on a market without suffering an impairment loss. At 31 December 2023, for the portfolio of financial assets at fair value through equity alone, the net balance sheet value of which was €592 million, the impact of gains and losses recognised directly in equity amounted to -€3.123 million, net of deferred tax.

It should be highlighted that AFL's liabilities do not consist of sight deposits but of market resources.

AFL has access to TRiCP (*Traitement Informatique des Créances Privées*) [IT processing of private receivables], which provides it with a credit line from the Banque de France which is available at any time, by mobilising its medium- to long-term loans. If AFL were nevertheless 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 judged as acceptable for an extended period, its financial position could be adversely affected.

A deterioration in economic conditions (see risk factors §1.A ci-dessus) or a lack of interest by local and regional authorities in the products offered by AFL (see risk factor 1. B ci-dessus), or an operating loss could also lead to a downgrading of AFL's credit rating, affecting its access to funding, which would in turn impact its financial position.

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

Interest rate risk

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.

In order to protect itself from interest rate risk, AFL concluded 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, or debts issued by the Issuer to transform them into variable-rate instruments indexed to the €STR benchmark, using interest rate swaps. The hedge in place protects AFL against a uniform rise in the yield curve and the basis risk associated with the indexation of certain parts of its balance sheet against €STR; it generates a liquidity risk, depending on changes in rates, due to margin calls, as well as a credit risk of the banks that are counterparties to the swaps or the clearing house LCH Clearnet.

At 31 December 2023, the interest rate hedging strategy resulted in notional swaps outstanding of €15.46 billion. Margin calls received net of margin calls paid by way of interest rate derivatives amounted to €131.3 million.

The Group nevertheless remains exposed to the risk of changes in interest rates, in particular as a result of the use of part of AFL's equity in loans granted to local authorities that are not hedged against interest rates, certain short-term positions not hedged against interest rates, a difference in indexation between part of AFL's deposits with the Banque de France remunerated overnight and the bank's liabilities, or a difference in the fixing dates of interest rate indices among balance sheet items.

Consequently, a change in interest rates could have a negative impact on AFL's net present value or on its future results.

At 31 December 2023, the sensitivity of the net present value (NPV) of AFL's equity was -4%, assuming a parallel shift of more than 100 basis points and -7%, assuming an upward shift of more than 200 basis points in the yield curve.

NVP sensitivity - "Old Outlier Test" (% own funds)

Rates scenario	31/12/2023	31/12/2022	Limit
+200 bps	-6,9%	0,20%	15,00%
+100 bps	-3,6%	0,00%	15,00%
-100 bps	4,0%	0,23%	15,00%
-100 bps (floor)	4,0%	0,23%	15,00%
-200 bps	9,6%	0,73%	15,00%
-200 bps (floor)	9,6%	0,73%	15,00%

AFL has implemented the scenarios for calculating the sensitivity of the net present value (NPV) of its own funds to assumptions of non-linear changes in the yield curve (IRRBB). The sensitivity of the NPV to these different scenarios at 31 December 2023 is shown in the following table.

NVP sensitivity - 6 BCBS shocks from IRRBB (% of own funds)

Rates scenario	31/12/2023	31/12/2022	Limit
Parallel shock up + 200 bps	-6,9%	0,20%	15,00%
Parallel shock down - 200 bps	9,6%	0,73%	15,00%
Short rates shock up	0,0%	4,12%	15,00%
Short rates shock down	0,1%	-4,24%	15,00%
Steepener shock	-3,3%	-4,28%	15,00%
Flattener shock	2,3%	4,40%	15,00%

During 2023, the sensitivity of AFL's net present value to various scenarios of interest rate changes remained below 15% of equity capital.

At 31 December 2023, for parallel shocks of between -200 bps and +200 bps, the sensitivity of AFL's net interest margin was below the limit of 5% of equity:

NMI sensitivity (% of own funds)	31/12/2023	31/12/2022	31/12/2021	31/12/2020	31/12/2019
Parallel shock up + 100 bps	0,07%	1,90%	2,10%	1,10%	0,30%
Parallel shock down - 100 bps	-0,07%	-1,90%	-1,20%	-0,10%	2,10%
Parallel shock up + 200 bps	0,13%	3,80%	4,90%	3,30%	1,50%
Parallel shock down - 200 bps	-0,16%	-3,80%	-2,40%	0,20%	4,20%

Lastly, due to the sensitivity of the IFRS valuation of AFL's exposures to the level of interest rates, a fall in long-term interest rates could weigh on AFL's solvency ratio.

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 against 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 as soon they are recorded in the balance sheet and until their final maturity.

At 31 December 2023, the notional amount outstanding on currency swaps was €1.21 billion. The hedges implemented generate a liquidity risk, considering 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 margin calls received, by way of these hedging instruments amounted to €101.4 million at 31 December 2023.

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

The credit risk of its borrowers

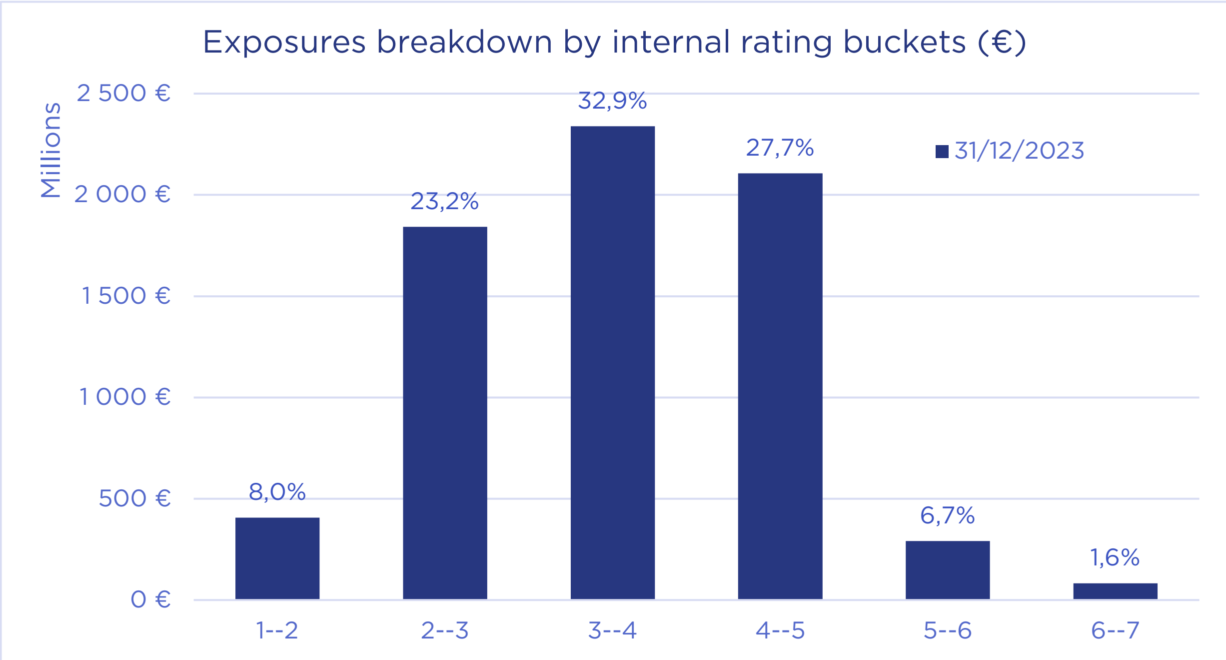
Pursuant to Article L. 1611-3-2 of the French General Local and Regional Authorities Code (CGCT), AFL carries out its activities for the exclusive benefit of the local authorities that are shareholders of AFL's parent company and guarantors of the debt securities issued by AFL up to the amount of their respective medium- to long-term loans outstanding (the member authorities). At 31 December 2023, AFL's total loan commitments to local authorities amounted to €7.012 billion.

In accordance with the *Loi Engagement et Proximité* [Commitment and Proximity Act], member local authorities include all regional authorities, their groupings and local public institutions.

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

At 31 December 2023, 31.1% of this portfolio was exposed to local authorities with ratings of between 1 and 2.99. The five largest exposures represented 14.21% of the portfolio. The largest exposure represented 3.13% of the portfolio and the fifth largest 2.66%. At 31 December 2023, the average rating of loans made by AFL to its members, weighted by outstanding loans, was 3.55 on a scale of 1 to 7 (1 being the best rating and 7 the worst).

The following graph shows the breakdown by rating of the loan portfolio granted by AFL to member local authorities as of 31 December 2022:



Current and future member local authorities have a very limited risk profile due to the institutional rules governing their operation, which are similar between categories of member local authorities; as a result, the lending operations granted by AFL benefit from this same profile. A default by a member on its obligations to AFL or on its obligations by way of the Member Guarantee nevertheless cannot be ruled out.

At 31 December 2023, AFL no longer had any doubtful debts, where at 31 December 2022, these amounted to €3.98 million.

	31/12/2023				31/12/2022			
	Agence France Locale - IFRS				Agence France Locale - IFRS			
Breakdown according to IFRS 9 Stages	Gross exposures (€)		Provisions (€)		Gross exposures (€)		Provisions (€)	
Stage 1	9 402 515 639	99,17%	1 063 333	91,84 %	7 785 992 402	98,9 %	1 086 999	85,2 %
Stage 2	78 320 667	0,83%	94 485	8,16%	80 941 391	1,0%	186 658	14,6 %
Stage 3	-	0,00%	-	0,00 %	4 350 137	0,1%	1 611	0,1%
Total	9 480 836 306	100%	1 157 818	100%	7 871 283 929	100%	1 275 268	100%

Insofar as AFL can only grant loans to member local authorities, its credit risk is highly concentrated on a single type of market participant. AFL is therefore exposed to any deterioration in the situation of this sector (see also risk factor §A ci-dessus).

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 for the issuers of securities in its cash portfolio. Although AFL's investment policy is prudent, it remains exposed to the risk of the issuers of securities in which it has invested being unable to honour their financial obligations, a risk that increases in the context of a deteriorated economic and financial situation. 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 85% of exposures rated Aa2 or above by Moody's at 31 December 2023. The average weighted risk of this portfolio was 3.5%.

In addition, AFL clears almost all of its interest rate derivatives through clearing houses and its exchange rate derivatives bilaterally. AFL is not in a position to guarantee that its counterparties, whether clearing houses or banking institutions, will be able to meet their obligations under the hedging contracts it has entered into, and a default on their part could affect AFL's financial position.

D. Financial risk due to the effects of climate change

French local authorities have varying degrees of exposure to climatic events. The expected increase in the frequency and severity of events linked to the effects of climate change (extreme meteorological events such as floods, droughts, heat waves or chronic changes such as the retreat of the coastline) may have a significant impact on local authorities, particularly certain overseas local authorities. These events may have a significant negative impact on their budgets, which may vary as a function of the size of the local authority, due to the damage caused or the need to adapt infrastructure; they may also increase their financing requirements.

In this context and considering the increasing vulnerability of certain areas and the public and private infrastructure that they host, the occurrence of such risks could result in a loss of value for AFL, which is exposed to credit risk with regard to local authorities.

3. Non-financial risks

AFL is exposed to non-financial risks

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

Due to its business model, AFL relies on a limited number of people (44, including 37 permanent employees, 2 fixed-term employees and 4 part-time employees at 31 December 2023 and one self-employed representative) to ensure its operational management. The loss of one or more individuals essential to its business, whether through poaching or temporary or permanent unavailability (accident, illness), is therefore likely to have a significant impact on the continuation of its business or to compromise its long-term viability.

- ***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 AFL Group's capital requirements for operational risks amounted to €2.72 million at 31 December 2023.

Communication and information systems are essential to AFL's business and operations due to its activity as a specialised lending institution. AFL has largely chosen to outsource these elements. 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 carry out its activities 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 occurred.

These risks are heightened in the context of the resurgence of cyberattacks linked to the war situation in Ukraine.

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

Given its activity as a lending institution, AFL must comply with numerous laws and regulations, notably 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 regard, 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 non-compliant 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 authorisation as a specialised credit institution or its authorisation to issue listed securities, thus making it impossible for AFL to carry on its activity.

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

AFL did not form the object of any litigation with one of its counterparties during the financial year ended 31 December 2023. It nevertheless cannot be excluded 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 capital consumption at consolidated level. Since its creation, the AFL Group has imposed an internal solvency ratio limit of 12.5%. This will rise to 13% from 31 March 2024 onwards.

On 22 December 2023, the ACPR confirmed the AFL Group's obligation to hold 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, known as Pillar 2, of 1.25%.

In addition, AFL Group is required in principle to hold capital enabling it to meet the capital conservation buffer requirement set at 2.5%. On 7 April 2023, the Haut Conseil de Stabilité Financière [High Council for Financial Stability] decided to set the countercyclical capital buffer applicable to French exposures at 0.5%. This rate was increased to 1% on 2 January 2024.

MREL:

On 17 December 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 was chosen as the resolution strategy for the Group, with the MREL requirement thus limited to the amount of loss absorption, calculated as the sum of capital requirements seen in the previous paragraph.

Methods for calculating capital ratios

On 7 June 2019, an important body of banking regulations was published in the Official Journal of the EU. More specifically, this included Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, amending Regulation (EU) No. 575/2013 (termed the CRR). This regulation requires that the leverage ratio of lending institutions be greater than 3% and requires public development lending institutions to exclude from their exposures those arising from assets that are receivables from central, regional or local governments. This provision entered into effect on 28 June 2021.

At its meeting of 11 March 2021, the ACPR's supervisory council recognised AFL's status as a public development lending institution.

Prudential ratios and equity at 31 December 2023

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

At 31 December 2023, prudential capital amounted to € 207 million. Given the credit quality of the assets carried by the AFL Group, the solvency ratio was 13.23% on a consolidated basis.

At 31 December 2023, the AFL Group's leverage ratio was 8.86%, according to the method applicable to public development credit institutions, well above the 3% threshold required by the regulations.

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 AFL-ST's Board of Directors, AFL's Supervisory Board, AFL's Executive Board and the AFL Group staff designed to enable AFL to control the various risks to which it is exposed through its activities and to verify the compliance of these with the regulations governing them.

With resources adapted to the size and nature of its activities, it is organised in accordance with legal and regulatory requirements and in such a way as to be adapted to AFL's business model.

Since 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 its various activities.

1.2. Applicable legal and regulatory context

AFL's internal control system is based on the legal and regulatory texts applicable to lending institutions: the Monetary and Financial Code, the Order of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sector subject to the supervision of the *Autorité de contrôle prudentiel et de résolution* and the directly applicable European provisions amended by the Order of 25 February 2021 (which entered into on effect 28 June 2021), the EBA's guidelines on internal governance (EBA GL/2017/11), the Order of 6 January 2021 on the system and internal controls to combat money laundering and the financing of terrorism and to freeze assets and prohibit the provision or use of funds or economic resources.

1.3. Group organisation and responsibilities

In accordance with the Order of 3 November 2014, as amended, AFL-ST, a financial company directly owned by the French local authority shareholders, owning more than 99.9% of AFL, a specialised lending institution, must ensure that:

- it implements the necessary means to ensure that AFL complies with the applicable regulatory provisions;
- it guarantees that the systems implemented within the AFL Group enable the risks incurred by the AFL Group to be measured, monitored and controlled;
- it verifies the implementation of an organisation 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 processes are housed at AFL and the vast majority of risks are borne by AFL. As a result, risks are monitored on a consolidated basis.

In June 2015, an agreement was signed between AFL-ST and the lending institution, AFL, delegating to this latter party the internal control missions falling within the scope of the AFL Group. This agreement was completed by a supplementary agreement of 1 December 2021 to include all internal control obligations in the delegated tasks, including compliance (with this including data protection), permanent control, consolidated risk management, internal audit, credit analysis and regulatory reporting. By virtue of this agreement, these tasks are carried out by AFL's Commitments, Risks, Climate and Sustainable Finance 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, Compensation and Corporate Governance Committee under its responsibility.

1.4.Governance

The AFL Executive Board and Supervisory Board are responsible for establishing 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 notably:

- oversees and monitors the decision-making and actions of the Executive Board and ensures its effective oversight;
- guarantees and periodically evaluates the effectiveness of AFL's internal governance framework and takes appropriate measures to remedy any weaknesses identified;
- Oversees and monitors the consistent implementation of AFL's strategic objectives, organisational structure and risk strategy, including its risk appetite, risk management framework and other policies, and the disclosure framework;
- Verifies that AFL's risk culture is implemented in a consistent manner;
- Oversees the implementation and maintenance of a code of conduct or similar effective policies to identify, manage and mitigate actual and potential conflicts of interest;
- Oversees the integrity of financial information and reporting and the internal control framework, including a solid and effective risk management framework;
- Ensures that those responsible for internal control are able to act autonomously, can voice concerns independently of any accountability to other internal bodies, business lines or units, and, if appropriate, inform the Supervisory Board directly when risks of adverse events affect or are likely to affect AFL;
- Monitors implementation of the internal audit plan, after review by the Audit & Risk Committee.

In accordance with the Order of 6 January 2021 on combating of 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 implemented to comply with regulatory provisions and corrective measures to remedy significant incidents or deficiencies.

The Supervisory Board is supported by an Audit and Risk Committee, an Appointments, Compensation and Corporate Governance Committee and a Strategy Committee that report to it.

The Executive Board

The AFL Executive Board is responsible for the **consistency and effectiveness** of the overall internal control system.

It ensures there are sufficient resources for the function to carry out and fulfil its role; it ensures that the Commitments and Risks Department's budget for internal control assignments provides it with sufficient resources to carry out its assignments, taking into account proportionality criteria. It ensures that the Commitments and Risks Department has a sufficient number of qualified staff, who benefit from available regular training. It ensures that the internal control functions have access to IT and support systems.

In particular, the Executive 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 Executive Board to ensure the dissemination and promotion of a **risk culture** within AFL, which includes:

- defining and communicating to employees AFL's main values and expectations in this area, which must be reflected in everyone's behaviour;
- 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 organisation.

The Executive 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 function, the Internal Audit function and Second-Level Permanent Control is borne by the Director of Commitments and Risks, Climate and Sustainable Finance, who is a member of the Executive Board and the Chief Executive Officer of AFL. Operationally, the internal control system is placed under its responsibility. From December 2022 onwards, responsibility for Internal Audit was transferred to the Chairman of the Executive Board.

The Director of Commitments and Risks, Climate and Sustainable Finance has been a member of the Executive Board since AFL was founded, with this choice resulting from the initial desire to place risk management at the heart of the bank. Being so positioned, the Department of Commitments and Risks, Climate and Sustainable Finance has the authority, significant status and sufficient independence to challenge decisions affecting AFL's exposure to risk.

In the performance of her duties, the Director is supported by various managers who report to her hierarchically.

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

Pursuant to the Order of 3 November 2014, as amended:

- The Director of Climate Commitments & Risks and Sustainable Financing does not conduct commercial, financial or accounting transactions.
- As head of the Risk Management function, in the event of changes in risks, the Director of Climate Commitments & Risks and Sustainable Financing may report directly to the Supervisory Board and the Board of Directors without referring to the Executive 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 Director of Commitments and Risks, Climate and Sustainable Finance reports on the findings of her assignments to the Executive Board, the Supervisory Board and the Board of Directors of AFL-ST; in addition, she may inform the Supervisory Board and the Board of Directors directly and at her own initiative of any failure to implement corrective measures taken following the recommendations of the periodic audit. From December 2022 onwards, responsibility for the Internal Audit function was transferred to the Chairman of the Executive Board.

In accordance with regulations, the organisational structure implemented guarantees that the operational support functions are distinct from the control functions.

Internal committees

Chaired by the Chairman of the Executive Board, two committees were established to direct the internal control 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 the management of these risks. It also oversees the risk management system and decides on the associated action plans;

- The **Internal Control Committee**, which meets half-yearly, is responsible for overseeing the control system across all its functions and for 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 appropriateness to AFL's risk profile. The Provisions Expert Committee defines the weighting of the change scenarios on the reporting date and the parameters included in the calculation of provisions;
- The ALM Committee (ALCo) 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 often as is necessary and its objective is to decide on the implementation of any new product or on significant changes to the AFL Group;
- The Organisation and Procedures Committee meets as often as is necessary, with the objective of approving 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 is 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 and General Resources Committee meets at least quarterly, notably to discuss staff management, recruitment strategy and industrial 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 prioritise, rank and manage the annual portfolio of IT projects and maintenance, to set and control the IT budget and to manage 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 Chairman of the Executive Board or by a member of the Executive Board. They are governed by internal regulations.

In the first two operational committees, the Director of Climate Commitments & Risks and Sustainable Financing 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 Executive Board in a vote for which, in the event of a tie, the Chairman of the Executive Board has the casting vote.

2. Internal control functions

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

- The Risk management function
- The Compliance 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 Department assists them in defining the risks related to their activity and the controls to be considered.
- A first level of permanent control is exercised 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 provided rules and procedures. 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 Executive Board. It ensures that issues relating to risks are duly considered.**
2. **It evaluates the impact of new products, significant changes, and/or exceptional transactions.**
3. **It ensures that all risks are detected, assessed, measured, monitored, managed and duly reported by the business lines.**
4. **It assesses any infringement of risk appetite or risk limits. It recommends corrective measures with the relevant department 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.

   In this capacity, it implements and maintains the following in operational condition:
   - Response and business continuity plans which guarantee 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 which enable 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 carries out the following:
   - The collection and monitoring of incidents reported by the business lines and, more specifically, significant incidents pursuant to the Decree of 3 November 2014;
   - The overall monitoring of incidents and resulting action plans through the Internal Control Committee and feeds the risk mapping with regard to these elements;
   - Feedback on 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, with this validated by the Executive Board.
8. **In order to carry out these missions, the risk management function performs second-level permanent control reviews.**

Organisation

The Risk Management function is the responsibility of the Director of Climate Commitments & Risks and Sustainable Financing.

The Risk management function is carried out with regard to 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 entirely independently of operational staff. It provides guidance, supervision and general monitoring. It relies on the compliance audit function for the risk of non-compliance and operational departments to identify, analyse and monitor the risks that it supervises on a consolidated basis.

Associated resources

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

- a risk mapping which lists and classifies the risks incurred by AFL over the whole of its activity (impact, occurrence, degree of control), assessing the adequacy of the risks incurred in relation to changes in activity. This shall be updated on a biennial basis;
- the risk mapping is prepared using an expert approach on its component which deals with financial and strategic risks; in the case of non-financial risks, AFL deploys a mapping methodology involving the operational departments;
- risk appetite, which is defined and periodically reviewed by AFL-ST's Board of Directors and AFL's Supervisory Board. This defines the overall level and types of risk that AFL is prepared to accept in order 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 AFL's Global Risk Committee and are approved by AFL's Supervisory Board;
- the definition of an information systems security policy, validated by the Executive 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 Executive 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 centralised 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 Executive Board and operational departments to have a reliable and up-to-date view of the risks incurred.

Activities of the Risk Management function in 2023

The main activities of the risk management department relate to:

- Identification of risk factors and coordination of risk management systems;
- Continuation of the industrialisation of reporting and the production of risk indicators;
- Mapping of AFL's environmental risks and updating of risk mapping;
- Updating of emergency management systems;
- Continuation of work on IS risk management and information systems security;
- The outsourcing management system.

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 effect or with the instructions of the Executive Board, notably adopted 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 notably 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 Executive 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), notably ensuring:
   - its completeness at all times;
   - its validation as part of the Organisation and Process Committee by all stakeholders; and
   - it draws on the operational departments to execute the said procedures.

   It keeps the policies and procedures available to employees in a documentary database, so that anyone 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 Ethics Manual. These malfunctions are centralised in a database.

4. The Compliance Function is responsible for **second-level permanent control missions targeting risk of non-compliance** 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 reporting of suspicious transactions**.

Organisation

The Compliance function is the responsibility of the Director of Commitments and Risks, Climate and Sustainable Finance, who is the effective director of AFL. The Compliance function is also carried out by the Non-Financial Risks - Compliance Department, which includes a member of staff in addition to the Director of Non-Financial Risks - Compliance.

Associated 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 2023

In 2023, the Compliance function continued to consolidate AFL's compliance risk management system.

In this capacity, the main systems developed were subject to compliance, maintenance and operational implementation, in particular:

- The system for combating money laundering and the financing of terrorism and for compliance with embargoes;
- The system for the prevention of market abuses;
- The system for managing conflicts of interest;
- The regulatory monitoring and compliance 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 Executive Board, the Supervisory Board, the Board of Directors or the ACPR or whether it is included in the documents intended for publication.

The implemented organisation must guarantee the existence of a set of procedures termed an audit trail, which makes it possible:

- to reconstruct 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;
- to 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.

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

i. Organisation of the accounting system

The Accounting Department reports to the Finance Department. In 2023, it consisted of 3 FTEs.

ii. Permanent accounting controls (levels 1 and 2)

The permanent accounting control system is organised around two levels of controls that aim to provide a guarantee of 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 formalised 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, notably the following:

- Verification of third-party payer databases (SIRET, name, address and IBAN);
- Verification and control of accounting system authorisations;
- 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 analysing and documenting the balances of the general balance (checks of documents, changes and of plausibility);
- Development of reconciliations between accounting and management (reconciliation of outstanding loans, outstanding swaps, portfolio performance);
- A control is carried out by the Chief Financial Officer, with the analytical review of the quarterly consolidated and separate financial statements.

Second-level accounting controls aim to ensure the execution of the control procedures implemented upstream by the accounting and back-office teams, the appropriateness 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 who reports to the Commitments and Risks Director and is carried out every six months.

In detail, this 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 using 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, with the aim of learning lessons which provide:

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

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 for performing his or her duties and the importance of their responsibilities, in terms of permanent control.
- the second-level permanent control system, which notably covers:
  - supervision of the first-level control system carried out by operational staff;
  - carrying out of second-level controls.

The reviews cover all AFL processes: business processes and supports, relating to internal control. They also cover outsourced activities.

The control tools used are, in particular:

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

Organisation

Second-level permanent control is the responsibility of the Director of Climate Commitments and Risks and Sustainable Financing.

Second-level operational and accounting permanent control missions are managed by the Director of Non-financial Risks - Compliance. Assignments are carried out mainly by the Non-financial Risks - Compliance Department regarding operational controls, and by other employees of the Commitments and Risks Department.

In addition to the Director of Non-Financial Risks - Compliance, the Non-Financial Risks - Compliance Department also includes one employee. The assignments relating to accounting controls are carried out by an external service provider under the responsibility of the Director of Climate Commitments and Risks and Sustainable Financing.

Permanent control activities in 2023

In 2023, the permanent control system was strengthened. The body of rules governing AFL's activities (policies, procedures, operating methods) was maintained, as part of an extensive updating plan. 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 effectively 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 internal control system of the institution is effective and efficient, and notably assesses:

- 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 Executive 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 defence and the risk management and compliance functions;
- the integrity of the processes guaranteeing the reliability of AFL's 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, entirely independently of the Risk management and Compliance functions, which allows it 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.

Organisation

AFL outsourced the conduct of internal audit to a third-party service provider, reporting to the Commitments and Risks Director until December 2022 and since then, directly to the Chairman of the Executive Board. The Executive Board reviews and approves the choice of service provider as well as the multi-year and annual audit plan.

In this way, 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 appropriate and that the resources allocated to the function, as well as the audit tools and methods of risk analysis, are adapted to the size and business model of AFL, as well as to the nature, scale and complexity of risks, activities, risk culture and risk appetite. In selecting the service provider, a verification procedure shall be conducted to ensure that the service provider complies with national or international professional audit standards.

Activities of the internal audit function in 2023

In 2023, three internal audit missions were carried out in accordance with to the three-year audit plan validated in December 2020 by AFL's Supervisory Board and by AFL-ST's Board of Directors.

All recommendations issued by the internal audit were monitored throughout 2023. Two monitoring reports were produced at end-June 2023 and end-December 2023.

The conclusions of these assignments and the follow-up reports on the recommendations were presented to the Executive Board, AFL's Supervisory Board and AFL-ST's Board of Directors.

VI. AFL Research and Development activity

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

VII. Data on share capital and shares

1. Shareholding structure and changes during the financial year

At 31 December 2023, AFL's share capital amounted to €221,700,000, divided into 2,217,000 fully subscribed and paid-up shares of the same class, each with a par value of €100. AFL's share capital consists entirely of registered shares. Each share held entitles the holder to a vote at General Meetings. AFL did not issue or authorise the issue of any preference shares during the financial year ended 31 December 2023.

The following table presents AFL's shareholding structure and the changes occurring 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, within the territory of which AFL's registered office is located, in order to comply with the requirements of Article L.225-1 of the French Commercial Code.

AFL-ST has the exclusive control of AFL, and was the only organisation to subscribe to AFL's share capital increases during the 2023 financial year, continuing to comply with its company object, which consists notably of being a shareholder of AFL.

The Annual General Meeting of Shareholders of AFL shall be called on this point to renew the delegation of powers to the Company's Executive 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.

	31 December 2022			31 December 2023		
	Amount of the subscribed share capital (in euros)	Number of voting rights / shares held	%	Amount of the subscribed share capital (in euros)	Number of voting rights / shares held	%
AFL-ST	207,599,900	2,075,999	99.9999%	221,699,900	2,216,999	99.9999%
Lyon Metropolitan Area	100	1	0.0001%	100	1	0.0001%
Total	207,600,000	2,076,000	**100%**	221,700,000	**2,217,000**	**100%**

2. Employee share ownership

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

Consequently:

- No share purchase or option transactions reserved for employees were carried out in the Company during the year ended 31 December 2023;
- No transactions were carried out during the year ended 31 December 2023 by way of call options or subscription of shares in Group companies reserved for employees, as provided in Articles L. 225-177 to L. 225-186 and L. 225-197-1 to L. 225-197-3 of the French Commercial Code.

There are no plans to offer AFL's shares to Company employees.

3. Company share buybacks

AFL did not carry out any transactions involving its own shares during the financial year ended 31 December 2023. It should also be noted that the Company did not hold any of its own shares at 31 December 2023.

4. Transactions on AFL securities by its officers

AFL was not informed of any acquisition, disposal, subscription or exchange of AFL shares by corporate officers or by persons with close personal ties with any of these parties during the financial year ended 31 December 2023.

5. Stock market position of AFL

At 31 December 2023, none of the shares comprising AFL's share capital were tradeable on a regulated market.

VIII. Other Key Performance Indicators

Financial information appears elsewhere in the document

1. Environment

▪ Digitalisation of business processes

AFL seeks to deploy a lean operating model. In 2023, AFL continued to develop information systems with a view to digitalising its processes.

▪ Taking account of environmental issues in the organisation 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. Reduction of the occupied surface area of around 30%, the organisation 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.

As a result, AFL now has a single physical site in Lyon and a single temporary office in Paris. On account of this, AFL's environmental footprint is very small.

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

IT infrastructure of "*serverless*" type means that computer servers can be moved to the Cloud and shared, reducing the electricity consumption of the computer room and allowing IT resources to be managed as closely as possible to requirements. The ergonomic design 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 realised in 2023	
Reduction of environmental impact and greenhouse gas emissions	AFL has launched multiple projects to cut the energy consumption of its premises: - Continuation of the plan to replace multi-screen workstations with wide single-screen workstations, which consume less energy; - Turning off the hot water in bathrooms; - Regulation of the heating temperature in the premises; - Reinforcement of the selective sorting system;

	- Implementation of a Green IT policy.
Encouraging soft mobility	Maintaining the "Forfait Mobilité Douce" [Flat rate soft mobility] scheme with the use of a digital solution to facilitate its implementation.
Business travel	Reduced use of air travel in France and Europe in favour of videoconference meetings. Reinforcement of sustainable criteria in the policy for reimbursing business expenses.
Social dialogue	End of consultations with volunteer employees on quality of life at work issues. An action plan has been drawn up.

	Year 2022	Year 2023
Paper consumption	Estimated at around **254** kg, on the basis of the number of sheets printed by AFL during the financial year. **274** kg of paper/cardboard recycled on AFL's premises	Estimated at around **324** kg, on the basis of the number of sheets printed by AFL during the financial year. **165** kg of paper/cardboard recycled on AFL's premises

Lastly, for commuting to work or business travel, the use of public transport or soft modes of transport is favoured over the use of private cars or planes, which are only authorised for long-distance journeys lasting more than 4 or 5 hours by train.

2. Employees

Total workforce - AFL Group:

- **Within AFL-ST**

At 31 December 2023, AFL-ST had two non-salaried corporate officers, in addition to a Development Director since 15 October 2021, and this in the context of a secondment to AFL-ST by its territorial authority.

- Within AFL

Breakdown of employees by geographical area

Year 2023	Headquarters (Lyon)	Other
Staff	44	0

Breakdown of employees by status	Year 2022	Year 2023
Non-salaried company officer	1	1
Salaried company officer	3	3
Senior executive who is not a company officer	2	2
Manager	32	33
Technician	1	1
Apprentice	5	4

Breakdown of employees by age	Year 2022	Year 2023
Up to 24 years	8	4
25-29 years	8	10
30-34 years	7	7
35-39 years	5	7
40-44 years	2	2
45-49 years	4	3
50-54 years	3	4
55-59 years	5	5
Over 60	2	2

Recruitment:

Employee movement

Staff	Year 2022	Year 2023
Permanent contracts	+4/-2	+3
Fixed-term contracts	+3	+2 /-2
Professional training contracts	+4/-5	-3
Apprenticeship contracts	+2/-1	+4/-2

Working hours

At 31 December 2023, 33 employees, i.e. 75% of the total workforce, are subject to the daily 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. On the other hand, 5 senior managers and 1 company officer fall outside the working time regulations.
Employees who have signed a professional training contract or an apprenticeship contract and interns are subject to a working week of 35 hours.

Work organisation

	Year 2023
Part-time employees	0
Employees benefiting from remote working	37
"*Forfait jours*" [Fixed day] flexible working scheme	33

Scheme not covered by working time regulations	6
35 hour scheme	5

- Professional equality

At 31 December 2023, AFL had 38 employees, excluding temporary staff, subsidised contracts and apprenticeships, representing 12 women and 26 men in the autonomous manager and senior manager socio-professional categories.

Due to the size of its workforce, in 2023 AFL is not subject to the legal obligation to calculate and publish its professional gender equality index.

Although AFL did not reach the legal threshold for publishing the gender equality index in terms of equal pay in 2023, its publication will nevertheless be decided in light of the CSR policy that the company has been pursuing for several years. The method used is that for companies with between 50 and 250 employees.

The **4 measurement indicators** are as follows:

- the gender **pay** gap, with a score out of 40;
- the **pay rise** gap between women and men, with a score out of 35;
- the percentage of female employees receiving a pay rise after **maternity leave**, with a score out of 15;
- **parity** between women and men among the 10 highest paid employees, with a score out of 10.

	Year 2023
Gender equality index for equal pay	**87/100**

In order to promote gender equality at work, in addition to the legal mechanisms, AFL has developed various means which allow women and men to organise 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 eligible employees among AFL's staff at 31 December 2023 have signed the remote working charter.

Through its recruitment, AFL tends to create a gender balance according to age categories.

Breakdown of employees by gender

Staff present	2019	2020	2021	2022	2023
Men	22	23	28	30	30
Women	13	13	12	14	14
Total	35	36	40	44	44

Gender equality	Year 2022	Year 2023
% of women among managers	31%	31%

Number of staff recruited with permanent contracts	Women	Men
2017 - 2022	12	12

2023	0	3
TOTAL	**12**	**15**

- Well-being of employees

Teleworking system

In 2023, 100% of eligible employees applied for and obtained a teleworking agreement.

- Training

Training provided in 2023 included individual, group and regulatory training.

Training	Total (in days)	Per employee
Year 2023	46	0.93

Access to training (as a% of the workforce)	Women	Men
Year 2023	30%	70%

Access to training (in hours)	Women	Men
Year 2023	60.5	263.5

- Employment and integration of disabled people

AFL uses an organisation for the integration of people with disabilities for paper recycling, as well as a disability-friendly company for communication campaigns and procurement. In addition, AFL uses the services of adapted work companies (ESAT) for communication missions.

Years	2021	2022	2023
ESAT amount*	€2,373.39	€2,189.80	/
AGEFIPH amount	€2,537.00	€3,953.00	/**

** Employment assistance establishment and service*

*** Declaration in June 2024*

- Promotions

Number of promotions or internal transfers	Change in hierarchical level		Change in conventional classification	
	Women	Men	Women	Men
Year 2023	0	1	0	1

- Professional integration of young people

During the financial year 2023, AFL signed 4 apprenticeship contracts and took on two interns.

Compensation

	31/12/2022	31/12/2023
Remuneration and its evolution **Payroll (excluding apprentices and interns)** Individual variable compensation is capped at 15% of the gross annual fixed salary.	€3,473,149	€4,079,309
Overtime paid	€0	€0
Total social security expenses	€2,035,710	€2,548,431

Retirement benefits

Based on salary data for the year ended 31 December 2023, the commitment (actuarial liability) at the valuation date was €124,000.

Retirement benefits	
Year 2023	0

Absenteeism

Year 2023	0.67%

Stoppages	Year 2023	
Work accidents	0	
Commuting accidents	0	
Diseases	13	(13 stoppages, total 92 days)
Occupational illnesses	0	

27 March 2024,

Yves Millardet

AFL Chairman of the Executive Board

Annex 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:

NATURE OF INDICATORS	2023	2022	2021	2020	2019
I. - Financial position at the end of the year :					
a) Share capital in thousands of euros	221 700	207 600	196 800	168 400	146 800
b) Number of shares issued	2 217 000	2 076 000	1 968 000	1 684 000	1 468 000
c) Number of bonds convertible into shares					
II. - Total income from actual operations (in thousands of euros) :					
a) Revenue excluding tax.	23 570	13 842	12 029	10 913	10 647
b) Earnings before tax, depreciation, amortization and provisions	10 238	6 147	4 002	4 256	1 373
c) Income taxes	- 406	-	- 1	- 2	
d) Earnings after tax, depreciation, amortization and provisions	7 534	348	2 073	2 887	- 1 713
e) Amount of earnings distributed					
III. - Income form operations reduced to a single share:					
a) Earnings after tax, but before depreciation, amortization and provisions	4	2	2	2	1
b) Earnings after tax, depreciation, amortization and provisions	3	0	1	2	- 1
c) Dividend paid for each share					
IV. - Staff :					
a) Number of employees	39	34	31	30	27
b) Total payroll (in thousands of euros)	4 802	4 117	3 868	3 206	2 991
c) Amount paid in respect of social benefits (social security, charities, etc) (in thousands of euros)	2 548	2 036	2 063	1 812	1 741

Annex 2

Report of the Supervisory Board on corporate governance

Dear Shareholders,

In my capacity as Chairman of the Supervisory Board, I have the honour of presenting to you, in the name and on behalf of the Supervisory Board, this report on corporate governance for the financial year 2023, the terms of which were approved by the Supervisory Board at its meeting on 27 March 2024, following the favourable opinion of the Company's Appointments, Compensation and Corporate Governance Committee (the *ACCGC*) of 7 March 2024.

This report notably includes the information required pursuant to Articles L.225-68, paragraph 6, L.225-37-4, and L22-10-20 of the French Commercial Code, article L.511-100 of the French Monetary and Financial Code, and the provisions of the AFEP-MEDEF Corporate Governance Code, to which Agence France Locale adheres on a voluntary basis.

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GLOSSARY

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

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

ACCGC	**Appointments, Compensation and Corporate Governance Committee**
AFEP-MEDEF	*Association Française des Entreprises Privées* [French Association of Private Companies] and the *Mouvement des Entreprises de France* [Companies Movement of France]
AFEP-MEDEF Code	The code of corporate governance for listed companies, published by the AFEP-MEDEF, as revised in December 2022
AFL Group or Agence France Locale Group	The group comprising AFL and its parent company, AFL-ST
AFL or the Company	Agence France Locale
AFL-ST or the Société Territoriale	Agence France Locale – Société Territoriale
AGM	Annual General Meeting of Shareholders of AFL
ARC	Audit and Risk Committee
CSR	Corporate social responsibility
ESG	Environmental, Social and Governance
Executive corporate officers	In public limited companies with a Executive Board and a Supervisory Board, this refers to the chairperson and members of the Executive Board
Executive directors (or corporate officers)	Refers to all executive and non-executive officers in the company
Internal regulations of the Supervisory Board	The internal regulations of the Supervisory Board, as supplemented, since May 2023, by the internal regulations of the Executive Board (and now entitled "Internal regulations of the AFL Supervisory Board and Executive Board")
Non-executive corporate officers	In public limited companies with a management and supervisory board, this refers to the Chairperson of the Supervisory Board
Non-executive corporate officers	In public limited companies with a Executive Board and a supervisory board, this refers to the members of the supervisory board

Strategy and Responsible Commitments Committee	Strategy and Responsible Commitments Committee (named the Strategy Committee until 4 December 2023)

1. Declaration of compliance with the Corporate Governance Code

In accordance with the provisions of articles L.22-10-10, 4 of the French Commercial Code and 28.1 of the AFEP-MEDEF Corporate Governance Code, the Company declares that it adheres to, applies and voluntarily adopts the recommendations issued by the AFEP-MEDEF within the code of the same name, as a reference framework for corporate governance. The Internal Regulations of the Company's Supervisory Board include the main provisions of the said Code[10].

At the same time, in order to account for its specific characteristics, AFL has made the following governance choices:

- Share ownership by corporate officers and Supervisory Board members (Articles 21 and 24 of the AFEP-MEDEF Code):

  AFL does not apply the provisions of Articles 21 and 24 of the AFEP-MEDEF Code: as such, the Company's corporate officers and Supervisory Board members do not hold any AFL or AFL-ST shares. This results from the structure of the AFL Group: the shareholders of both companies are composed, directly or indirectly, solely of the entities defined in Article L. 1611-3-2 of the French General Code for Local Authorities.

- Representation of the Company's employees on the Supervisory Board (Article 9 of the AFEP-MEDEF Code):

  The AFL has chosen not to apply the provisions of Article 9 of the AFEP-MEDEF Code: in view of its light business model, notably its limited workforce of around thirty permanent employees, its Articles of Association do not provide for the possibility of appointing employee representatives to the Supervisory Board[11].

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

Pursuant to Article L.511-100 of the French Monetary and Financial Code and Article 11 of the AFEP-MEDEF Code, it is the responsibility of the ACCGC to review the following periodically, at least once a year:
(i) the composition and functioning of the Supervisory Board;
(ii) the knowledge, skills and experience of the members of the Supervisory Board;
and to report on these to the Board (*Assessment by the Board*).

The members of the Supervisory Board were invited to take part in the assessment of the collective functioning of the Board and the individual contribution of its members via a self-assessment questionnaire prepared by the ACCGC. Feedback from the results of the questionnaire formed the object of an analysis at the ACCGC meeting of 13 November 2023. On this basis, the ACCGC proposed areas for improvement, aimed at developing the

[10] The AFEP-MEDEF Code is available at the website www.hcge.fr and may be consulted at the registered office of the Company. The internal regulations of the Supervisory Board are available on the website and may be consulted at the registered office of the Company.

[11] Moreover, the Company does not fall within the scope of the provisions of Article L.225-79-2 of the French Commercial Code.

operation of the Board and its committees, which were then discussed and validated by the Supervisory Board on 4 December 2023.

In summary, this review revealed:
- effective implementation of the previous action plan, which notably strengthened dialogue on strategy, particularly ESG issues, and improved quality of materials and discussions;
- an excellent Board culture, with very good dialogue between the Supervisory Board and the Executive Board;
- a positive assessment of the work carried out on the composition of the Board, notably with a strengthening of the processes relating to the appointment of members in such a way as to reinforce key skills (see 3.1.1 below);
- an appropriate induction process for new Board members;
- with several points of attention, essentially relating to:
    - the need to continue to strengthen dialogue within the Board on supporting the Company's growth, on the one hand, and the integration of ESG issues, on the other;
    - the desire to raise the Board's awareness of key issues for local authorities, particularly ESG, and to enhance the training offered to Board members, particularly on CSR/ESG and IT/cyber;
    - preparation for the renewal of the Supervisory Board in 2025.

3. **Composition and functioning of company bodies**

The Executive Board manages the Company under the permanent supervision of the Supervisory Board, which is itself assisted in carrying out its missions by three specialist committees: the ARC, the ACCGC and the Strategy and Responsible Commitments Committee.

3.1. The Supervisory Board

3.1.1. Composition

The provisions of the Articles of Association relating to the composition of the Supervisory Board were amended by the General Meeting of Shareholders held on 4 May 2023, in order to:

- broaden the range of expertise recognised as useful within the Board, so as to enhance its collective competence in relation to the changing strategic challenges facing the Company, on the one hand; and
- clarify the rules governing independent members, in line with the recommendations of the AFEP-MEDEF Code; these must comprise the majority of the Supervisory Board,

In this way, in accordance with the Company's amended Articles of Association[12], the Supervisory Board has a minimum of eight members and at most eighteen members, and comprises, as a minimum:

(a) the Chairman of the Board of Directors of AFL-ST;
(b) the Deputy Chairman of the Board of Directors of AFL-ST;
(c) the CEO of AFL-ST;
(d) at least one expert with in-depth knowledge of the problems relating to the finances of local and regional authorities; and
(e) at least five (5) members recognised for their professional skills in banking, finance, and/or supervision of risk;

[12] Article 15.1 of the Articles of Association.

(f) it may also include one or more members recognised for their professional skills in any area useful for the proper oversight of the Company (outside the areas already mentioned in paragraphs (d) and (e) above), at the discretion of the Supervisory Board.

Under the terms of the Articles of Association, the Supervisory Board shall consist of:

- A majority of members recognised for their professional expertise in banking/finance and/or risk supervision;
- A majority of independent members. It is specified as necessary that, by their very nature, the members of the Supervisory Board cited in paragraphs (a), (b) and (c) are not independent members.

These rules are designed to ensure the competence and independence of AFL's Supervisory Board, a key element in guaranteeing the good governance and management autonomy of AFL with regard to AFL-ST[13].

In addition, the Articles of Association provide for an age limit: when the number of Supervisory Board members over the age of 70 represents more than one third of the Board, the oldest member shall automatically be regarded as having resigned.

In addition, an internal principle sets an age limit of 75 for acting as Chairperson or Deputy Chairperson of the Company's Supervisory Board.

- Non-voting directors

The provisions of the Articles of Association relating to the composition of the Supervisory Board were also amended by the General Meeting of Shareholders held on 4 May 2023, to allow for the inclusion on the Board of non-voting directors, independent individuals who may:

- provide it with additional skills and expertise, as required; and
- as appropriate, create a pool of future candidates for appointment as independent members of the Supervisory Board.

In this way, under the terms of the Company's amended Articles of Association, the Supervisory Board has the option of appointing up to three individuals as non-voting members of the Supervisory Board[14].

Non-voting directors must meet the independence requirements of the AFEP-MEDEF code and must not be elected representatives or employees of a local authority that is a shareholder of the AFL-ST.

They participate in a purely consultative capacity in meetings of the Supervisory Board and the Committees to which they are invited.

<u>Composition of the Supervisory Board at 31 December 2023</u>:

At 31 December 2023, the Supervisory Board had 12 members.
As previously indicated, no member of the Board holds any shares in the Company's share capital - *see point 1 of this report.*

The Board also had a non-voting member, Mrs Lydie Assouline, appointed in this capacity by the Supervisory Board on 4 December 2023.

[13] See point 3.1.4 of this Report.
[14] Article 15.12 of the Articles of Association

Mr Sacha Briand

Chairman of the Supervisory Board

Date of Birth: 11 December 1969

Nationality: French

1st appointment: Co-opted by the Supervisory Board on 28 September 2020

Reappointment: AGM of 6 May 2021

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- Since 28 September 2020: Deputy Chairman of the Board of Directors of AFL-ST
- 2017-2020: Permanent representative of the Toulouse Metropolitan Area on the Board of Directors of ST

Offices and positions held outside the Group

Offices currently held

- Since 2020:
  - Member of the Board of Directors of the SEM of MINT
  - Chairman of EPFL of Grand Toulouse
  - Member of the SDEHG trade union council
- Since 2014:
  - Member of the Trade Union Committee of SM Tisséo Collectivité
  - Member of the Board of Directors of SPL Tisséo Ingénierie
  - Member of the Board of Directors of EPIC Tisséo Voyageurs
- Since 2005: Barrister at the Toulouse Bar

Mandates expiring during the last five years

- 2017-2020: Member of the Board of Directors of SPL ZeFil
- 2016-2023: Member of the SM DECOSET Trade Union Committee
- 2016-2020: Non-voting member of the Supervisory Board of SA ATB (Blagnac airport)

Other areas of expertise and experience

- Since 2014:
  - Deputy Mayor of the City of Toulouse
  - Vice-President of the Toulouse Metropolitan Area
  - Regional Councillor of the Occitanie Region
- 1995-2013: Municipal Councillor of the city of Blagnac
- 1998-2004: General Director of Services for the Muretain Community of Municipalities
- 1995-2004: General Director of Services of the Municipality of Muret
- 1993-1995: Public organisation management consultant, JPA Consultants

Mrs Marie Ducamin

Deputy Chairwoman of the Supervisory Board

Date of Birth: 11 August 1967

Nationality: French

1st appointment: Co-opted by the Supervisory Board on 23 May 2023

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- Since 23 May 2023: Chairwoman of the Board of Directors of AFL-ST

Offices and positions held outside the Group

Offices currently held

- Since 2023:
  - Member of the Board of Directors of the Association Nationale des Pôles d'Equilibre Territoriaux et Ruraux et des Pays (ANPP – Territoires de projet)
  - Member of the Local Finance Committee
- Since 2022: Director - Association of Mayors of Ille-et-Vilaine
- Since 2020:
  - Deputy Chairwoman of Rennes Métropole, responsible for finance and public procurement
  - Mayoress of Saint-Jacques de La Lande
  - Deputy Chairwoman - OPH Archipel Habitat
  - Director - SEM Trajectoires-Semtcar
  - Director - SPL Citédia Métropole

Mandates expiring during the last five years

- 1998-2020: History and geography teacher

Other areas of expertise and experience

- 2014-2020: Deputy mayor in charge of town planning
- 2012-2014: Deputy mayor in charge of education, children and young people

Mr Olivier Landel

Member of:

- **Audit and Risk Committee**
- **Strategy and Responsible Commitments Committee**
- **Appointments, Compensation and Corporate Governance Committee**

Date of Birth: 9 January 1963

Nationality: French

1st appointment:
In the Articles of Incorporation of 17 December 2013

Renewals: AGMs of 5 May 2017 and 6 May 2021

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- Chief Executive Officer, AFL-ST

Offices and positions held outside the Group

Offices currently held

- Since December 2023: Member of the Scientific Council of the TERRITORIA Observatory
- Since 2019: Member of the Strategic Council of the Urban School of Sciences-Po Paris
- Since 2018: Member of the Board of Directors of HEDATE

Mandates expiring during the last five years

- 2015-June 2023: Executive Director of France Urbaine

Other areas of expertise and experience

- 2002-2015: General Delegate of the Association of Urban Communities of France (ACUF), which became France urbaine 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 (STU), Education: Sciences-Po
- 2009-2013: Chairman of the Association of Auditors of IHEDATE
- 2001-2002: Senior Manager, Intercommunity, Management, Finance, Business Intelligence, Ernst & Young
- 1996-2001: Organisational, finance and local authority management consulting, Puyo Consultants/Objectif M+
- 1994-1996: Accounting, finance, local authorities and IT consulting, Olivier 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)

Mr François Drouin

Chairman of the Audit and Risk Committee

Date of birth: 7 August 1951

Nationality: French

1st appointment:
In the Articles of Incorporation of 17 December 2013

Renewals: AGMs of 5 May 2017 and 6 May 2021

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Chairman of ETI Finances (SAS)
- Chairman of ICF SAS
- Chairman of IFIMM SAS
- Treasurer of the French Institute of International Relations (IFRI)
- Director of IFRI foundation
- Director of the Valentin Haüy Foundation

Mandates expiring during the last five years

- Chairman of the Supervisory Board of Gagéo (SAS)
- Director of the Fondation Notre-Dame
- Director of the Collège des Bernardins SA
- Director of MS BEAUTiLAB SA (company incorporated under Swiss law)
- Deputy Chairman of the Board of Directors of BPI France
- Member of the Supervisory Board of WeLikeStartup Partners SAS

Other areas of expertise and experience

- Chairman, Autoroutes et Tunnel du Mont Blanc SA
- Chairman of the Supervisory Board of GEIE du Tunnel du Mont Blanc
- 2013-2017: Chairman, Autoroutes et Tunnel du Mont Blanc (ATBM)
- 2013-2017: Chairman of the Société française du tunnel routier du Fréjus
- 2007-2013: Chairman & MD, Oséo
- 2003-2007: Chairman of the Executive Board, Crédit Foncier de France
- 1991-2003: Chairman of the Executive Board, Caisse d'épargne de Midi-Pyrénées
- 1989-1992: Chairman of the Executive 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
- 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.

Mrs Victoire Aubry-Berrurier

Member of the Audit and Risk Committee

Date of Birth: 5 June 1966

Nationality: French

1st appointment:
In the Articles of Incorporation of 17 December 2013

Renewals: AGMs of 5 May 2017 and 6 May 2021

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Since 2018: Director of BPI Participations and BPI Investissements and Member of the Audit Committee (representing Caisse des Dépôts et Consignations)
- Since 2015 (and until December 2023):
  - Member of the Board of Directors of ICADE Santé SA
  - Member of the Executive Committee of Icade in charge of finance, IS, Digital, legal affairs and working environment
  - Director of Icade Management
  - Member of the Board of Directors of OPPCI ICADE HEALTHCARE EUROPE

Mandates expiring during the last five years

- None

Other areas of expertise and experience

- 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 in the credit market, then supervisor of risks and earnings on complex products, management supervisor of US investment banking activities, CDC IXIS

Mr Nicolas Fourt

Member of the Strategy and Responsible Commitments Committee

Date of Birth: 22 September 1958

Nationality: French

1st appointment:
In the Articles of Incorporation of 17 December 2013

Renewals: AGMs of 5 May 2017 and 6 May 2021

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Deputy Managing Director and Director of Sienna AM France SAS (Sienna Private Credit)
- Deputy Managing Director, Member of the Executive Board of 2A SAS
- Director of Acofi SAS
- Director of Denis Friedman Productions SA
- Chairman of NF Conseil SAS
- Director of CDC Croissance SA

Mandates expiring during the last five years

- 2017-June 2020: Member of the Supervisory Board of Qivalio (formerly Spread Research - ESMA regulated rating agency)

Other areas of expertise and experience

2009-2013: Consultant to companies and local authorities, Alfafinance - AMF regulated

- 1986-2008: Fixed income and equity financial markets (CDC then Ixis then Natixis) - ACPR regulation

Mr Lars Andersson

Chairman of the Strategy and Responsible Commitments Committee

Date of Birth: 27 March 1952

Nationality: Swedish

1st appointment:
In the Articles of Incorporation of 17 December 2013

Renewals: AGMs of 5 May 2017 and 6 May 2021

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Since 2021: Senior Advisor at the Global Fund for Cities Development (FMDV)
- Since 2009: Founder and Chairman AB Marten Andersson Productions (AB MA Productions)

Mandates expiring during the last five years

- 2018-2022: Member of the City Finance Lab Committee
- 2013-2020: Director at the Global Fund for Cities Development (FMDV)

Other areas of expertise and experience

- 2007-2009: Chairman & CEO of Bankhälsan i Stockholm AB, Hälsostrategen I Stockholm AB, and Galleriva AB
- 2001-2007: Head of Communications, Strategic adviser to the Chairman and financing expert for local and regional authorities, Svensk Exportkredit (Swedish export credit company)
- 1986-2001: Chairman & CEO of the Kommuninvest Group
- 1986-1986: Administrative director of the Örebro Regional Theatre
- 1984-1986: Chief Accountant and Financial Officer for the City of Karlstad
- 1976-1984: Chief Financial Officer for the City of Laxa

Mrs Sophie L'Hélias

Chairwoman of the Appointments, Remuneration and Corporate Governance Committee

Date of Birth: 30 December 1963

Nationality: French

1st appointment:
AGM of 4 February 2021

Expiry of term of office:
AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Since December 2022: Member of the Board of Directors of IWG Plc
- Since 2021:
- Independent director of Herbalife Nutrition Ltd.
- 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 2015: Fellow, The Conference Board, ESG Center
- Since 2000: Founder and Chairman of LeaderXXchange

Mandates expiring during the last five years

- January 2022-November 2022: Chairwoman of the Board of Directors of SUEZ SA
- 2015-2022: Member of the Advisory and Editorial Board of the Hawkamah Institute for Corporate Governance
- 2016-March 2021: Lead Director, member of the Audit and Remuneration Committee, and member of the Social, Nomination and Governance Committee of Kering SA
- 2019-2021: Member of the MEDEF Governance Committee

Other areas of expertise and experience

- Co-founder, International Corporate Governance Network (ICGN)
- 2017-2018: Advisor, UN Global Compact SDG leadership Blueprint, New York
- 1994-2001: CEO, Franklin Global Investors (FGIS)
- Barrister at the Paris and New York Bars (omitted)

Mrs Delphine Cervelle

Member of the Strategy and Responsible Commitments Committee

Date of Birth: 16 June 1976

Nationality: French

1st appointment:
Co-opted by the Supervisory Board on 28 March 2022

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Since November 2021: Member and Co-Founder of the "Sense of Public Service" think tank
- Since August 2021: Member of the Expert Committee of the *Semaine juridique des administrations des collectivités territoriales* [Legal weekly of local authorities], Lexis Nexis
- Since November 2020: Director General of Services, City of Saint-Ouen-sur-Seine
- Since April 2018: Regional Delegate, Association of Territorial Directors of France (AATF)

Mandates expiring during the last five years

- April 2017-October 2020: External Reporting Judge to the Court of Auditors

Other areas of expertise and experience

- March 2016-April 2017: Chief of Staff, Secretariat of State for Local and Regional Authorities
- May 2015-February 2016: Sub-Prefect, Chief of Staff, Cher prefecture
- September 2010-2015: Deputy General Manager for Solidarity, City of Aubervilliers
- September 2005 - December 2011: Senior Lecturer in Law and Management for Local and Regional Government, Sciences Po Paris
- January 2015-April 2015: Planning Officer, Ile de France Region
- September 2006-September 2010: Head of the health and social services department, Ile de France region
- November 2003-August 2004: Financial studies officer for social housing, City of Paris
- July 2002-November 2002: Head of corporate property and ICT

Mrs Marie Lemarié

Member of the Audit and Risk Committee

Date of Birth: 04 January 1972

Nationality: French

1st appointment:
Co-opted by the Supervisory Board on 28 September 2022

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Since 2023: Member of the Board of Directors and of the Audit Committee, Getlink
- Since 2018: Chief Executive Officer of Scor Ireland
- Since 2012: Member of the Board of Directors and Audit Committee, Eiffage

Mandates expiring during the last five years

- None

Other areas of expertise and experience

- 2015-2018: Director, *Association Française des Gestionnaires Actif-passif* [French Association of Asset and Liability Managers] (AFGAP)
- March 2012-June 2018: Director of Investments and Financial Operations, Groupama SA
- March 2012-June 2018: Director within various entities of the Groupama Group:
- Assu-Vie
- Fonciere Parisienne
- Confintex 6
- Gan Assurances
- Gan Patrimoine
- Gan Prevoyance
- Groupama Asset Management
- Groupama Biztosito (Hungary)
- Groupama Immobilier
- February 2003-February 2012: Chief Investment Officer, Aviva France and Europe
- 1999-2003: Head of Diversified Management, State Street Bank
- 1996-1998: Economist, REXECODE

Mrs Sophie Souliac-Dallemagne

Member of the Appointments, Remuneration and Corporate Governance Committee

Date of Birth: 30 April 1970

Nationality: French

1st appointment:
AGM, 5 December 2022

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Since 2017: Chief Executive Officer of Hiram Finance France

Mandates expiring during the last five years

- None

Other areas of expertise and experience

- 2009-2017: Managing Consultant, Hiram Finance
- 2012-2016: Director, Conservatoire de Musique, Asnières sur Seine
- July 2007-April 2009: Chief Executive Officer, Natixis Alternative Investments Limited UK
- September 2002-September 2007: Co-CEO of structured products on alternative management funds, IXIS Corporate & Investment Bank
- 2000-2002: Risk Manager, IXIS Corporate & Investment Bank
- 1995-2000: Risk Controller, Caisse des Dépôts et Consignations

Mr Julien Denormandie

Member of the Strategy and Responsible Commitments Committee

Date of Birth: 14 August 1980

Nationality: French

1st appointment:
AGM, 5 December 2022

Expiry of term of office:
AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Since September 2022: Chief Impact Officer, SWEEP
- Chairman, HMAGi SASU
- Director, Neoproprio (formerly Fleximmo)
- Director, Institut de la Finance Durable

Mandates expiring during the last five years

- July 2020-May 2022: Minister of Agriculture and Food
- October 2018-July 2020: Minister for the City and Housing

Other areas of expertise and experience

- June 2017-October 2018: Secretary of State for Territorial Cohesion
- April 2016-May 2017: Deputy General Secretary, En Marche
- 2014-2016: Deputy Chief of Staff, Economy Ministry
- 2012-2014: Adviser, Economy and Finance Ministry and Ministry of Foreign Trade
- 2010-May 2012: Bureau Chief, Treasury Department, Turkey, Balkans, CIS and Middle East Office
- 2008-2010: Economic Adviser: French Embassy in Egypt
- 2004-2008: Deputy Head of Office: Economy and Finance Ministry, Treasury Department Project Financing Office for the CIS and the Middle East

Mrs Lydie Assouline

Board advisor - non-voting member

Date of Birth: 11 March 1960

Nationality: French

1st appointment:
Appointed by the Supervisory Board on 4 December 2023

Expiry of term of office: June 2024[15]

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Since January 2023: Board Member, Humoon
- Since January 2022: Senior Advisor, Blackfin

Mandates expiring during the last five years

- 2022: Member of the Board of Directors - New Access
- 2021: Executive Vice-President - Sopra Banking Software
- 2016-2020: Chief Executive Officer - SAB
- 2013-2020: CEO-SAB

Other areas of expertise and experience

- 2011-2013:
- COO Groupama GAN Vie
- Chairwoman of the Régime Interprofessionnel de Prévoyance [Interprofessional Provident Scheme] -Groupama
- 2010-2013: Member of the Board of Directors - GIE Groupama Logistique et Achats [Logistics and Procurement]
- 2001-2011: CIO & COO - Groupama Banque
- 2002-2010: Member of the Executive Board - Groupama Banque
- 1997-2001: CIO - Groupama SA
- 1983-1997: Project Director and Account Director - IBM Global Services

[15] On the date of the Supervisory Board meeting held at the close of the Annual General Meeting to be held on 21 May 2024.

- Changes in the composition of the Supervisory Board and specialised committees during the financial year 2023:

	Departures	Appointments - Co-optations
Supervisory Board	Supervisory Board meeting of 23 May 2023: -Pia Imbs (resignation) Supervisory Board meeting of 4 December 2023: - Rollon Mouchel-Blaisot (resignation with effect from 20 November 2023 onwards)	Supervisory Board meeting of 23 May 2023: - Co-optation of Marie Ducamin Supervisory Board meeting of 4 December 2023: Appointment of Lydie Assouline as non-voting member of the Supervisory Board
ARC		Supervisory Board meeting of 4 December 2023: - Appointment of Lydie Assouline as non-voting member of the Supervisory Board
ACCGC	Supervisory Board meeting of 4 December 2023: - Rollon Mouchel-Blaisot (resignation on 20 November 2023)	
Strategy and Responsible Commitments Committee		

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

- **Members of the Supervisory Board**

In accordance with the legal provisions in effect, the appointment of Supervisory Board members is a matter for 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 vacate their seat due to death or resignation, the Supervisory Board has the option of co-opting a new member in order to replace those members on a provisional basis 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 day on which the vacancy arises.

All applications for memberships of the Supervisory Board are reviewed, prior to their submission to the General Meeting of Shareholders of the Company, by the ACCGC of AFL and the ACCGC of the Société Territoriale, pursuant to Article 15.2.1 of the Company's Articles of Association, in such a way as to ensure the compliance of the composition of the Supervisory Board.

While taking into account the specificities of the AFL Group, the directors are appointed in consideration of 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 (so-called "fit and proper" analysis).

- Non-voting directors

Pursuant to article 15.12.1 of the Company's Articles of Association, the non-voting directors are appointed by the Supervisory Board, after hearing the opinion of the ACCGC of the AFL and the Board of Directors of the AFL-ST, after hearing the opinion of the ACCGC of that company.

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

The diversity and complementarity of the profiles of the members of the Supervisory Board enable all the key skills to be represented, in such a way as to understand the activity and challenges of Agence France Locale.

In order to ensure a balanced composition, the Board has a reference framework based on a matrix of the key skills of its members in the areas essential to the Company's business: knowledge of the financial sector and regulatory requirements, strategy/leadership, risk management, governance, accounting and financial information of a reporting institution, CSR, marketing & communication, ICT and cybersecurity, HR, institutional organisation and local public sector finance.

All these key skills are represented on the Supervisory Board.

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

The ACCGC of the Company, which met on 13 November 2023, confirmed that all of the members of the Supervisory Board have key expertise with regard to the Company's business, enabling it and the AFL Group to develop under the aegis of a high-quality Board.

The composition of the Supervisory Board and its Committees thus corresponds to the governance requirements of the Company's business, by combining local public sector experts with independent professionals recognised for their professional skills in banking, finance and/or risk supervision, or their professional skills in any other field useful for the proper supervision of the Company, as determined by the Supervisory Board.

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

- Training of Board members

In accordance with the training plan of the AFL Group, any new member of the AFL Supervisory Board receives training sessions on the regulatory and strategic issues faced by the AFL Group and the governance principles of the AFL Group.

- Conflicts of interest:

The Code of Ethics for the members of the Supervisory Board[16] 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 alert in the event of wrongdoing.

The ACCGC conducts an annual review of the mandates 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.

If potential conflicts of interest arise, the member of the Board or Committee in question shall take all appropriate measures to deal with the situation of conflict. They shall notably refrain from participating in discussions and decision-making on the issue in question. In order to reaffirm the importance of addressing potential conflicts of interest within the AFL Group and following the publication of the Decree of 25 February 2021, amending the Decree of 3 November 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 28 March 2022, on the favourable opinion of the ACCGC of the two companies, adopted a Conflict of Interest Management Policy.

During the financial year 2023, no member of the Supervisory Board identified a conflict of interest with the performance of his or her duties within the AFL, with this acknowledged by the Company's ACCGC on 7 March 2024.

3.1.4. Independence of the members of the Supervisory Board

In accordance with Article 15.1.4 of the Company's Articles of Association, a majority of the members of the Supervisory Board must be independent.

This independence of the members of the AFL Supervisory Board is guaranteed by the combined application of the independence criteria stipulated respectively in the AFEP-MEDEF Code (Article 10.5)[17], and the Internal Regulations of the AFL Supervisory Board.

Under the terms of Article 2.4 (e) of the Supervisory Board's Internal Regulations, members representing the AFL-ST or who derive from local authorities that are shareholders in the AFL-ST do not qualify as independent, given their involvement in the governance of the parent company and the capital links between the local authority from which they derive and the AFL Group.

The AFL Group specifically excludes from the definition of independent members (in addition to the criteria stipulated by the AFEP-MEDEF code) any elected representative or employee of a local authority that is a shareholder in the AFL Group, regardless of the percentage of the share capital held (Article 2.4 (e) of the Supervisory Board's internal regulations).

In addition, pursuant to the Internal Regulations of the Supervisory Board and the AFEP-MEDEF Code, after 12 years on the Board, the status of independent director is lost, with the loss of the status of independent member occurring on expiry of the term of office during which this twelve-year period is exceeded.

The following table summarises the independence criteria for Supervisory Board members.

[16] Last update approved by the Supervisory Board on 27 March 2023 and appended to the Internal Regulations of the Supervisory Board.
[17] And appearing in the Annex of this Report.

By way of application of the provisions of Article 10.4 of the AFEP-MEDEF Code, the ACCGC discussed the independent director status of each member of the Board as part of its annual assessment of the functioning of the Supervisory Board.

At 31 December 2023, and according to the findings of the ACCGC, the Supervisory Board had 9 independent members out of 12, i.e. 75% (excluding the non-voting member).

Criteria[18]	*Criterion 1 – AFEP-MEDEF Code Salaried Board director/Executive officer/director of the company or its parent company or the consolidated company during the five years preceding their appointment*	*Criterion 2 – AFEP-MEDEF Code Cross-directorships*	*Criterion 3 – AFEP-MEDEF Code Significant business relationships*	*Criterion 4 – Family ties*	*Criterion 5 – AFEP-MEDEF Code Statutory auditors*	*Criterion 6 – AFEP-MEDEF Code Term of office exceeding 12 years*	*Criterion 7 – AFEP-MEDEF Code Non-executive director status*	*Criterion 8 – AFEP-MEDEF Code Status of major shareholder*	*Criterion specific to the AFL Group: Elected official or employee of a local authority which is a shareholder of the AFL Group[19]*
Sacha Briand *Non-independent*	X[20]	X See the previous column	✓	✓	✓	✓	✓	X[21]	X
Marie Ducamin *Non-independent*	X[22]	X See the previous column	✓	✓	✓	✓	✓	X[23]	X
Olivier Landel *Non-independent*	X[24]	X See the previous column	✓	✓	✓	✓	✓	✓	✓
Delphine Cervelle *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lars Andersson *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓
Victoire Aubry *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓
François Drouin *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nicolas Fourt *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sophie L'Hélias *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓
Marie Lemarié *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sophie Souliac *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓
Julien Denormandie *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lydie Assouline	✓	✓	✓	✓	✓	✓	✓	✓	✓

Non-Voting Director - Independent	

3.1.5. Balanced composition of the Board and Committees and objectives pursued

Gender balance, and diversity in general, form an important part of the values of the Agence France Locale Group.

Agence France Locale has set targets to ensure a balance between men and women on its Supervisory Board, voluntarily applying the rules for having 40% representation of women on the Supervisory Board in Article L.225-69-1, 1 of the French Commercial Code and in Article 8 of the AFEP-MEDEF Code (even though the Company does not fall within the field of application of these texts). In this way, the internal regulations of the Supervisory Board, as updated by the Supervisory Board on 27 March 2023, affirmed the objective of achieving a balanced representation of men and women on the Board[25].

At the close of the financial year 2023, the Supervisory Board consisted of 6 women and 6 men (excluding the non-voting member), an improvement on the previous year (46.15%/53.85%).

The gender balance objective has also been achieved within the Board's specialist committees.

The ACCGC and the Supervisory Board have also reaffirmed the diversity policy for the management bodies, with the Company committing to having at least one member of each gender on the Company's Executive Board. In this way, the Internal Regulations of the Supervisory Board, as updated by the Supervisory Board on 27 March 2023, affirm the objective of balanced representation of men and women on the Executive Board, it being specified that in an Executive Board with three or more members, at least one member of each gender must be represented. At 31 December 2023, the Executive Board was fully gender-balanced, with two women and two men.

[18] ✔ represents a criterion of independence met and X a criterion of independence not met

[19] Article 2.4(e) of the Supervisory Board's internal regulations

[20] Mr Briand also holds the position of Deputy Chairman of the Board of Directors of AFL-ST.

[21] (i) Deputy Chairman of the Toulouse Metropolitan Area, (ii) Deputy Mayor of the city of Toulouse, (iii) Regional Councillor for the Occitanie Region, and (iv) Member of the Inter-municipality Committee of SM Tisséo Collectivity, shareholders in AFL-ST.

[22] Mrs Ducamin also holds the position of Chairwoman of the Board of Directors of AFL-ST.

[23] Deputy Chairwoman responsible for finance for the Metropolitan Council of Rennes

[24] Mr Landel holds the position of Chief Executive Officer of AFL-ST

[25] Article 2.6 of the Board's internal regulations

3.1.6. Conditions for preparing and organising the Board's work

- <u>Overview of the duties of the Supervisory Board:</u>

The Supervisory Board defines the major strategic orientations and exercises permanent control over the management of the Company by the Executive Board. At any time of the year, it carries out the checks and controls that it considers appropriate and may be given such documents that it regards as necessary for the accomplishment of its mission. The operation of the Supervisory Board is governed by the Company's Articles of Association and by its Internal Regulations.

The Supervisory Board's Internal Regulations, as updated with effect from 4 May 2023 onwards, have affirmed the Supervisory Board's role in CSR strategy, in line with the recommendations of the AFEP MEDEF Code. In accordance with its provisions, the Supervisory Board, acting on a proposal from the Executive Board, determines multi-year strategic guidelines in terms of social and environmental responsibility. The Executive Board presents the procedures for implementing this strategy to the Supervisory Board, including an action plan and the time frames within which these actions will be carried out. The Executive Board reports annually to the Supervisory Board on the results achieved. Each year, the Supervisory Board examines the results obtained and the appropriateness, if any, of adapting the action plan or modifying the objectives, particularly in the light of changes in the company's strategy, technologies, shareholder expectations and the economic capacity to implement them. The CSR strategy, as well as the main actions undertaken to this end are presented to the Ordinary General Meeting at least every three years or in the event of a significant change in strategy.

The following decisions may only be taken by the Executive Board with the prior authorisation of the Supervisory Board (Article 15.8 of the Articles of Association):

- transfers of property assets, total or partial transfers of shareholdings and establishment 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 notably to the launch 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 company officers 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, which were not considered when the annual financing policy was defined;

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

- the proposed dividend distributions and similar transactions.

- <u>Organisation of meetings:</u>

The procedures for organising meetings of the Supervisory Board and its specialised committees are determined by the Articles of Association and the internal regulations of the Supervisory Board.

The Supervisory Board meets at least once a quarter. It deliberates on the agenda covering all matters that must be submitted to it pursuant to the 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 Preparatory discussions for the deliberations. The Statutory Auditors are invited to all meetings of the Supervisory Boards during which the annual or half-year financial statements are reviewed.

Supervisory Board meetings are called by the Chairman of the Supervisory Board or, if he is unable to attend, by the Deputy Chairman. Meetings of the Supervisory Board may be called by any means. 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, even in the absence of a notice of calling, if all of its members are present, regarded as present or represented.

With the same notice period, except in the case of emergency, the members of the Supervisory Board shall receive the meeting agenda, as well as the items necessary for their consideration, so they can make an informed decision on the issues entered on the agenda. Documents are transmitted in encrypted mode via a highly secure dedicated digital space.

Supervisory Board members may attend meetings by videoconference or appoint another Supervisory Board member as proxy to represent them, except for Supervisory Board meetings having as their object the annual financial statements.

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

Members of the Supervisory Board may only be represented by a proxy at a limited number of meetings, detailed in 4.1.1 of this Report; above this number, their attendance by proxy shall no longer be considered in allocation of compensation.

Each Supervisory Board member may arrange for notification of any documents that he/she considers useful or necessary for the performance of his/her duties. The obligation to obtain documents is matched by the right to obtain the information requested.

All participants in meetings of the Supervisory Board are bound by an obligation of confidentiality and discretion regarding the information exchanged at these meetings.

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

In addition to the points and decisions pertaining to its legal prerogatives, notably regarding the review of the annual and half-year financial statements, the Supervisory Board discussed all of the major actions undertaken in 2023, both internally (organisation, compensation, objectives, etc.) and externally (bond issue ceilings, financial policies, etc.).

The Supervisory Board met four times in 2023 and notably adopted the following points:

- Strategy:
  - Membership development strategy;
  - CSR strategy, including approval and monitoring of the Sustainable Finance Climate Roadmap;

- Budget and financial and commercial outlook:
  - Validation of the business plan;
  - Examination of the outlook for the previous financial year, validation of the provisional budget for the coming financial year;
  - Opinion on the draft annual review of the *k* factor to be submitted to the AFL-ST Board of Directors;

- Review of financial policies:
  - Liquidity policy;
  - Interest rate and foreign exchange risk hedging policy;
  - Policy on investment (including responsible investment) and management of credit risk from market activities;
  - Lending policy;
  - Credit rating policy;
  - Financial strategy and risk appetite;

- Debt programs (EMTN and ECP):
  - Approval of the borrowing program and the issuance ceiling for the coming financial year;

- Review of compensation policies:
  - Amount of fixed and variable compensation granted to members of the Executive Board for the financial year 2022;
  - Compensation packages for the financial year 2022 allocated to employees, specifically those classed as "*risk-takers*";
  - Compensation policy for the financial year 2023, including the professional and equal pay policy;
  - Establishment of quantitative and/or qualitative annual targets for the determination of 2023 variable compensation;
  - Gender equality policy;
  - Allocation of the total remuneration package by the General Meeting to the members of the Supervisory Board for the financial year ending 31 December 2022 and opinion on the principle of allocating remuneration for the financial year 2023;
  - Opinion on an inflation compensation scheme for AFL employees and executives;

- Review of regulated agreements:
  - Annual review of previously concluded regulated agreements, which continued to be executed during the financial year 2023;

- Review of internal control and risk monitoring:
  - Work and outcomes of internal control and risk monitoring
  - Mapping of global risks;
  - Price of products and services cited in Article L.511-94 of the French Monetary and Financial Code;
  - Policy on outsourcing, including review of steps taken to control outsourced activities;
  - Procedure for significant incidents;
  - Liquidity position;
  - Internal Control Charter;
  - Annual Report on Internal Control (ARIC);
  - Annual Report on Internal Control for AML-CFT;
  - Examination of LCB-FT&E policy, governance and the systems and procedures implemented to comply with regulatory provisions and corrective measures to remedy significant incidents or shortcomings;
  - Approval of the Internal Capital Adequacy Assessment Process (ICAAP);
  - Review of the Emergency Liquidity Restoration Plan (ELRP);
  - Contingency and Business Continuity Plan (CBCP);

- ICT & ISS
  - Approval of the ICT strategy and review of the implementation of an effective risk management framework for ICT and security risks;

- Review of IS and ISS security policy;

- **Periodic control activities:**
  - Half-yearly reports (including recommendations, implementation of remedial measures, and follow-up of their implementation);
  - Information on the call for tenders carried out to select the new service provider in charge of the outsourced periodic audit;
  - Approval of the periodic audit plan for the financial year 2024;

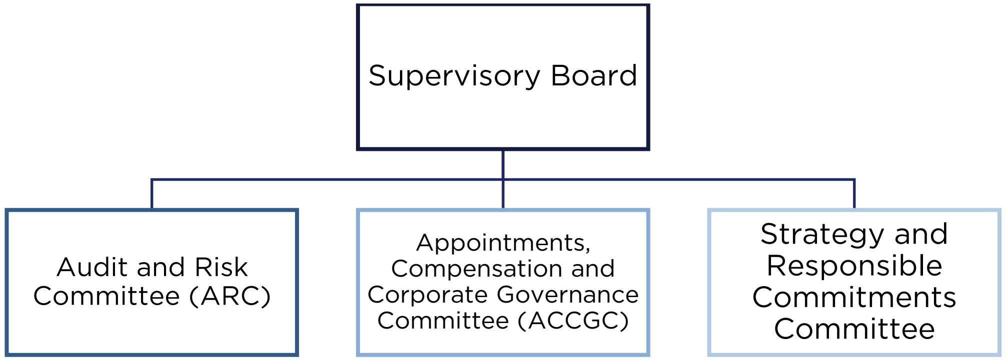
- **Governance:**
  - Work on the composition of the Supervisory Board, including the introduction of non-voting members;
  - Approval of the AFL Ethics Manual and Ethics Charter;
  - Evaluation of the collective operation of the Supervisory Board and its committees, as well as the experience and skills of individual Supervisory Board members, and assessment of the absence of conflicts of interest;
  - Review of gender representation on the Company's Supervisory Board;
  - Review of the diversity policy within the governing bodies;
  - Work on the CSR attributions and name of the Strategy Committee (now the Strategy and Responsible Commitments Committee);
  - Work on the functioning and future composition of the Audit and Risk Committees;
  - Creation of the internal regulations of the Executive Board;
  - Approval of this Corporate Governance Report.

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

The minutes of the meetings of the Supervisory Board were validated at the following meeting. This validation confirmed the faithful transcription of the contents of the minutes.

3.2.The specialised committees of the Supervisory Board

The Supervisory Board is supported in its work by three specialised committees:



The Committees have the role of providing in-depth analysis and reflection prior to the discussions of the Supervisory Board and assisting with the preparation of its decisions. They have no decision-making powers and their opinions, proposals or recommendations are not binding on the Supervisory Board when it takes its final decisions.

3.2.1. The Audit and Risk Committee

a) Composition of the Audit and Risk Committee

At 31 December 2023, the Audit and Risks Committee had four members: Mrs Victoire Aubry, Mr Olivier Landel, Mrs Marie Lemarié, and its Chairman, Mr François Drouin.

b) Conditions for preparing and organising the work of the Committee

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

The principal mission of the Audit and Risk Committee is:

(i) to monitor the preparation and dissemination process for accounting and financial information, to 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;
(iv) to give the committee its assessment of the work performed by the Statutory Auditors and its opinion on the renewal of their mandate.

The Supervisory Board's internal regulations define precisely how it operates and what its duties are.

The Audit and Risk Committee reports regularly to the Supervisory Board on the performance of its duties and informs it immediately of any difficulties encountered. These reports shall be inserted either in the minutes of the relevant meetings of the Supervisory Board, or as an annex to the minutes.

In order to carry out its mission, the Audit and Risk Committee has at its disposal all the resources made available to it by virtue of 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 financial year 2023, the Audit and Risk Committee met four times. Its work addressed all the points falling within its remit before submission to the Supervisory Board.

3.2.2. The Appointments, Compensation and Corporate Governance Committee (*ACCGC*)

a) Composition

At 31 December 2023, the ACCGC had three members: Mr Olivier Landel, Mrs Sophie Souliac and its Chairwoman, Mrs Sophie L'Hélias.

b) Conditions for preparing and organising the work of the Committee

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

The ACCGC's primary mission is:

(i) to examine any candidatures 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 proposing 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 to discuss annually the qualification of "independent" member; and
(v) to examine annually the Company's compensation policy, and formulate an opinion, notably on the compensation and performance objectives allocated to Board directors and risk-takers.

The Internal Regulations of the Supervisory Board define precisely how the ACCGC operates and its remit.

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

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

In 2023, the ACCGC met three times. Its work notably related to all of the points falling within its competence before submission to the Supervisory Board.

In particular, during the financial year 2023, the ACCGC:
- worked on the creation of internal regulations for the Executive Board[26],
- specified the procedures for identifying, selecting and appointing non-voting members of the Supervisory Board, enabling the first non-voting member to join the Board in 2023; and refined and completed the Supervisory Board's skills matrix, as part of the Board's succession plan with a view to its renewal in 2025;
- clarified the changes to the remit and name of the Strategy and Responsible Commitments Committee (formerly the Strategic Committee) in terms of CSR;
- examined the training system for Supervisory Board members.
- examined the remuneration policy and remuneration benchmarking.

In addition, the AFL Executive Board informed the Chairman of the Supervisory Board and the Chairman of the ACCGC of the Executive Board's succession plan.

3.2.3. Strategy and Responsible Commitments Committee

a) Composition

At 31 December 2023, the Strategy and Responsible Commitments Committee had five members: Mr Olivier Landel, Mr Nicolas Fourt, Mrs Delphine Cervelle, Mr Julien Denormandie and its Chairman, Mr Lars Andersson.

b) Conditions for preparing and organising the work of the Committee

[26] which were integrated into the Internal Regulations of the Supervisory Board, now entitled the Internal Regulations of the Supervisory and Executive Boards.

- <u>Overview of the missions of the Committee and organisation of the meetings</u>

Meeting on 4 December 2023, the Supervisory Board, having received the positive opinions of the ACCGC and the Strategy and Responsible Commitments Committee, amended the Supervisory Board's internal regulations in such a way as to:

  - change the name of the Strategy Committee to Strategy and Responsible Commitments; and
  - specify its CSR remit.

The Strategy and Responsible Commitments Committee meets as often as its members consider necessary, and at least before each quarterly Supervisory Board meeting.

The Strategy and Responsible Commitments Committee examines and monitors the implementation of the Company's strategic plan, as well as its strategic projects and operations. As such, it expresses its opinion on:

- major strategic orientations;
- development and communication policy;
- the major financing and refinancing projects or programmes envisaged;
- multi-year CSR guidelines. In this capacity, it prepares the Supervisory Board's decisions on CSR strategy. In particular:
  - It gives its opinion on the procedures for implementing the social and environmental responsibility strategy, the action plans and the time frames within which these actions will be carried out;
  - Each year, it examines the results obtained and makes recommendations on whether it would be appropriate to adapt the action plan or modify the objectives, particularly in the light of changes in the company's strategy, technologies, shareholder expectations and the economic capacity to implement them.

The Strategy and Responsible Commitments Committee also studies and examines draft strategic agreements and partnerships and, more generally, any significant project; the assessment of whether a project is significant is the responsibility of the Strategy Committee Chairman, notably based on the amount of commitments associated with the project.)

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

In order to conclude its mission successfully, the Strategy and Responsible Commitments Committee has access to all the resources made available to it by virtue of the Internal Regulations of the Supervisory Board.

- <u>Summary of the Committee's activities during the past financial year</u>

During the financial year 2023, the Strategy Committee met four times. Its work notably related to all of the points falling within its competence before submission to the Supervisory Board. It also held a number of informal meetings to prepare and review the strategic seminar held on 20 November 2023 for members of the AFL Supervisory Board and the AFL-ST Board of Directors.

The Strategy and Responsible Commitments Committee examines on a recurring basis certain major themes for defining 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,
- the communication strategy; the CSR strategy.

The Strategy and Responsible Commitments Committee also focuses its discussions on themes that it identifies as representative of the major strategic issues for the AFL Group, such as, for the past financial year:

- The Climate and Sustainable Finance Roadmap for 2024;

3.2.4. Attendance of members at meetings of the Supervisory Board and specialised committees: attendance at meetings of members of the Supervisory Board and its specialised committees during the financial year 2023

All Supervisory Board and Committee meetings met the quorum and majority conditions required by the Articles of Association at the first calling. The attendance rate remained high during the financial year 2023, testifying to the commitment of Supervisory Board members. The following table presents attendance of the members of the Board and Specialised Committees at meetings, based on the attendance sheets signed at the start of the meeting.

Mrs Lydie Assouline, who was appointed as a non-voting member of the Supervisory Board on 4 December 2023 (not included), did not attend any of the Company's meetings during the past financial year.

	Supervisory Board	ARC	ACCGC	Strategy and Responsible Commitments Committee

Attendance in 2023	No. of meeting s	Actual attendance	No. of meetings	Actual attendance	No. of meetings	Actual attendance	No. of meetings	Actual attendance	*Individual attendance rate*
S. Briand	**5**	5	-	-	-	-	-	-	*100%*
P. Imbs*	**2**	0	-	-	-	-	-	-	*0%*
M. Ducamin**	**3**	3	-	-	-	-	-	-	*100%*
R. Mouchel-Blaisot***	4	4	-	-	3	3	-	-	*100%*
O. Landel	5	5	4	4	3	3	4	4	*100%*
L. Andersson	5	5	-	-	-	-	4	4	*100%*
V. Aubry-Berrurier	5	5 (including 2 proxies)	4	4	-	-	-	-	*100%*
F. Drouin	5	5	4	4	-	-	-	-	*100%*
N. Fourt	5	4	-	-	-	-	4	4	*89%*
S. L'Hélias	5	5	-	-	3	3	-	-	*100%*
S. Souliac	5	5	-	-	3	3	-	-	*100%*
D. Cervelle	5	5	-	-	-	-	4	3	*89%*
M. Lemarié	5	4	4	4	-	-	-	-	*89%*
J. Denormandie	5	5	-	-	-	-	4	4	*100%*
Average attendance rate		94%	100%			100%	95%		

*Director whose resignation was noted by the Supervisory Board on 23 May 2023.
**Director co-opted by the Supervisory Board on 23 May 2023.
***Director whose resignation was noted by the Supervisory Board on 4 December 2023.

3.3. The Executive Board

a) Composition

Members of the Executive Board are appointed by the Supervisory Board on recommendation of the Company's ACCGC.

In accordance with the rules of the AFL Group on capital structure, no member of the Executive Board holds shares in AFL.

Composition of the Executive Board on the date of this Report:

Mr Yves Millardet

Chairman of the Executive Board

Date of Birth: 24 August 1964

Nationality: French

1st appointment: Supervisory Board meeting of 17 December 2013

Reappointment: Supervisory Board meeting of 26 March 2020

Expiry of term of office: AGM 2026

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- Since 05 June 2014: Deputy Chief Executive Officer of AFL-ST

Offices and positions held outside the Group

Offices currently held	Mandates expiring during the last five years
▪ Since 2021: - Manager of SCI 3 plage - Manager of SCI 13 Koz-Ker ▪ Since 2020: Permanent representative of the AFL, member of the Bureau of the Board of Directors of the OCBF, mission delegated to Ariane Chazel.	▪ None

Other areas of expertise and experience

- 2022: Approval of the 4 training modules on information systems security (ISS) designed by the ANSSI training centre (CFSSI) – MOOC SecNumacadémie
- 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

Mrs Laurence Leydier

Member of the Executive Board

Date of Birth: 13 May 1974

Nationality: French

1st appointment: Supervisory Board meeting of 28 September 2022

Expiry of term of office: AGM 2028

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- Since October 2022: Director of Membership and Credit at AFL
- 2021-October 2022: Deputy Director of Membership and Credit at AFL
- 2014-2021: Head of community relations in AFL's Membership and Credit Department

Offices and positions held outside the Group

Offices currently held	Mandates expiring during the last five years
▪ None	▪ None

Other areas of expertise and experience

- 2011-2014:
- Head of the South-East Region Trading Room, Crédit Agricole CIB
- Sponsor of Regional Authorities – CACIB relationship, Crédit Agricole CIB
- 2004-2011: Trader, interest rate and currency derivatives, Crédit Agricole CIB
- 1997- 2004: Trader, SGCIB

Mr Thiébaut Julin

Member of the Executive Board

Date of Birth: 16 September 1961

Nationality: French

1st appointment:
Supervisory Board meeting of 25 March 2014

Reappointment:
Supervisory Board meeting of 26 March 2020

Expiry of term of office:
AGM 2026

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- Chief Executive Officer and Chief Financial Officer of AFL

Offices and positions held outside the Group

Offices currently held

- None

Mandates expiring during the last five years

- None

Other areas of expertise and experience

- 2005-2014: Senior Banker, Natixis
- 1988-2005: Head of Resources, African Development Bank
- 1992-1997: Manager, Daiwa

Mrs Ariane Chazel

Member of the Executive Board

Date of Birth: 16 March 1970

Nationality: French

1st appointment: Supervisory Board meeting of 5 June 2014

Reappointment: Supervisory Board meeting of 26 March 2020

Expiry of term of office: AGM 2026

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- Director of Commitments and Risks, Climate and Sustainable Finance at AFL

Offices and positions held outside the Group

Offices currently held

- Since June 2023: General Secretary of the École Polytechnique Alumni Association
- Since December 2022: Treasurer of the OCBF
- Since July 2022: Member of the Board of Directors of the X Alumni association
- Since 2021: Member of the Board of Directors of the X-Finance association
- Since 2020: Alternate permanent representative of AFL, member of the Bureau of the Board of Directors of the OCBF

Mandates expiring during the last five years

- 2019-2021: Chairwoman of the Board of Directors of the X-Finance association

Other areas of expertise and experience

- 2022: Approval of the 4 training modules on information systems security (ISS) designed by the ANSSI training centre (CFSSI) – MOOC SecNumacadémie
- 2013-2014: Director of Rare Resources Development, BGC, Natixis
- 2009-2013: BGC strategy, Natixis
- 2002-2009: Fund structuring, Natixis
- 1997-2001: Financial engineering, La Poste Group

b) Powers of the Executive Board

The members of the Executive Board collectively manage the Company.

The Executive Board is vested with the most extensive powers to act under all circumstances on the Company's behalf, within the limit of the company object and subject to the powers expressly allocated by law and by the Company's Articles of Association to the Supervisory Board and to the General Meeting of Shareholders.

The Executive Board meets at least once a month, and, in any event, as many times as the interests of the Company require.

At its meeting on 27 March 2023, the Supervisory Board, having received the positive opinion of the ACCGC, drew up internal regulations for the Executive Board, which were adopted by a resolution of the Executive Board on 4 May 2023 and which supplement the Internal Regulations of the Supervisory Board (now entitled "Internal Regulations of the Supervisory Board and the Executive Board"), so as to define and govern the powers and duties of the Executive Board and its members and its interactions with the Supervisory Board.

4. **Compensation**

Items of compensation and the criteria used to determine them are approved by the Supervisory Board on recommendation of the ACCGC, pursuant to the law.

4.1. Members of the Supervisory Board and its specialised committees

4.1.1. Principles and terms of payment of remuneration

- Members of the Supervisory Board

In accordance with the applicable laws, members of the Supervisory Board may receive compensation for their corporate duties. Total annual compensation is set by the General Meeting of Shareholders. The Supervisory Board is responsible for distributing this total amount among its members on the recommendation of the ACCGC.

The AFL General Shareholders' Meeting of 4 May 2023 set the maximum total annual amount of remuneration to be distributed among the members of the Supervisory Board at €220,000 (two hundred and twenty thousand euros) for the financial year 2023 and for subsequent financial years.

The rules applicable to the allocation of compensation to the members of the Supervisory Board are defined in Article 13 of the Internal Regulations of the Supervisory Board.

In order to take account of the specific nature of their functions within the Supervisory Board, the following members of the Board receive different compensation:

- The Chairman of the Supervisory Board;
- The Chairpersons of the Specialised Committees of the Supervisory Board;
  The members of the Board who are also members of a Specialised Committee.

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

- 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 this, proxy attendance by members of the Supervisory Board, while legally valid for the calculation of the quorum and majority, shall not count towards the allocation of compensation.

Notwithstanding the above, in view of the legal regime governing incompatibilities applicable to holders of national or local elective offices, compensation may under no circumstances be awarded to members of the Supervisory Board who also hold national elective offices. In this way, Mr Sacha Briand, Mrs Pia Imbs and Mrs Marie Ducamin do not receive any remuneration for the performance of their duties on the AFL Supervisory Board.

In view of her duties as Chief Executive Officer of Saint-Ouen Métropole, Delphine Cervelle has decided to apply this provision on a voluntary basis, for the entire duration of her term of office.

Mr Olivier Landel, who receives remuneration from AFL-ST in his capacity as Chief Executive Officer, does not receive any remuneration for his duties on the Company's Supervisory Board.

By way of his duties within the AFL Group, Mr Olivier Landel did not receive any variable or exceptional remuneration during the financial year 2023; he received €2,724 of benefits in kind, corresponding to the value of his company car.

The determination of 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 component of €10,000 a year, except in the event of excessive absenteeism, to which is added;
- A variable component capped at €20,000 a year (attributed based on attendance).

In 2023, as in previous years, Mr Sacha Briand received no compensation for his office as Chairman of the Supervisory Board in view of the incompatibilities.

The following compensation is calculated *pro rata* to the duration of the term of office for the financial year 2023:

(ii) For the Chairmen of the Audit and Risks Committee, the Appointments, Remuneration and Corporate Governance Committee and the Strategy and Responsible Commitments Committee:

- A fixed component of €5,000 per year, except in the event of excessive absenteeism, to which is added;
- A variable component capped at €20,000 a year (attributed based on attendance).

(iii) For the members of the Supervisory Board and the members of the specialised committees:

- A fixed component of €5,000, except in the event of excessive absenteeism, to which is added;
- A variable component capped at €10,000 a year, except in the event of excessive absenteeism, plus;
- An additional maximum of €5,000 a year for the members of the specialised committees, as a function of their actual participation.

It should be noted that the Company did not grant any retirement commitments or other life annuity benefits to the members of the Supervisory Board and did not conclude any agreement providing compensation for Supervisory Board members whose terms of office are ending, for whatever reason.

- Non-voting directors

Pursuant to Article 16.12.3 of the Articles of Association, each non-voting director may receive remuneration, the amount of which is set by the Supervisory Board, by way of his or her effective participation in meetings of the Board and its committees during the past financial year.

The amount set by the Supervisory Board at its meeting of 27 March 2023, and incorporated into article 14.2 of the Supervisory Board's internal regulations, is a gross lump sum of €1,000 per Board or committee meeting in which he or she has actually participated. This lump sum may be revised by a decision of the Supervisory Board.

4.1.2. Amount of compensation allocated

In accordance with the provisions of Article L.225-83 of the French Commercial Code, on 27 March 2024, the Supervisory Board approved the following breakdown of the remuneration awarded to members of the Supervisory Board, within the overall limit of €220,000 set by the General Meeting of Shareholders of 4 May 2023.

Mrs Lydie Assouline, appointed as a non-voting member by the Supervisory Board on 4 December 2023, was not required to attend any meetings of the Company's governing bodies during the past financial year and therefore received no remuneration (former directors' fees) by way of the year 2023.

Members of the Supervisory Board	Amount (€)			
	Fixed 2023 (€)	Variable 2023 (€)	Total 2023 (€)	Total 2022 – paid in 2023 (€)
S. Briand - Chairman of the Supervisory Board	-	-	-	-
P. Imbs-Deputy Chairwoman of the Supervisory Board (resignation registered on 23/05/2023)	-	-	-	-
M. Ducamin-Deputy Chairwoman of the Supervisory Board (since 23/05/2023)	-	-	-	-
L. Andersson - Chairman of the Strategy and Responsible Commitments Committee	5,000	20,000	25,000	25,000
V. Aubry - Member of the ARC	5,000	10,000+5,000 in his capacity as member of a specialised committee	20,000	20,000
F. Drouin - Chairman of the ARC	5,000	20,000	25,000	25,000
N. Fourt - Member of the Strategy and Responsible Commitments Committee	5,000	10,000+5,000 in his capacity as member of a specialised committee	20,000	20,000
O. Landel - Member of the ARC, ACCGC and Strategy and Responsible Commitments Committee	-	-	-	-
S. L'Hélias– Chairwoman of the ACCGC	5,000	20,000	25,000	25,000
R. Mouchel Blaisot-Member of the ACCGC (until 20 November 2023)[27]	5,000	7,500 (10,000 x 3/4)+ 5,000 in his capacity as member of a specialised Committee	17,500	20,000
D. Cervelle - Member of the Strategy and Responsible Commitments Committee	-	-	-	-
M. Lemarié - Member of the ARC	5,000	8,000 (10,000 x4/5 + 5,000 in his capacity as member of a	18,000	5,000

[27] Memberships of Committees and Supervisory Boards were not remunerated from 24 July 2023 onwards, due to Mr Mouchel-Blaisot's appointment to a new public office as Prefect.

		specialised committee		
J. Denormandie - Member of the Strategy and Responsible Commitments Committee	5,000	10,000+5,000 in his capacity as member of a specialised committee	20,000	N/A
S. Souliac - Member of the ARC	5,000	10,000+5,000 in his capacity as member of a specialised committee	20,000	N/A
Total	45,000	145,500	190,500	140,000[28]

[28] On the basis of the Supervisory Board members in office during the financial year.

4.2. Executive Board

Summary table – Procedures for exercising the functions of member of the Executive Board and components of compensation

	Mr Yves Millardet, Chairman of the Executive Board Start of term of office: 6 January 2014 End of term of office: General Meeting in 2026 to approve the financial statements for the financial year 2025	
Employment contract	No	Yves Millardet carries out his duties by virtue of a company mandate, the terms of which have been approved by the ACCGC and the Company's Supervisory Board.
Supplementary pension scheme	Yes	Yves Millardet's retirement plan is modelled 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 company mandate does not provide for any indemnities of this type.
Compensation relating to a non-competition clause	Yes	Yves Millardet's company mandate includes a non-competition clause applicable for a period of 12 months from the effective termination of his term of office (see discussion below).

	Mr Thiébaut Julin, Member of the Executive Board – Chief Financial Officer Start of term of office: 25 March 2014 End of term of office: General Meeting in 2026 to approve the financial statements for the financial year 2025	
Employment contract	Yes	Thiébaut Julin holds the position of Chief Financial Officer, in accordance with the terms of an employment agreement concluded with the Company. Thiébaut Julin serves as an unpaid member of the Executive Board. Thiébaut Julin's position as a member of the Executive Board is governed by the sections of the Articles of Association relating to the functioning and powers of the Executive Board.
Supplementary pension scheme	No	As an employee of the Company, Thiébaut Julin benefits from the pension scheme 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 Executive Board with regard to the termination of the duties of a member of the Executive Board of the Company.
Compensation relating to a non-competition clause	No	Thiébaut Julin is not subject to any non-competition clause, either by virtue of his employment agreement, or by the provisions of the Articles of Association applicable to the duties of a member of the Executive Board or a subsequent decision to that effect by the Supervisory Board.

	Mrs Ariane Chazel, Member of the Executive Board-Director of Commitments and Risks, Climate and Sustainable Financing Start of term of office: 5 June 2014 End of term of office: General Meeting in 2026 to approve the financial statements for the financial year 2025	
Employment contract	Yes	Ariane Chazel holds the position of Director of Commitments and Risks, Climate and Sustainable Finance under the terms of an employment contract with the Company. Ariane Chazel serves as an unpaid member of the Executive Board. Ariane Chazel's duties as a member of the Executive Board are governed by the statutory rules relating to the functioning and powers of the Executive Board.
Supplementary pension scheme	No	As an employee of the Company, Ariane Chazel benefits from the pension scheme 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 Executive Board with regard to the termination of the duties of a member of the Executive 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 Executive Board or subsequent to a decision to that effect by the Supervisory Board.

	Mrs Laurence Leydier, Member of the Managing Board - Membership and Credit Director Start of term of office: 28 September 2022 End of term of office: General Meeting in 2028 to approve the financial statements for the financial year 2027	
Employment contract	Yes	Laurence Leydier serves as Chief Financial Officer under the terms of an employment contract concluded with the Company. Laurence Leydier serves as an unpaid member of the Executive Board. Laurence Leydier's position as a member of the Executive Board is governed by the sections of the Articles of Association relating to the functioning and powers of the Executive Board.
Supplementary pension scheme	No	As an employee of the Company, Laurence Leydier benefits from the pension scheme 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 Executive Board with regard to the termination of the duties of a member of the Executive Board of the Company.
Compensation relating to a non-competition clause	No	Laurence Leydier 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 Executive Board or a subsequent decision to that effect by the Supervisory Board.

4.2.1. Principles and terms of payment of remuneration

The Supervisory Board approves, then each year checks and validates the method and amount of compensation (fixed, variable and exceptional) of each member of the Executive Board, on the recommendation of the ACCGC.

With the exception of the Chairman of the Managing Board, who is a corporate officer, the members of the Managing Board perform their duties by virtue of employment contracts. The terms of the company mandate of Yves Millardet, Chairman of the Executive Board, as approved by the Supervisory Board, are set out in a written document entitled "Company mandate agreement", which is governed by regulated agreements. The regulated nature of these agreements requires a strict annual review by the Supervisory Board and the General Meeting of Shareholders.29.
The payment of remuneration of members of the Executive Board forms part of the remuneration policy for all salaried employees of the Company.

The variable compensation of each member of the Executive Board is defined on the basis of collective targets and individual targets approved at the start of each financial year by the Supervisory Board on recommendation of the ACCGC, and included in the Company's compensation policy. The ACCGC, on 7 March 2024, and the Supervisory Board, on 27 March 2024, examined the level of achievement of the Executive Board's objectives over the past financial year and consequently approved the level of their variable portion in this capacity.

The criteria for the allocation of variable remuneration to members of the Executive Board by way of the financial years 2023 and 2024 are annexed to this report.

The principles of allocation and compensation of the members of the Executive Board and its Chairperson are detailed below:

– Mr Yves Millardet

By way of his company mandate, which entered into effect from 6 January 2014 onwards, for his duties as member and chairman of the Executive Board, Mr Yves Millardet's remuneration is determined with reference to market practices for the position of Chairman of the Executive Board.

This compensation is paid on the basis of his mandate within the Company and is broken down into a fixed portion (85% of the benchmark compensation) and a variable portion, equal to at most 15% of the benchmark compensation (reviewed annually by the Supervisory Board. The reference amount for the financial year 2023 was €318,667]. Vesting of the variable portion will be linked to the partial or total achievement of one or more annual qualitative and/or quantitative targets, to be defined each year by the Supervisory Board, if necessary after consultation with the ACCGC.

In the event of exceptional circumstances or significant performance during a given year, specifically in excess of defined targets, the variable portion of 15% may represent up to 25% of the fixed annual gross compensation.

The pension scheme applicable to Yves Millardet is based 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 does not benefit from any "top-up pension".

[29] See section 6 of this Report.

In the event of his ceasing to hold office as a corporate officer, Yves Millardet shall benefit from financial compensation under the non-competition clause provided in his company mandate since June 2015.

The principle of introducing this non-competition clause was adopted after it was noted that Yves Millardet does not benefit from any form of protection of any kind linked to his status as a non-employee (stock options, special provident scheme, etc.).

The wording of this non-competition clause was presented to the ACCGC 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 shall receive, from the date of his effective termination and during the period of application of this clause, a financial contribution paid 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."

- <u>Mr Thiébaut Julin</u>

Mr Thiébaut Julin serves as an unpaid member of the Executive Board of AFL. After approval by the ACCGC, on 25 March 2014, the Supervisory Board pronounced in favour of compensation for the technical duties of AFL's Chief Financial Officer, by way of an employment contract concluded with the Company.

The compensation of Thiébaut Julin is set with reference to market practices for the position of Chief Financial Officer. This compensation consists of a fixed portion and a variable portion representing at most 15% of the fixed portion. Vesting of the variable portion will be linked to the partial or total achievement of one or more annual qualitative and/or quantitative targets, to be defined each year by the Supervisory Board, if necessary after consultation with the ACCGC.

Mr Thiébaut Julin, as an employee of the Company, is the beneficiary of the profit-sharing agreement implemented within AFL on 11 May 2021 for the financial years 2021, 2022 and 2023.

- <u>Mrs Ariane Chazel</u>

Ariane Chazel serves as an unpaid member of the Executive Board of Agence France Locale. Following the approval of the ACCGC, on 5 June 2014, the Supervisory Board pronounced in favour of compensation for the technical functions of Risk, Compliance and Control Officer of AFL, since renamed Head of Commitments and Risks, Climate and Sustainable Financing, pursuant to an employment contract with the Company.

Mrs Ariane Chazel's compensation is determined with reference to market practices for the position of Head of Commitment and Risk. This compensation consists of a fixed portion and a variable portion representing at most 15% of the fixed portion. Vesting of the variable portion will be linked to the partial or total achievement of one or more annual qualitative and/or quantitative targets, to be defined each year by the Supervisory Board, if necessary after consultation with the ACCGC.

Ariane Chazel, as an employee of the Company, is the beneficiary of the profit-sharing agreement set up within AFL on 11 May 2021 for the financial years 2021, 2022 and 2023.

– Mrs Laurence Leydier

Mrs Laurence Leydier serves as an unpaid member of the Executive Board of Agence France Locale. Following the approval of the ACCGC, on 28 September 2022, the Supervisory Board approved compensation for the technical functions of Head of membership and lending at AFL, pursuant to an employment contract with the Company.

Mrs Laurence Leydier's compensation is determined with reference to market practices for the role of Head of membership and lending. This compensation consists of a fixed portion and a variable portion representing at most 15% of the fixed portion. Vesting of the variable portion will be linked to the partial or total achievement of one or more annual qualitative and/or quantitative targets, to be defined each year by the Supervisory Board, if necessary after consultation with the ACCGC.

As an employee of the Company, Mrs Laurence Leydier is the beneficiary of the profit-sharing agreement implemented within AFL on 11 May 2021 for the financial years 2021, 2022 and 2023.

4.2.2. Amount of compensation allocated

In accordance with the recommendations of the AFEP-MEDEF Code to which the Company refers, details are given below of the remuneration and benefits of all kinds paid or due to members of the Executive Board with regard to the financial year ended 31 December 2023.

It should be noted that:

- the Company has not granted any retirement commitments or other life annuity benefits to the members of the Executive Board;
- the Company has not granted any stock options or performance shares to members of the Executive Board for the financial year ended 31 December 2023;
- the Company pays for specific insurance for the Chairman of the Executive Board, in the absence of unemployment insurance, corresponding to a benefit in kind, the amount of which is entered in the following table, which itemises compensation amounts;
- The Company has subscribed to a 36-month car rental contract for the Chairman of the Executive Board since March 2021;
- The Company has implemented a profit-sharing scheme for the financial years 2021, 2022 and 2023, for which Thiébaut Julin, Ariane Chazel and Laurence Leydier are eligible in their capacity as employees, and from which the Chairman of the Executive Board, who is a corporate officer who is not an employee, is excluded;
- To mark the tenth anniversary of the law creating the AFL Group and to commemorate the undeniable success of AFL's launch, the Supervisory Board authorised the granting of a bonus to AFL's historic executives, both employees and managers, who joined the bank in 2014.

Summary table of compensation per executive director[30]

Yves Millardet	Financial year ended 31/12/2022		Financial year ended 31/12/2023	
Chairman of the Company's Executive Board Deputy Chief Executive Officer of AFL-ST[31]	Amounts due by way of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due by way of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	268,900	268,900	275,667	275,667
Annual variable compensation	41,000	54,250	[43,000]	68,517
Exceptional bonus	N/A	N/A	40,000	40,000
Profit-sharing compensation bonus	34,731	10,000	[39,030]	9,000
Compensatory bonus for the anti-inflation PPV (value-sharing bonus) provision	6,723.57	6,723.57	6,052.35	6,052.35
Payments in kind	9,506.88 4,716.24	9,506.88[32] 4,716.24[33]	10,612,74[18] 4,940,57[19]	10,612,74[18] 4,940,57[19]
TOTAL	**365,577.69**	**354,096.69**	**[419,302.66]**	**414,789.66**

Ariane Chazel Member of the Executive Board Head of Commitments and Risks, Climate and Sustainable Finance	Financial year ended 31/12/2022		Financial year ended 31/12/2023	
	Amounts due by way of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due by way of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	180,439	180,439	184,950.24	184,950.24
Annual variable compensation	24,500	28,500	[25,500]	28,250
Exceptional bonus	N/A	N/A	40,000	40,000
Value sharing bonus (PPV)	4,510.98	4,510.98	4,152.92	4,152.92

[30] The amount of the incentive will be definitively calculated on the basis of the audited financial statements for the year ended 31 December 2023.
[31] Mr Millardet does not receive any specific remuneration for his duties at AFL-ST.
[32] Corresponding to assumption of the specific insurance mentioned above
[33] Corresponding to the valuation of the company car

Payments in kind	1,850	1,850	0	0
Profit-sharing payment	17,650	15,062	[19,891]	17,650
TOTAL	**228,949.98**	**230,361.98**	[274,494.16]	**272,303.16**

Thiébaut Julin Member of the Executive Board of the Company Chief Financial Officer	Financial year ended 31/12/2022		Financial year ended 31/12/2023	
	Amounts due by way of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due by way of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	229,278	229,278	235,100.04	235,100.04
Annual variable compensation	30,500	37,500	[31,500]	37,250
Exceptional bonus	N/A	N/A	40,000	40,000
Value sharing bonus (PPV)	5,731.95	5,731.95	5,159.71	5,159.71
Payments in kind	602	602	3,316.20	3,316.20
Profit-sharing payment	17,650	15,062	[19,891]	17,650
TOTAL	**283,762.95**	**288,173.95**	[334,966.95]	**338,475.95**

Laurence Leydier Member of the Executive Board Head of Membership and Lending	Financial year ended 31/12/2022		Financial year ended 31/12/2023	
	Amounts due by way of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due by way of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	127,031	127,031	153,750	153,750
Annual variable compensation	18,750	18,750	[22,000]	19,375
Exceptional bonus	N/A	N/A	15,000	15,000
Value sharing bonus (PPV)	2,984.36	2,984.36	3,567.19	3,567.19
Payments in kind	0	0	0	0
Profit-sharing payment	17,650	14,089	[19,891]	17,650
TOTAL	**166,415.36**	**162,854.36**	[214,208.19]	209,342.19

Principle of staggered variable compensation

In view of the regulations in effect 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 Executive Board, AFL's 2023 compensation policy provides for the implementation of a deferred payment of variable compensation components, the principles of which are as follows:

- payment of variable compensation automatically deferred for a given financial year N from the moment it exceeds €50,000. As a reminder, until 2021 the deferral applied to variable remuneration above €15,000.
- payment in the year N+1 of the variable amount less than or equal to the threshold of €50,000, awarded by way 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 €50,000, awarded by way of financial year N: at the start 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, 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 €50,000 (formerly €15,000) 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 €50,000.

In accordance with the recommendations of the AFEP-MEDEF Code, the following table shows the variable compensation allocated to Board directors, which is staggered over several financial years.

Variable compensation, which is always published in the annual reports for the financial years for which they are paid, the amount of which does not exceed the applicable threshold (€15,000 until the 2021 financial year, €50,000 since 2021) and the payment of which 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	Financial year by way of which variable compensation is staggered and total amount of this variable compensation (€)	Amounts paid corresponding to variable compensation for previous financial years (€)									
		Financial year 2018	Financial year 2019	Financial year 2020	Financial year 2021	Financial year 2022	Financial year 2023	Financial year 2024	Financial year 2025	Financial year 2026	Financial year 2027
Mr Yves Millardet Chairman of the Executive Board	Financial year 2017 – Total amount allocated by way of variable compensation: €16,000	15,000	500	500	-	-	-				
	Financial year 2018 – Total amount allocated by way of variable compensation: €19,000	-	15,000	2,000	2,000	-	-				
	Financial year 2019 – Total amount allocated by way of variable compensation: €19,500	-	-	15,000	2,250	2,250	-				
	Financial year 2020 – Total amount allocated by way of variable compensation: €39,000	-	-	-	15,000	12,000	12,000	-			
	Financial year 2021 – Total amount allocated by way of variable compensation: €69,550	-	-	-	-	50,000	6,516	6,516	6,516		
	Financial year 2022 – Total amount allocated by way of variable compensation: €75,731	-	-	-	-	-	50,000	8,577	8,577	8,577	

	Financial year 2023- Total amount allocated by way of variable compensation: €82,030	-	-	-	-	-	-	50,000	10,677	10,677	10,677

Name and function of the executive director	Financial year by way of which variable compensation is staggered and total amount of this variable compensation (€)	Amounts paid corresponding to variable compensation for previous financial years (€)									
		Financial year 2018	Financial year 2019	Financial year 2020	Financial year 2021	Financial year 2022	Financial year 2023	Financial year 2024	Financial year 2025	Financial year 2026	Financial year 2027
Mr Thiébaut Julin Member of the Executive Board Chief Financial Officer	Financial year 2018 – Total amount allocated by way of variable compensation: €16,500	-	15,000	750	750	-	-				
	Financial year 2019 – Total amount allocated by way of variable compensation: €17,500	-	-	15,000	1,250	1,250	-				
	Financial year 2020 – Total amount allocated by way of variable compensation: €28,500	-	-	-	15,000	6,750	6,750				
	Financial year 2021 – Total amount allocated by way of variable compensation: €29,500	-	-	-	-	29,500	-	-	-		

	Financial year 2022 – Total amount allocated by way of variable compensation: €30,500	-	-	-	-	-	30,500	-
	Financial year 2023 – Total amount allocated by way of variable compensation: €31,500	-	-	-	-	-	-	31,500

Name and function of the executive director	Financial year by way of which variable compensation is staggered and total amount of this variable compensation (€)	Amounts paid corresponding to variable compensation for previous financial years (€)									
		Financial year 2018	Financial year 2019	Financial year 2020	Financial year 2021	Financial year 2022	Financial year 2023	Financial year 2024	Financial year 2025	Financial year 2026	Financial year 2027
Mrs Ariane Chazel Member of the Executive Board Head of Commitments and Risks, Climate and Sustainable Finance	Financial year 2018 – Total amount allocated by way of variable compensation: €16,500	-	15,000	750	750	-	-				
	Financial year 2019 – Total amount allocated by way of variable compensation: €17,500	-	-	15,000	1,250	1,250	-				
	Financial year 2020 – Total amount allocated by way of variable compensation: €22,500	-	-	-	15,000	3,750	3,750				
	Financial year 2021 – Total amount allocated by way of variable compensation: €23,500	-	-	-	-	23,500	-				
	Financial year 2022 – Total amount allocated by way of variable compensation: €22,500	-	-	-	-	-	24,500	-			
	Financial year 2023 – Total amount allocated by way of variable compensation: €25,500	-	-	-	-	-	-	25,500			

Name and function of the executive director	Financial year by way of which variable compensation is staggered and total amount of this variable compensation (€)	Amounts paid corresponding to variable compensation for previous financial years (€)									
		Financial year 2018	Financial year 2019	Financial year 2020	Financial year 2021	Financial year 2022	Financial year 2023	Financial year 2024	Financial year 2025	Financial year 2026	Financial year 2027
Mrs Laurence Leydier Member of the Executive Board Head of Membership and Lending	Financial year 2018 – Total amount allocated by way of variable compensation: €16,250	-	15,000	625	625	-	-				
	Financial year 2019 – Total amount allocated by way of variable compensation: €16,250	-	-	15,000	625	625	-				
	Financial year 2020 – Total amount allocated by way of variable compensation: €16,250	-	-	-	15,000	625	625				
	Financial year 2021 – Total amount allocated by way of variable compensation: €17,500	-	-	-	-	17,500	-	-	-		
	Financial year 2022 – Total amount allocated by way of variable compensation: €18,750	-	-	-	-	-	18,750	-			

	Financial year 2023 – Total amount allocated by way of variable compensation: €22,000	-	-	-	-	-	-	22,000	

4.3. Company employees cited 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 cited 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 31 December 2023, 14 employees, including the members of the Company's Executive Board and the main managers of the Company's control, support, credit and market functions, qualified as risk-takers.

4.3.2. Terms of payment and allocation of payment

In accordance with the regulations in effect, AFL has set up a strict framework for the payment of variable compensation to these employees, consisting of a deferred payment starting from an amount exceeding €50,000.

The amount of the variable compensation less than or equal to the threshold of €50,000 shall be paid at the start of year N+1, subject to the employee's presence among AFL's staff on the date of payment of the variable compensation.

The variable amount above the €50,000 threshold shall be deferred and paid at the start of year N+2 and at the start of year N+3, then at the start of year N+4 for 33% to each of these financial years subject to the condition of the employee's presence among the staff of Agence France Locale on the payment date of the variables for years N+1, N+2, N+3 or N+4.

The payment threshold of €50,000 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 €50,000.

The total amount of compensation paid to these employees in respect of the financial year 2023 amounts to:

(i) for fixed compensation: €2,126,365;
(ii) for variable compensation paid during the financial year 2023 for 2022 and previous years: €35,642.

At its meeting on 7 March 2023, the ACCGC took note of the total amount of remuneration paid to the persons referred to in Article L.511-71 of the French Monetary and Financial Code, known as "*risk-takers*", for the financial year ended 31 December 2023, without making any observations.

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 Labour Code, for the financial years 2021, 2022 and 2023, approved by the Supervisory Board on 29 March 2021 after approval by the ACCGC. 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 ensure the 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 by virtue of the collective efforts of all employees.

In this way, the incentive calculation formula is based on four indicators, which take into account the increase in the Company's profitability, its commercial performance, the well-being of employees and the CSR approach adopted by the Company.

The profit-sharing bonus is distributed among the beneficiaries in proportion to their salaries, the highest salaries being capped in the interests of fairness. In this way, the payment of a profit-sharing bonus is subject to certain conditions and ceilings, in particular:

a. In principle, the profit-sharing bonus shall only be distributed if AFL's net accounting income/expense, calculated excluding profit-sharing on the AFL certified annual separate financial statements as of 31 December of the calculation period in question, is positive;
b. The total profit share 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 effect during the calculation period to which the profit-sharing relates, with this individual ceiling being applied *pro rata* to the time of attendance for beneficiaries who joined or left during the financial year;
d. The distribution at 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 31 December of the calculation period.

4.4.2. Beneficiaries

All AFL employees with a permanent or fixed-term employment contract, regardless of its nature (including apprenticeship contracts and professionalisation contracts), will be able to benefit from the profit-sharing scheme if they can demonstrate 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 31 May following the end of the calculation period.

In this way, the total amount of the profit-sharing paid in 2023 by way of the calendar year 2022 was €362,800. On the date of preparation of this report, the final amount of profit-sharing due by way of the calendar year 2023 has not been determined. For information purposes, the total amount of profit-sharing to be paid in 2024 by way of the calendar year

2023, based on the calculation formulas in the profit-sharing agreement, is estimated at €425,969.

5. **General Meeting of Shareholders**

5.1. Special terms for shareholder participation in the General Meeting or provisions of the Articles of Association providing for these procedures

The terms of shareholder participation in the General Meeting are covered in Heading V of the Articles of Association 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 effect 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 post.

5.2.Rules on amendments to the Articles of Association

The rules governing amendments to the Articles of Association refer to the legal and regulatory provisions in effect on the issue.

In compliance with the provisions of Article L. 225-96 of the French Commercial Code, the Extraordinary General Meeting of Shareholders has sole authority to amend any and all provisions in the Company's Articles of Association, except those defined by law.

In practice, and in the context of the realisation of capital increases implemented by delegation of powers, granted to the Executive Board by the Extraordinary General Meeting of Shareholders, the Chairperson of the Executive Board, by subdelegation, is required to approve the consequential amendment to the Article of Association defining the amount of the share capital (in accordance with Articles L.225-129 et seq. of the French Commercial Code).

6. **Regulated agreements**

Regulated agreements are the agreements cited in Articles L.225-86 et seq. of the French Commercial Code, in particular, those concluded directly or through an intermediary between the AFL and one of the members of the Executive Board or the Supervisory Board, the conclusion of which must be authorised by the Supervisory Board and which must be reviewed by the Supervisory Board on an annual basis[34].

No new regulated agreements were concluded during the financial year 2023.

[34] In accordance with Article L.225-87, 1, of the French Commercial Code, agreements concluded between AFL and AFL-ST are not subject to this procedure.

The company mandate of Mr Yves Millardet, Chairman of the Executive Board, the terms and signature of which were duly approved by the Company's Supervisory Board, was not considered to be a genuine agreement when it was concluded and, as such, was not formally subject to the regulated agreements procedure provided in Article L.225-86 of the Commercial Code. In the interests of transparency and good governance, a new assessment led to this agreement being classified as a regulated agreement. The Company's General Meeting of 4 May 2023, ruling on the basis of the special report issued by the statutory auditors in accordance with article L.225-90, 3 of the French Commercial Code, approved the regularisation and continuation of this agreement.

The regulated agreements concluded previously and which continued to be executed during the financial year 2023 were as follows:

Title of the agreement	Purpose of the agreement	Duration of the agreement	Impact on the financial statements for the year ended 31/12/2023
Shareholders' Agreement concluded on 24 June 2014	The Shareholders' Agreement was not amended during the financial year. The version in effect was the one which entered into effect on 28 June 2018.	Unknown	None
Company mandate of the Chairman of AFL's Executive Board	Company mandate of Mr Yves Millardet, Chairman of the Executive Board, approved by the General Meeting of 4 May 2023.	6 years renewable	Annual amount paid during the financial year 2023: Fixed portion: €275,667 gross Variable portion: €68,517 gross Benefits in kind: €15,553 Profit-sharing compensation bonus: €9,000 Exceptional bonus: €40,000 Value-sharing system compensatory bonus against inflation: €6,052
Employment contracts for the salaried members of the AFL Executive Board	– Employment contract for Mr Thiébaut Julin approved on 25 March 2014 by the Supervisory Board – Employment contract for Mrs Ariane Chazel approved on 5 June 2014 by the Supervisory Board.	Unknown	Mr Thiébaut Julin, Chief Financial Officer Gross annual amount paid during the financial year 2023: Fixed portion: €235,010 gross Variable portion: €37,250 gross Benefits in kind: €3,316 Exceptional bonus: €40,000 Value-sharing bonus: €5,160 Mrs Ariane Chazel, Director of Commitments, Risks, Climate and Sustainable Financing: Annual amount paid during the financial year 2023: Fixed portion: €184,950 gross Variable portion: €28,250 gross Exceptional bonus: €40,000

	– Employment contract for Mrs Laurence Leydier approved on 28 September 2022 by the Supervisory Board.		Value-sharing bonus: €4,153 Mrs Laurence Leydier, Membership and credit director: Annual amount paid during the financial year 2023: Fixed portion: €153,750 gross Variable portion: €19,375 gross Exceptional bonus: €15,000 Value-sharing bonus: €3,567

7. **Share capital, shareholding structure, and control of the Company**

In accordance with Article L. 22-10-11, with 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

At 31 December 2023, the Company's share capital had the following composition:

SHAREHOLDERS	AMOUNT SUBSCRIBED (IN EUROS)	NUMBER OF SHARES	% HOLDING
AGENCE FRANCE LOCALE – SOCIETE TERRITORIALE	221,699,900	2,216,999	99.9999%
LYON METROPOLITAN AREA[35]	100	1	0.0001%
TOTAL	221,700,000	2,217,000	100%

Under the legal arrangements governing the AFL Group, only AFL-ST is permitted to subscribe to AFL's capital and the stake held by the Lyon Metropolitan Area is diluted whenever there is a capital increase within the AFL Group. In this way, given the closed nature of its shareholding, the Company was not made aware of any direct or indirect assumptions of shareholdings in its capital of the types cited in Articles L. 233-7 and L. 233-12 of the French Commercial Code.

7.2. Restrictions on the exercise of voting rights and on share transfers

[35] Pursuant to Article L.225-1 of the French Commercial Code, requiring a minimum of two shareholders.

- **Statutory restrictions**

The Company's provisions of the Articles of Association do not provide for 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 accepted for transfers.

In view of the shareholder structure of AFL-ST, the share capital of which is held exclusively directly or indirectly by local and regional authorities, groupings of these authorities and local public institutions, 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.

In this way, in principle, each of the AFL shareholders has undertaken, by adhering to the Shareholders' Agreement, to retain their AFL shares for 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.

In any event, the stipulations of the Shareholders' Agreement provide that each shareholder of the Company shall grant AFL-ST a pre-emptive right on any sale of Company Securities.

No agreement for which certain clauses provide for preferential conditions of assignment or acquisition of shares of the Company has been brought to its attention by way of application of the provisions of Article L. 233-11 of the French Commercial Code, since the Company's shares are not eligible for trading on a regulated market.

- **Restrictions through agreements**

No agreement likely to result in restrictions on the transfer of shares or the exercise of voting rights has been concluded between the shareholders of AFL, since transactions on AFL shares are, as indicated in the previous paragraph, strictly regulated by the Shareholders' Agreement.

In the same way, the Company has not concluded any agreement that is likely to come to an end or for 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 on their holders.

7.4. Employee share ownership

No transaction was carried out during the financial year ended on 31 December 2023 by way of call options or subscriptions of shares of the Company reserved to staff.

Indeed, the capital structure of the AFL Group required by law does not permit AFL employees to hold shares in the Company's share capital.

7.5. Summary table of the use of delegations granted for the execution of capital increases by the General Meeting of Shareholders, by way of application of Articles L.225-129-1 and L.225-129-2, and pursuant to the provisions of Article L.225-37-4, 3 of the French Commercial Code

Date of the General Meeting which granted the delegation	Purpose of the delegation granted to the Executive Board	Duration	Overall ceiling	Use during the financial year 2023
Combined General Meeting of 5 May 2022 (9th resolution)	Delegation of authority granted to the Executive Board to increase the share capital with preferential subscription rights through the issuance of common shares	Duration: 26 months Expiry: 5 July 2024 at midnight	€150 million (nominal)	None
Combined General Meeting of 5 May 2022 (10th resolution)	Delegation of authority granted to the Executive Board to increase the share capital with cancellation of preferential subscription rights for the benefit of Société Territoriale, through the issuance of common shares	Duration: 18 months Expiry: 5 November 2023 at midnight	€150 million (nominal)	1. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale Amount: €3,000,000 2. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale Amount: €3,500,000

Date of the General Meeting which granted the delegation	Purpose of the delegation granted to the Executive Board	Duration	Overall ceiling	Use during the financial year 2023
Combined General Meeting of 4 May 2023 (10th resolution)	Delegation of authority granted to the Executive Board to increase the share capital with preferential subscription rights through the issuance of common shares	Duration: 26 months Expiry: 4 July 2025 at midnight	€150 million (nominal)	None
Combined General Meeting of 4 May 2023 (11th resolution)	Delegation of authority granted to the Executive Board to increase the share capital with cancellation of preferential subscription rights for the benefit of Société Territoriale, through the issuance of common shares	Duration: 18 months Expiry: 4 November 2024 at midnight	€150 million (nominal)	1. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale Amount: €6,000,000 2. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale Amount: €1,600,000

8. Observations of the Supervisory Board on the management report issued by the Executive Board for the financial year 2023 and on the separate financial statements established for the financial year ended on 31 December2023

Pursuant to Article L.225-68, 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 past financial year, as approved by the Executive Board, and on the management report submitted to this Meeting.

We point out to you that the annual financial statements for the year ended 31 December 2023, prepared in accordance with French GAAP and, on a voluntary basis, according to IFRS standards, and the management report prepared by the Company's Executive Board, were submitted to the Supervisory Board within the deadlines provided by legal and regulatory provisions, after having been favourably reviewed by the Company's Audit and Risks Committee.

The financial statements for the year ended 31 December 2023 show the following main items:

	French GAAP (€'000)	IFRS (€'000)
Total balance sheet	9,322	9,375
Net banking income	23,570	23,213
Net income	7,534	5,738

The annual financial statements for the financial year ended 31 December 2023 prepared according to French GAAP and, on a voluntary basis, according to IFRS standards, and the related management report prepared by the Executive Board do not call for any particular comment on the part of the Supervisory Board, which examined them on 27 March 2024.

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Lyon,
27 March 2024,
The Supervisory Board of Agence France Locale,
Represented by its Chairman,
Mr Sacha Briand

Annex 1 - The following table details the independence criteria stipulated in Article 10 of the AFEP-MEDEF Code

Criterion 1: ***Salaried Board director/Executive officer/director of the company or its parent company or the consolidated company during the past five years***
Is not or has not been over the last five years:
- 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***
Is not or has not been an executive director of a company in which the Company directly or indirectly holds a director's mandate or in which an employee appointed as such or an executive director of the Company (currently or during the last five years) holds a director's mandate.

Criterion 3: ***Significant business relationships***
Is not 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***
Does not have a close family relationship with a Board director.

Criterion 5: ***Statutory Auditor***
Has not been a Statutory Auditor of the Company within the last five years.

Criterion 6: ***Term of office exceeding 12 years***
Has not 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 cannot be regarded as 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. Above a threshold of 10% in capital or voting rights, however, on the basis of the report of the Appointments Committee, the Board shall always query the independent classification, taking into account the composition of the share capital of the company and the existence of a potential conflict of interest.

Annex 2 – Criteria for allocating the compensation of the members of the Executive Board for the financial year 2023

These criteria were favourably reviewed by the ACCGC on 23 February 2023 and approved by the Company's Supervisory Board on 27 March 2023.

2023			Weighting	Yves Millardet	Thiébaut Julin	Ariane Chazel	Laurence Leydier
Quantitative targets			**70%**				
	Collective targets	CET1 ratio	17.5%				
		Extension of shareholders	17.5%				
		Stable expenses	17.5%				
		Loan production	17.5%				
Qualitative targets			**30%**				
	Collective targets						
		CSR	10%				
		Internal Control	10%				
	Individual targets		10%	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	Implementation of projects to accelerate the development of the AFL Group

Annex 3 – Criteria for allocating the compensation of the members of the Executive Board for the financial year 2024

These criteria were favourably reviewed by the ACCGC on 7 March 2024 before being approved by the Company's Supervisory Board on 27 March 2024.

Quantitative objectives	
Expanding the shareholder base	The number of new members must exceed 225 and the amount of ICCs pledged must exceed 30 million by end-2024.
Achieving the loan origination target	The level of loan production must be assessed, at end-2024, according to two joint criteria: 1- Loan origination must reach €1.6bn; 2- The spread between loans and funding must be greater than 30 bp.
Controlling operating expenses	The maintenance of operating expenses must be assessed according to two criteria, measured at end-2024: 1- The ratio of operating expenses to outstanding loans must be less than 19 bp; 2- The ratio of operating expenses to net banking income must be less than 65%.
Ensuring AFL's financial soundness	In terms of AFL's financial solidity, the following objective shall be assessed at end-2024: - A liquidity reserve equivalent to 12 months' operating requirements, above a threshold of 80% and below 125%;
Controlling operational risks	The number of unfinished recommendations resulting from audits carried out by Periodic Control should be less than 50 by end-2024.
Qualitative objectives	
Developing the CSR approach	Deployment of the CSR roadmap established by the AFL's CSR policy steering committee for 2024
Implement projects allowing the development of the AFL Group to be accelerated	By end-2024, the acceleration of the AFL Group's development should result in the completion or launch of four significant projects: 1- Enabling the adhesion of and granting of loans to EPLs (*Etablissements Publics Locaux*) [Local Public Establishments]: Régie, EPA, SDIS and CCAS; 2- Implementation of a risk management system in an environment where local authorities are weighted at 0%; 3- Making the "repo" product available; 4- Creation of a new Information Systems Master Plan for the period 2025-2029; 5- Reviewing the payment system.

Annex 3

Text of the resolutions submitted to the Combined General Meeting of shareholders of Agence France Locale on 6 May 2024

TO BE SUBMITTED TO THE ORDINARY GENERAL MEETING:

First resolution

Approval of the parent company financial statements for the year ended 31 December 2023, prepared in accordance with French GAAP, and full and unreserved discharge of the Executive Board regarding the execution of its mandate for the said financial year

The General Meeting, deliberating under the conditions required for Ordinary Meetings for the quorum and majority, having been informed of the Executive Board's report to the General Meeting, the Supervisory Board's observations and the Statutory Auditors' report on the parent company financial statements for the year ended 31 December 2023, prepared in accordance with French accounting standards, hereby approves the parent company financial statements for the said year, prepared in accordance with French accounting standards, and gives the Executive Board a full and unreserved discharge for the execution of its mandate for the said financial year.

The General Meeting, deliberating in accordance with Article 223 quater of the French General Tax Code, approves the expenses and charges cited in Article 39-4 of the said Code, which amount to zero (0) euros, with a consequent corresponding theoretical corporate income tax expense of zero.

Second resolution

Approval of the separate financial statements for the financial year ended 31 December 2023 prepared in accordance with IFRS standards

The General Meeting, deliberating under the conditions required for quora and majorities in Ordinary Meetings, having been informed of the Executive Board's report to the General Meeting, the Supervisory Board's observations and the Statutory Auditors' report on the parent company financial statements for the year ended 31 December 2023 prepared in accordance with IFRS, approves the parent company financial statements for said year prepared in accordance with IFRS standards.

Third resolution

Allocation of net income for the year ended 31 December 2023

The General Meeting, deliberating under the conditions required for quora and majorities in Ordinary Meetings, having considered the report of the Executive Board to the General Meeting, the observations of the Supervisory Board and the report of the Statutory Auditors on the parent company financial statements for the year ended 31 December 2023 prepared in accordance with French GAAP, resolves to allocate the net profit for the year, amounting to €7,533,665, to the retained earnings account.

Fourth resolution

Approval of the agreements subject to the provisions of Articles L.225-86 et seq. of the French Commercial Code

The General Meeting, deliberating under the conditions required for quora and majorities in Ordinary Meetings, having reviewed the Statutory Auditors' Special Report provided in paragraph 3 of Article L. 225-88 of the French Commercial Code on agreements governed by Article L. 225-86 of the French Commercial Code, notes the information provided therein relating to regulated agreements, concluded and authorised in prior years and which remained in effect during the year, and notes that there are no new agreements to be approved.

Fifth resolution

Presentation of the Supervisory Board's report on corporate governance

The General Meeting, deliberating under the conditions required for quora and majorities in Ordinary Meetings, notes the report on corporate governance drawn up by the Company's Supervisory Board in accordance with Article L.225-68, paragraph 6 of the Commercial Code, which is annexed to the management report of the Executive Board.

Sixth resolution

Setting of the global annual remuneration package for the members of the Supervisory Board for the financial year 2024, to be allocated among them

The General Meeting, deliberating under the conditions required for quora and majorities in Ordinary Meetings, sets the annual amount of remuneration to be allocated among the members of the Supervisory Board at €[255,000] for the financial year 2024 and subsequent financial years.

Seventh resolution

Advisory vote on the global amount of all types of remuneration paid during the financial year ended 31 December 2023 to the persons mentioned in Article L. 511-71 of the French Monetary and Financial Code

The General Meeting, deliberating under the conditions required for quora and majorities in Ordinary Meetings, in accordance with the provisions of Article L.511-73 of the French Monetary and Financial Code, hereby takes note of the items of remuneration of all kinds paid during the financial year ended 31 December 2023 to the persons mentioned in Article L. 511-71 of the French Monetary and Financial Code, termed "risk-taking employees", as they appear in the Corporate Governance Report and who have been favourably reviewed by the

Appointments, Compensation and Corporate Governance Committee, without issuing any observations.

Eighth resolution

Appointment of Mrs Estelle Grelier as a member of the Supervisory Board

The General Meeting, deliberating under the conditions required for quora and majorities in Ordinary Meetings, pursuant to the provisions of Article L225-75 of the Commercial Code and the provisions of the Articles of Association in effect, on the basis of the positive opinion of the Appointments, Compensation and Corporate Governance Committee and of the Board of Directors of Agence France Locale - Société Territoriale, appoints Mrs Estelle Grelier as a member of the Supervisory Board of Agence France Locale.

Mrs Estelle Grelier shall be called to perform her duties for the four-year statutory term, i.e. until the end of the General Meeting called in 2028 to approve the financial statements for the year ended 31 December 2027.

TO BE CONSIDERED BY THE EXTRAORDINARY GENERAL MEETING:

Ninth resolution

Delegation of authority to the Executive Board to issue ordinary shares, with the maintenance of pre-emptive rights

The General Meeting, deliberating under the conditions required for quora and majorities in Extraordinary Meetings, having reviewed the Report of the Managing Board, and in accordance with Articles L. 225-129 et seq. (notably Article L. 225-129-2) of the Commercial Code:

Delegates to the Executive Board its authority to carry out capital increases, on one or several occasions, in the proportions and at the times that it decides, by issuing shares with pre-emptive subscription rights for existing shareholders, to be subscribed in cash.

This delegation of powers expressly excludes issues of preference shares and securities giving immediate or future access by any means to preference shares.

Resolves that the maximum nominal amount of the immediate or future capital increases carried out by the Company under this authorisation may not exceed one hundred and fifty (150) million euros, it being stipulated that the nominal amount of the capital increases carried out by the Company under the tenth and eleventh resolutions shall count towards this ceiling. To this ceiling shall be added, where applicable, the additional amount of the nominal value of the shares to be issued to preserve the rights of the holders of securities or other rights giving access to the share capital, in accordance with the applicable legal and regulatory provisions and any applicable contractual stipulations providing for other cases of adjustment.

Resolves that shareholders shall be able to exercise their pre-emptive right to subscribe as of right for shares to be issued by the Executive Board by way of this authorisation, in accordance with the conditions provided by the Executive Board and within the limits set by the applicable laws and regulations. In addition, the Managing Board shall have the option of granting shareholders a right to subscribe for excess shares, which shall be exercised in proportion to their rights and within the limit of their requests. If subscriptions as of right and, as appropriate, on a revocable basis, have not absorbed the entire issue of shares as defined above, the Executive Board may use, at its discretion and in the order that it considers appropriate, one or more of the options offered by Article L. 225-134 of the Commercial Code, namely:

a. to limit the amount of the capital increase to the amount of subscriptions, provided that the latter reaches at least three-quarters of the issue initially decided;

b. to allocate freely all or part of the unsubscribed shares among the persons of its choice.

Resolves that the sum to be received or due to be received by the Company for each of the shares issued by way of this authorisation shall be equal to the nominal value of such shares on their issue date.

Grants full powers to the Managing Board to implement this authorisation, and notably:

- to determine the dates and terms of the issues and the form and characteristics of the shares to be created;
- to determine the number of shares to be issued, as well as their terms and conditions, it being specified that the issue price of the shares to be issued will be equal to the nominal value of these securities on the issue date of these shares;
- to determine the method of paying up the issued shares;
- to determine the date from which the shares to be issued will carry dividend rights, with or without retroactive effect;
- to suspend, as appropriate, the exercise of rights attached to securities previously issued by the Company for a maximum period of three months within the limits set by the applicable laws and regulations;
- at its sole initiative, to charge the costs of any issue against the amount of the premiums relating thereto and to deduct from this amount the sums necessary for increasing the legal reserve to one-tenth of the new share capital after each increase; and
- in general, to take all necessary steps, to conclude all agreements, request all authorisations, carry out all formalities and do whatever is necessary to ensure the successful completion of the proposed issues or to postpone them, where applicable by delegation to the Chairman of the Executive Board, and notably to record the capital increase(s) resulting from any issue carried out using this authorisation, to amend the Company's Articles of Association accordingly and to ensure the financial servicing of the securities concerned and the exercise of the attached rights.

Resolves that this delegation of authority shall be valid for a period of twenty-six (26) months from the date of the General Meeting, and that it shall cancel and replace, for the unexpired period, the delegation for the same purpose granted by the General Meeting of 4 May 2023.

Tenth resolution

Delegation of authority to the Executive Board to issue ordinary shares with the suppression of pre-emptive subscription rights for the benefit of the Société Territoriale

The General Meeting, deliberating under the conditions required for quora and majorities in extraordinary general meetings, having considered the report of the Group Executive Board and the report of the Statutory Auditors, and in accordance with the provisions of Articles L. 225-129 et seq. (notably Article L. 225-129-2) and Article L. 225-138 of the French Commercial Code:

Delegates to the Executive Board its authority to carry out capital increases, on one or several occasions, in the proportions and at the times that it shall determine, by issuing shares reserved for shareholders, with the suppression of shareholders' pre-emptive subscription rights, for the benefit of persons designated by name. The Executive Board shall, in the event that the delegation is used, draw up the list of beneficiaries and the number of shares allocated to each of them on the basis of objective criteria. These shares shall be subscribed in cash.

This delegation of powers expressly excludes issues of preference shares and securities giving immediate or future access by any means to preference shares.

Resolves that the maximum nominal amount of the immediate or future capital increases carried out by the Company by virtue of this authorisation may not exceed one hundred and fifty (150) million euros, it being stipulated that the nominal amount of the capital increases carried out by the Company under the ninth and eleventh resolutions shall count towards this ceiling. To this ceiling shall be added, where applicable, the additional amount of the nominal value of the shares to be issued to preserve the rights of the holders of securities or other rights giving access to the share capital, in accordance with the applicable legal and regulatory provisions and any applicable contractual stipulations providing for other cases of adjustment.

Resolves that this delegation entails the waiver of shareholders' pre-emptive rights to subscribe for the shares that may be issued.

Resolves that the sum to be received or due to be received by the Company for each of the shares issued by way of this authorisation shall be equal to the nominal value of such shares on their issue date.

Notes that the issues carried out under this authorisation must be completed within eighteen months of the date of the General Meeting that approved the authorisation, in accordance with the provisions of Article L. 225-138 of the Commercial Code.

Grants full powers to the Managing Board to implement this authorisation, and notably:

- to draw up the list of beneficiaries within the category of persons defined above and the number of shares to be allocated to each of them;

- to determine the dates and terms of the issues and the form and characteristics of the shares to be created;

- to determine the number of shares to be issued, as well as their terms and conditions, it being specified that the issue price of the shares to be issued will be equal to the nominal value of these securities on the issue date of these shares;

- to determine the method of paying up the issued shares;

- to determine the date from which the shares to be issued will carry dividend rights, with or without retroactive effect;

- to suspend, as appropriate, the exercise of rights attached to securities previously issued by the Company for a maximum period of three months within the limits set by the applicable laws and regulations;

- at its sole initiative, to charge the costs of any issue against the amount of the premiums relating thereto and to deduct from this amount the sums necessary for increasing the legal reserve to one-tenth of the new share capital after each increase; and

- in general, to take all necessary steps, conclude all agreements, apply for all authorisations, carry out all formalities and do everything necessary to ensure the successful completion of the proposed issues or to postpone them, where applicable by delegation to the Chairman of the Executive Board, and notably to record the capital increase(s) resulting from any issue carried out through the use of this authorisation, to amend the Company's Articles of Association accordingly and to ensure the financial servicing of the securities concerned and the exercise of the rights attached thereto.

Resolves that the Managing Board may limit the amount of the capital increase to the amount of subscriptions, provided that the latter reaches at least three-quarters of the issue initially decided.

Resolves that this delegation of authority shall be valid for a period of eighteen (18) months from the date of the General Meeting, and that it shall cancel and replace, for the unexpired period, the delegation of authority for the same purpose granted by the General Meeting of 4 May 2023.

Eleventh resolution

Delegation of powers to the Executive Board to carry out a share capital increase reserved for members of an employee savings plan with preferential subscription rights waived in favour of the said employees

The General Meeting, deliberating under the conditions required for quora and majorities in extraordinary general meetings, having reviewed the report of the Executive Board and the report of the Statutory Auditors, in accordance with Articles L.225-129-6 of the French Commercial Code and L.3332-18 to L.3332-24 of the French Labour Code:

Delegates to the Executive Board its authority to carry out capital increases, on one or more occasions, in the proportions and at the times it sees fit, in accordance with the conditions provided in Articles L.3332-18 to L.3332-24 of the French Labour Code relating to capital increases reserved for employees who are members of a company savings scheme.

This delegation of powers expressly excludes issues of preference shares and securities giving immediate or future access by any means to preference shares.

Resolves that the maximum nominal amount of any immediate or future capital increases carried out by the Company by virtue of this authorisation may not exceed 3% of the share capital after the capital increase in question, it being specified that the nominal amount of any capital increases carried out by the Company under the ninth and tenth resolutions shall count towards this ceiling. To this ceiling shall be added, where applicable, the additional amount of the nominal value of the shares to be issued to preserve the rights of the holders of securities or other rights giving access to the share capital, in accordance with the applicable legal and regulatory provisions and any applicable contractual stipulations providing for other cases of adjustment.

Resolves that the subscription shall be reserved for employees who are members of a company savings plan or a company mutual fund(s) to be set up as part of a company savings plan to be created, in accordance with the provisions of Article L.225-138-I of the French Commercial Code. The new shares shall entitle their holders to the same rights as the existing shares.

Resolves that this delegation entails the waiver of shareholders' pre-emptive rights to subscribe for the shares that may be issued.

Resolves that the subscription price of the new ordinary shares, determined under the conditions of Articles L.3332-18 to L.3332-24 of the French Labour Code, shall be set: (i) in accordance with the objective methods used for valuing shares, taking into account, with an appropriate weighting in each case, the company's net worth, profitability and business prospects; or (ii) by dividing the number of existing shares by the amount of the net assets revalued according to the most recent balance sheet. The decision setting the subscription date shall be taken by the Board.

Resolves that the decision setting the subscription date shall be taken by the Board, with subscribers being granted a maximum period in which to pay up their shares not exceeding three years. The capital shall only be increased by the amount corresponding to shares actually subscribed for, which shall be paid for in accordance with law.

Grants full powers to the Managing Board to implement this authorisation, and notably:

- to draw up the list of beneficiaries and the number of shares to be allotted to each of them, subject to the ceiling set by the General Meeting;
- to set the date and terms of the issues to be carried out by virtue of this authorisation, in compliance with legal and statutory requirements and, in particular, to set the subscription

price, the rules defined above, the opening and closing dates for subscriptions, the dividend entitlement dates and the deadlines for paying up the shares, all within the legal limits;

- to record the completion of capital increases up to the amount of shares actually subscribed;

- to carry out all transactions and formalities, whether directly or through an agent;

- to amend the Articles of Association to reflect the capital increases;

- in general, to take all necessary steps, conclude all agreements, apply for all authorisations, carry out all formalities and do everything necessary to ensure the successful completion of the proposed issues or to postpone them, where applicable by delegation to the Chairman of the Executive Board, and notably to record the capital increase(s) resulting from any issue carried out through the use of this authorisation, to amend the Company's Articles of Association accordingly and to ensure the financial servicing of the securities concerned and the exercise of the rights attached thereto.

Resolves that this delegation of authority shall be valid for a period of twenty-six (26) months from the date of the General Meeting, and that it shall cancel and replace, for the unexpired period, the delegation for the same purpose granted by the General Meeting of 4 May 2023.

Twelfth resolution

Amendment to Article 16 of the Company's Articles of Association relating to the Committees of the Supervisory Board and corresponding amendment to the Annex "Definitions" of the Articles of Association

The General Meeting, deliberating under the conditions required for quora and majorities in extraordinary general meetings, having reviewed the Executive Board's report to the General Meeting, resolves to amend Article 16 of the Articles of Association as follows:

"Article 16 - Supervisory Board Committees

16.1 Audit~~, internal control and risk~~ committee

16.1.1 The Company's Audit, ~~internal control and risk~~ committee (*the Audit Committee*) has the assignment of monitoring the process for preparing and distributing accounting and financial information, and assessing the relevance and consistency of the accounting principles and methods adopted for the preparation of the consolidated financial statements and the annual and half-yearly parent company financial statements, ~~to verify the effectiveness of internal control and risk management~~ to ensure, by any means, the quality of the information provided to the Supervisory Board, and lastly, to give the Supervisory Board its assessment of the work performed by the Statutory Auditors and its opinion on the renewal of their appointment.

16.1.2 Each member of the Audit ~~, internal control and risk~~ committee must possess the technical knowledge necessary for conducting its due diligence.

<u>16.2 Risk committee</u>

16.2.1 The role of the Company's Risk Committee (the *Risk Committee*) is to verify the effectiveness of internal control and risk management procedures.

16.2.2 Each member of the Risk Committee must possess the technical knowledge necessary for conducting its due diligence.

16.3 Strategy and Responsible Commitments Committee

The Company's Strategy and Responsible Commitments Committee (the "*Strategy and Responsible Commitments Committee*") examines and monitors the implementation of the Company's strategic plan, as well as the Company's strategic projects and operations, particularly with regard to social and environmental responsibility."

The Annex "Definitions" of the Articles of Association shall be amended accordingly to reflect the changes made to the names of the Board Committees, namely

"Audit Committee" has the meaning assigned to it in Article 16.1;

Appointments Committee has the meaning assigned to it in Article 16.3;

Risk Committee has the meaning assigned to it in Article 16.1;

Strategic and Sustainability Committee has the meaning assigned to it in Article 16.2;".

Thirteenth resolution

Prohibition on Powers of Attorney granted by members of the Supervisory Board and associated amendment to Articles 14.4.1 (last paragraph), 15.7.1 (first paragraph) and 15.7.2 of the Articles of Association, and consequent amendment to the Annex "Definitions" of the Articles of Association

The General Meeting, deliberating under the conditions required for quora and majorities in extraordinary general meetings, having reviewed the Executive Board's report to the General Meeting, resolves to prohibit powers of attorney issued by members of the Supervisory Board at meetings of the Board and its Committees, and consequently, to amend Articles 14.4.1 (last paragraph), 15.7.1 (first paragraph) and 15.7.2 of the Articles of Association as follows:

"14.4.1 Chairman

(…)

The Supervisory Board may, by a majority of the votes of the members present or regarded as present and represented, remove the Chairman of the Executive Board from his office as Chairman at any time."

"15.7.1 Notices of meetings

Meetings of the Supervisory Board may be called by any means of communication. The notice period for convening the Supervisory Board shall be eight (8) calendar days, although this period may be shortened in the event of a duly justified emergency. The Supervisory Board may validly deliberate, even in the absence of a notice of meeting, if all of its members are present or regarded as present, or represented. (…)"

"15.7.2 Quorum - Proxies

Any member of the Supervisory Board may, by any written means, appoint another member to represent him/her at a meeting of the Supervisory Board; each member of the Supervisory Board may not represent more than one other member of this latter board.

Members of the Supervisory Board may not be represented at meetings of the Supervisory Board or of its committees, with powers of attorney prohibited.

The Supervisory Board may only validly deliberate if at least half of its members are present or regarded as present.

The Supervisory Board shall draw up internal regulations which may provide that, within the legal and regulatory limits, members who participate in Supervisory Board meetings by videoconference or other means of telecommunication that meet the technical requirements set by the laws and regulations in effect shall be regarded as present for the purposes of calculating the quorum and the majority".

The Annex "Definitions" to the Articles of Association shall be amended accordingly to reflect the cancellation of these powers of attorney, i.e.:

"Simple Majority means, when a decision must be taken by the Company's shareholders as a whole, by the Executive Board or by the Supervisory Board, that its adoption requires the favourable vote of at least half of the votes plus one (1) vote of the shareholders or members present, regarded as present, or (when such representation is authorised) represented;"

Fourteenth resolution

Powers to carry out formalities

The General Meeting grants full powers to the bearer of the original, an extract or a copy of these minutes to carry out all formalities and registrations required by the laws and regulations in effect relating to the decisions taken at this meeting.

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Annex 4: Provisional financial communication schedule for the financial year 2024

The **Agence France Locale Group** consists of:

- Agence France Locale, a public limited company (*société anonyme*) with a Executive 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 (the ***Société Territoriale***).

Publication date	Information
28 March 2024 (before the start of trading), subject to subsequent amendment (**embargo period** starts on 6 March 2024)	Press release on the Issuer's annual results and the annual consolidated and parent company results for the financial year ended 31 December 2023
6 May 2024	Annual general meeting of the Issuer's shareholders, notably called to approve the parent company financial statements for the year ended 31 December 2023, prepared in accordance with French GAAP and IFRS.
21 May 2024	Annual General Meeting of Shareholders of the *Société Territoriale*, notably called to approve the separate financial statements for the financial year ended on 31 December 2023, prepared in accordance with French GAAP, and the Group's consolidated financial statements for the financial year ended on 31 December 2023, prepared in accordance with IFRS standards.
26 September 2024 (before the start of trading), subject to subsequent amendment (the **embargo period** starts on 03 September 2024)	Press release on the half-yearly results of the Issuer and the consolidated half-year result of the Agence France Locale Group for the first half of the financial year ended 30 June 2024.

Responsibility for this management report for the financial year ended 31 December 2023

I, the undersigned party, Yves Millardet, acting in my capacity as Chairman of the Executive Board of Agence France Locale, certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and are an accurate reflection of the Company's assets and liabilities, financial position, and income, and that this management report presents a true and fair view of the Company's business, income, and financial position and describes the main risks and uncertainties facing the Company.

Lyon, 27 March 2024,

Yves Millardet
Deputy Chief Executive Officer of Agence France Locale – Société Territoriale
AFL Chairman of the Executive Board

Statutory separate financial statements prepared in accordance with French GAAP and IFRS and the relevant Statutory Auditors' reports

AGENCE FRANCE LOCALE

BALANCE SHEET

Assets as of 31st of December 2023

(€ '000s)	Notes	31/12/2023	31/12/2022
Cash and central banks	2	975,186	1,134,477
Government paper and similar securities	1	864,211	939,820
Receivables on credit institutions	2	71,409	93,163
Loans and advances to customers	4	7,012,279	5,331,140
Bonds and other fixed income securities	1	108,260	119,141
Equities and other variable income securities			
Investments in non-consolidated companies and other long-term investments			
Investments in consolidated companies			
Intangible assets	5	2,937	3,403
Property, plant and equipment	5	208	198
Other assets	6	104,783	178,164
Accruals	6	182,785	110,867
TOTAL ASSETS		**9,322,058**	**7,910,372**

Liabilities as of 31st of December 2023

(€ '000s)	Notes	31/12/2023	31/12/2022
Central banks			
Due to banks	3		0.2
Customer borrowings and deposits			
Debt securities	7	8,787,722	7,456,794
Other liabilities	8	137,546	105,420
Accruals	8	188,349	161,350
Provisions	9	114	114
Subordinated debt			
General banking risk fund (GBRF)			
Equity (excluding GBRF)	10	**208,328**	**186,695**
Share capital		221,700	207,600
Additional paid-in capital			
Reserves and retained earnings			
Revaluation differences			
Regulated provisions and investment subsidies			
Retained earnings (+/-)		(20,905)	(21,254)
Net income for the period (+/-)		7,534	348
TOTAL LIABILITIES		**9,322,058**	**7,910,372**

INCOME STATEMENT

(€ '000s)	Notes	31/12/2023	31/12/2022
+ Interest and similar income	12	335,773	50,693
- Interest and similar expenses	12	(311,745)	(34,903)
+ Income from variable income securities			
+ Fee and commission income	13	274	301
- Fee and commission expenses	13	(176)	(153)
+/- Net gains (losses) on held for trading portfolio	14	5,623	8,618
+/- Net gains (losses) on placement portfolio	14	(6,180)	(10,715)
+ Other banking income	15		
- Other banking expense	15		
NET BANKING INCOME		**23,570**	**13,842**
- General operating expenses	16	(14,438)	(12,428)
+ Other operating income			
- Depreciation and amortization	5	(1,191)	(1,065)
GROSS OPERATING INCOME		**7,941**	**348**
- Cost of risk			
OPERATING INCOME		**7,941**	**348**
+/- Net gains (losses) on fixed assets	17	(1)	
PRE-TAX INCOME ON ORDINARY ACTIVITIES		**7,940**	**348**
+/- Net extraordinary items			
- Income tax charge		(406)	
+/- Net allocation to FGBR and regulated provisions			
NET INCOME		**7,534**	**348**
Basic earnings per share		3.40	0.17

OFF-BALANCE SHEET

(€ '000s)

COMMITMENTS GIVEN AND RECEIVED	Notes	31/12/2023	31/12/2022
Commitments given		**893,312**	**810,248**
Financing commitments		832,095	810,248
Guarantee commitments		61,217	
Commitments on securities			
Commitments received		**1,827**	**1,960**
Financing commitments			
Commitments received from credit institutions			
Guarantee commitments		1,827	1,960
Commitments on securities			
Derivatives	11	**16,666,699**	**14,119,525**

NOTES TO THE INDIVIDUAL ACCOUNTS

I - Publication context

The annual financial statements were approved by the Board of Directors as of March 13, 2024.

II - Highlights from financial year

The year 2023 marks a very significant increase in results linked to credit activity, which is part of the Company's development trajectory in accordance with its 2022-2026 strategic plan. The progression of results excluding non-recurring items reflects the good dynamic of income generation from credit activity since 2015, the year AFL's activities started, and which is measured in particular by the regular and constant increase in the portfolio of loans granted to member local authorities.

The production of medium and long-term loans carried out by AFL for the 2023 financial year amounted to €1,907.4 million compared to €1,391.5 euros for the year 2022. This increase finds its explanation in the large number of new memberships, generally followed by a call for credit, and in an increasing financing need of local authorities, linked to a sustained pace of capital expenditure.

For the first time since the start of its activities, AFL carried out, during the same year, two syndicated issues denominated in euros for an amount of €500 million each, the first with a maturity of 7 years under a sustainable bond format, and at a margin of 25 basis points above the OAT curve, and the second with a 9-year maturity at a margin of 53 basis points above the OAT curve. OAT. In addition to these two issues, there is the launch of a syndicated issue denominated in pounds sterling, i.e. for the first time, an issue syndicated in a currency other than the euro. In addition to these operations, several private placements were carried out, making it possible to optimize the maturity profile of AFL's debts as well as its financing cost.

For the 2023 financial year, AFL-ST, pursuing its corporate purpose, subscribed to the capital of the AFL for €14.1 million as part of four capital increases, thus bringing the share capital to AFL from €207.6 million on January 1, 2023 to €221.7 million on December 31, 2023. AFL Group now has 776 members, including 177 new communities, who joined the AFL Group over the course of the past financial year.

At the end of the 2023 financial year, the NBI generated by the activity stood at €23,570K. The NBI for 2023 mainly corresponds to a net interest margin of €24,028K, an increase of 52% compared to the net interest margin for 2022 which stood at €15,790K, to capital gains from sales of investment securities in the amount of €540K compared to €1,467K in 2022, coming from the management of the liquidity reserve, and allocations to provisions for depreciation of investment securities of €1,107K compared to €3,565K in 2022. The allocations to provisions for depreciation of investment securities come from the deterioration of the credit margins of the securities in the investment portfolio following the continued tightening of monetary policy initiated since the end of the first half of 2022 by the ECB and which has reflected in the regular increase in key rates and the end of banking sector refinancing programs and securities purchase programs.

In accordance with the principle of prudence which governs the reference framework of French accounting standards, impairments on investment securities were allocated during the year 2023. However, these provisions are not proven counterparty risk indicators.

The net interest margin of €24,028K comes from three elements:

▪ Firstly, income linked to the credit portfolio in the amount of €221,566K, after taking into account hedging effects, compared to €31,182K as of December 31, 2022, is up very sharply due to the rapid increase of outstanding credit and especially the sharp rise in the 3-month Euribor rate, on which most of AFL's loan portfolio is indexed, through hedging derivatives, automatically leading to an increase in interest income ;

▪ Secondly, income from the liquidity reserve in the amount of €84,138K compared to €2,641K as of December 31, 2022, experienced a similar evolution, again due to the strong rise in the 3-month Euribor rate and the rate of the ECB, on which these assets are indexed. In this respect, we will also note a reduction in the cost of carrying liquidity due to higher profitability of deposits in the Banque de France, the deposit rate actually increasing more quickly than the markets' expectations of a rise in rates.

▪ Finally, interest on the debt in the amount of €281,676K compared to €18,033K as of December 31, 2022, increases symmetrically due to the sharp increase in the 3-month Euribor rate on which the debts issued by AFL are indexed, through hedging derivatives.

For the financial year ending December 31, 2023, general operating expenses represented €14,438K compared to €12,428K for the previous financial year. These charges include personnel costs of €7,351K compared to €6,152K as of December 31, 2022 and administrative costs which amount to €7,087K compared to €6,276K as of December 31, 2022, once re-invoicing between AFL and the AFL-ST as well as the costs to be distributed.

The increase in operating expenses is explained by the following elements:

▪ Personnel costs increased from €1,198K to €7,351K as of December 31, 2023 due to new recruitments, the increase in fixed and variable remuneration.

▪ External services net of re-invoicing between AFL and AFL-ST and charges to be distributed increased by €615K to €5,722K as of December 31, 2023 compared to €5,107K as of December 31, 2022. The increases mainly come from operating costs of IT systems, an increase in the use of services other than legal advice and marketing and communication expenses.

At the end of the financial year, depreciation and amortization expenses charges amounted to €1,191K compared to €1,065K as of December 31, 2022, an increase of €126K. This change in depreciation mainly corresponds to continued investments in AFL's IT infrastructure, including the credit chain, the general database, the third-party database, the development of regulatory reporting and the dedicated information system linked to the market operations processing chain.

At the end of the financial year, depreciation and amortization expenses amounted to €1,065K compared to €818K at December 31, 2021, an increase of €247K. This change in amortization mainly corresponds to the continued investment in information systems.

After an income tax charge of €406K, the net result as of December 31, 2023, which amounts to €7,534K, shows a strong increase compared to the net result for the 2022 financial year, which was at €348K, showing the viability and sustainability of the model adopted by Agence France Locale.

Subsequent events

No major event likely to have an impact on the financial statements presented occurred at the start of the 2024 financial year.

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 December 30, 2020 and mainly relating to regulated savings and securities lending had no impact on the accounts of the 'AFL as of December 31, 2023.

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 2005-03 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, 2023

Agence France Locale – Société Territoriale
41, quai d'Orsay 75 007 Paris

IV - Notes to the Balance Sheet

Note 1 - PORTFOLIO

(€ '000s)

31/12/2023	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	861,390	108,468		969,857
Unlisted securities				-
Accrued interest	6,853	792		7,645
Impairment	(4,031)	(1,000)		(5,032)
Net carrying amount	**864,211**	**108,260**	**-**	**972,471**
Residual net Premium/Discount	818	1,603		2,421

31/12/2022	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	940,081	118,667		1,058,748
Unlisted securities				
Accrued interest	3,281	856		4,138
Impairment	(3,542)	(382)		(3,925)
Net carrying amount	**939,820**	**119,141**	**-**	**1,058,961**
Residual net Premium/Discount	5,462	1,773		7,235

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 31/12/2023	Total 31/12/2022
Government paper and similar securities								
Net amount	24,812	107,016	332,403	393,127	857,358	6,853	864,211	939,820
NET CARRYING AMOUNT	**24,812**	**107,016**	**332,403**	**393,127**	**857,358**	**6,853**	**864,211**	**939,820**
Bonds and other fixed income securities								
Net amount	-	-	81,414	26,054	107,468	792	108,260	119,141
NET CARRYING AMOUNT	**-**	**-**	**81,414**	**26,054**	**107,468**	**792**	**108,260**	**119,141**

Analysis by type of portfolio

Portfolio *(€ '000s)*	Gross amount 31/12/2022	Additions	Disposals	Transfers and other movements	Prem/Disc Amort.	Change in accrued interest	Impairment	Total 31/12/2023	Unrealized gains/(losses)
Transaction									
Held-for-sale	784,068	758,197	(915,392)	(1,727)	1,728	1,501	(1,233)	627,143	(40,073)
Investment	274,892	97,360	(27,883)	(1,099)	(75)	2,007	126	345,328	(14,630)
NET CARRYING AMOUNT	**1,058,961**	**855,557**	**(943,275)**	**(2,826)**	**1,653**	**3,507**	**(1,107)**	**972,471**	**(54,703)**
Of which Premium/Discount	7,235	(1,280)	(4,996)	(190)	1,653			2,421	

Note 2 -RECEIVABLES ON CREDIT INSTITUTIONS

Accounts with central banks

(€ '000s)	31/12/2023	31/12/2022
Mandatory reserve deposits with central banks	975,186	1,134,477
Other deposits		
Cash and central banks	**975,186**	**1,134,477**

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 31/12/2023	Total 31/12/2022
Credit institutions								
Loans and receivables								
- demand	10,804				10,804	32	10,836	12,964
- time	60,000				60,000	572	60,572	80,199
Securities bought under repurchase agreements								
TOTAL	**70,804**	**-**	**-**	**-**	**70,804**	**605**	**71,409**	**93,163**
Impairment								
NET CARRYING AMOUNT	**70,804**	**-**	**-**	**-**	**70,804**	**605**	**71,409**	**93,163**

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 31/12/2023	Total 31/12/2022
Credit institutions								
Accounts and Overdrafts								
- demand								0.2
- time								
Securities sold under repurchase agreements								
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.2**

Note 4 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	31/12/2023	31/12/2022
Short-term credit facilities	79,647	8,698
Other loans	6,932,632	5,322,441
Customers transactions before impairment charges	**7,012,279**	**5,331,140**
Impairment		
Net carrying amount	**7,012,279**	**5,331,140**
Of which related receivables	19,055	8,847
Of which gross doubtful receivables		4,361
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 31/12/2023
Loans and advances to customers	193,179	204,877	299,815	1,955,537	4,339,816	**6,993,224**	**19,055**	**7,012,279**

Note 5 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible assets	31/12/2022	Additions	Transfers	Disposals	Amort.	Impairments	Other movements	31/12/2023
Intangible assets	**14,480**	**516**		**(37)**			**18**	**14,977**
Start-up costs	-							-
IT development costs	14,318	516		(37)			18	14,814
Web site	163							163
Software	-							-
Intangible assets in progress	**18**	**139**					**(18)**	**139**
Intangible assets amortisation	**(11,096)**			**37**	**(1,120)**			**(12,179)**
Net carrying amount	**3,403**	**655**		**-**	**(1,120)**		**-**	**2,937**

Property, plant & equipment	31/12/2022							31/12/2023
Property, plant & equipment	404	82		(5)			8	490
Tangible assets in progress	8						(8)	-
Tangible assets amortization	(215)			4	(71)			(282)
Net carrying amount	**198**	**82**		**(1)**	**(71)**			**208**

Note 6 - OTHER ASSETS AND ACCRUALS

(€ '000s)	31/12/2023	31/12/2022
Other assets		
Cash collateral paid	104,237	177,842
Other assets	546	323
Impairment		
Net carrying amount	**104,783**	**178,164**
Accruals		
Deferred charges on bond issues	69,421	39,428
Deferred charges on hedging transactions	31,124	37,121
Prepaid charges	257	266
Accrued interest not yet due on hedging transactions	75,208	30,395
Other deferred income		4
Other accruals	6,776	3,654
TOTAL	**182,785**	**110,867**

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 31/12/2023	Total 31/12/2022
Negotiable debt securities	164,053	225,000			389,053		389,053	371,652
Bonds		820,000	2,889,725	4,633,322	8,343,046	55,623	8,398,669	7,085,142
Other debt securities					-		-	-
TOTAL	**164,053**	**1,045,000**	**2,889,725**	**4,633,322**	**8,732,099**	**55,623**	**8,787,722**	**7,456,794**

Note 8 - OTHER LIABILITIES and ACCRUALS

(€ '000s)	31/12/2023	31/12/2022
Other liabilities		
Cash collateral received	133,307	102,377
Miscellaneous creditors	4,239	3,043
TOTAL	**137,546**	**105,420**
Accruals		
Transaction to pay and settlement accounts	290	
Premium EMTN issue	24,842	31,403
Unrealised gains on hedging instruments	88,553	69,606
Unearned income	484	490
Accrued expenses on hedging instruments	38,556	19,552
Other accrued expenses		
Other accruals	35,623	40,299
TOTAL	**188,349**	**161,350**

Note 9 - PROVISIONS

(€ '000s)	Balance as of 31/12/2022	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 31/12/2023
Provisions						
Financing commitment execution risks						
Provisions for other litigations						
Provisions for employee retirement and similar benefits	114	-	-	-	-	114
Provisions for other liabilities to employees						
Other provisions						
TOTAL	**114**	**-**	**-**	**-**	**-**	**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 31/12/2021	**196,800**	**-**	**-**	**-**	**-**	**-**	**(23,327)**	**2,073**	**175,546**
Change in share capital	10,800								10,800
Change in share premium and reserves									
Allocation of 2021 net profit							2,073	(2,073)	
Net income as of 31/12/2022								348	348
Other changes									
Balance as of 31/12/2022	**207,600**	**-**	**-**	**-**	**-**	**-**	**(21,254)**	**348**	**186,695**
Dividend paid for 2022									
Change in share capital	14,100 (1)								14,100
Change in share premium and reserves									
Allocation of 2022 net profit							348	(348)	
Net income as of 31/12/2023								7,534	7,534
Other changes									
Balance as of 31/12/2023	**221,700**	**-**	**-**	**-**	**-**	**-**	**(20,905)**	**7,534**	**208,328**

(1) The share capital of Agence France Locale which amounts on 31 of December, 2023 to € 221,700,000 consists of 2,217,000 shares. The Company carried out four capital increases during the year 2023 subscribed on 14th March for € 3,000K, on 27th June 2023 for €3,500K, on 8th November 2023 for €6,000K and on 27th December 2023 for €1,600K.

Note 11 - DERIVATIVES

Outstanding notional and Fair value

(€ '000s)	31/12/2023				31/12/2022			
	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	**16,113,299**	**29,864**	**553,400**	**155**	**13,352,625**	**(35,495)**	**766,900**	**28**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts								
Other contracts								
Over-the-counter markets	**16,113,299**	**29,864**	**553,400**	**155**	**13,352,625**	**(35,495)**	**766,900**	**28**
Interest rate contracts	14,904,038	136,197	553,400	155	12,172,139	105,026	766,900	28
FRA								
Cross Currency Swaps	1,209,261	(106,333)			1,180,485	(140,521)		
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 31/12/2023	14,811,544	(€ '000s)
Amount of macro-hedge transaction as of 31/12/2023	1,301,755	(€ '000s)
Amount of trading transaction as of 31/12/2023	553,400	(€ '000s)

Notional amount by maturity

(€ '000s)	31/12/2023					
	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	**2,134,751**	**3,825,274**	**10,153,274**	**203,400**	**290,000**	**60,000**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts						
Other contracts						
Over-the-counter markets	**2,134,751**	**3,825,274**	**10,153,274**	**203,400**	**290,000**	**60,000**
Interest rate contracts	2,060,306	3,121,190	9,722,542	203,400	290,000	60,000
FRA						
Cross Currency Swaps	74,445	704,084	430,732			
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)	31/12/2023	31/12/2022
Interest and similar income	**335,773**	**50,693**
Due from banks	50,144	4,686
Due from customers	202,606	33,007
Bonds and other fixed income securities	37,575	2,101
from Held-for-sale securities	*26,804*	*1,147*
from Investment securities	*10,771*	*954*
Debt securities		
Macro-hedge transactions	33,616	6,106
Other interest income	11,833	4,793
Interest and similar expenses	**(311,745)**	**(34,903)**
Due to banks	(3,215)	(4,128)
Bonds and other fixed income securities		
from Held-for-sale securities		
from Investment securities		
Debt securities	(282,024)	(18,033)
Macro-hedge transactions	(14,656)	(7,931)
Other interest expenses	(11,850)	(4,812)
Interest margin	**24,028**	**15,790**

Note 13 - NET FEE AND COMMISSION INCOME

(€ '000s)	31/12/2023	31/12/2022
Commission income	**274**	**301**
Interbank transactions		
Customer transactions	274	301
Securities transactions		
Forward financial instruments transactions		
Currencies transactions		
Financing commitments and guarantee		
Other commissions recieved		
Commission expenses	**(176)**	**(153)**
Interbank transactions	(22)	(16)
Securities transactions		
Forward financial instruments transactions	(154)	(136)
Currencies transactions		
Financing commitments and guarantee		
Other commissions paid		
Net fee and commission income	**98**	**148**

Note 14 - ANALYSIS OF GAINS AND LOSSES ON PORTFOLIO TRANSACTIONS

(€ '000s)	31/12/2023	31/12/2022
Gains/(losses) on Trading book		
Gains/(losses) on forward financial instruments	5,613	8,617
Gains/(losses) on foreign currency transactions	11	2
Gains or (losses) on trading portfolio	**5,623**	**8,618**
Gains/(losses) from disposal of held-for-sale securities	(5,073)	(7,150)
Other income/(expenses) from held-for-sale securities		
Impairment (charges) and reversals on held-for-sale securities	(1,107)	(3,565)
Gains or (losses) on held-for-sale portfolio	**(6,180)**	**(10,715)**

Note 15 - OTHER BANKING INCOME

(€ '000s)	31/12/2023	31/12/2022
Capital gains on loan disposals		
Other banking income		
Other banking income	**-**	**-**
Capital losses on loan disposals		
Other banking expense		
Other banking expense	**-**	**-**
TOTAL	**-**	**-**

Note 16 - GENERAL OPERATING EXPENSES

(€ '000s)	31/12/2023	31/12/2022
Employee expenses		
Wages and salaries	4,802	4,117
Post-employment benefit expenses	451	377
Other expenses	2,097	1,658
Total Employee expenses	**7,351**	**6,152**
Operating expenses		
Taxes and duties	1,364	1,169
External services	7,418	6,491
Total Administrative expenses	**8,783**	**7,660**
Charge-backs and reclassification of administrative expenses	(1,696)	(1,384)
Total General operating expenses	**14,438**	**12,428**

Note 17 - +/- NET GAINS (LOSSES) ON FIXED ASSETS

(€ '000s)	31/12/2023	31/12/2022
Gains on sales of Investment securities		
Gains on sales of tangible or intangible assets		
Reversal of impairment		
Total Gains on fixed assets	**-**	**-**
Losses on sales of Investment securities		
Losses on sales of tangible or intangible assets	(1)	
Charge of impairment		
Total Losses on fixed assets	**(1)**	**-**
TOTAL	**(1)**	**-**

Note 18 - STAFF

	31/12/2023	31/12/2022
Director (corporate officer)	1	1
Managers	38	33
Technicians & employees		
Apprentices and professional trainng contracts	5	7
Average staff during the year	**44**	**41**
Staff at year-end	**43**	**44**

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 2023 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 2023 were the following ones :

(€ '000s)	31/12/2023
Fixed remuneration	849
Variable remuneration	316
Payments in kind	21
Total	**1,187**

Members of the AFL Supervisory Board received €153k attendance fees.

Note 20 - EXTERNAL AUDITOR FEES

	Caillau Dedouit et Associés		KPMG Audit	
	2023 (€ '000s)	2022 (€ '000s)	2023 (€ '000s)	2022 (€ '000s)
Audit				
Fees related to statutory audit, certification, examination of:				
AFL-Société Opérationelle	76	73	76	72
Sub-total	**76**	**73**	**76**	**72**
Other fees and benefits (*) :				
AFL-Société Opérationelle	40	36	74	42
Sub-total	**40**	**36**	**74**	**42**
TOTAL	**116**	**110**	**150**	**114**

(*) Other fees and benefits are related to issue prospectus audit, capital increases, reliance letter, ESEF report review 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 €12.5m at 2023 year-end closing were not recognised as deferred tax assets.

Note 22 - RELATED PARTIES

There are, on 31 December 2023, 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 2023

Agence France Locale S.A.

112 rue Garibaldi - 69006 Lyon

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

Statutory auditors' report on the financial statements

For the year ended 31st December 2023

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 2023.

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 2023 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 and Risk 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 2023 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

In accordance with the requirements of Articles L.821-53 et R.821-180 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).

As indicated in the management report, this information does not include banking and related transactions, as your company considers that they do not fall within the scope of the information to be produced.

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 2023, KPMG S.A. and Cailliau Dedouit et Associés were in their 10th year of total uninterrupted engagement, which are the 9th 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 and Risk 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.821-55 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 and Risk Committee

We submit to the Audit and Risk Committee 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 and Risk 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 and Risk 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 27th, 2024

French original signed by

Sophie Meddouri

Partner

Paris, on March 27th, 2024

Sandrine Le Mao

Partner

AGENCE FRANCE LOCALE IFRS GAAP

BALANCE SHEET

Assets as of December 31, 2023

(€ '000s)	Notes	31/12/2023	31/12/2022
Cash, central banks	5	975,130	1,134,411
Financial assets at fair value through profit or loss	1	13,374	28,591
Hedging derivative instruments	2	705,064	912,259
Financial assets at fair value through other comprehensive income	3	591,496	707,306
Securities at amortized cost	4	329,201	256,891
Loans and receivables due from credit institutions and similar items at amortized cost	5	175,293	270,754
Loans and receivables due from customers at amortized cost	6	6,576,479	4,690,415
Revaluation adjustment on interest rate risk-hedged portfolios			
Current tax assets			
Deferred tax assets	7	4,609	6,641
Accruals and other assets	8	1,480	1,053
Intangible assets	9	1,980	2,381
Property, plant and equipment	9	961	1,101
Goodwill			
TOTAL ASSETS		**9,375,067**	**8,011,803**

Liabilities as of December 31, 2023

(€ '000s)	Notes	31/12/2023	31/12/2022
Central banks			
Financial liabilities at fair value through profit or loss	1	13,219	28,562
Hedging derivative instruments	2	670,607	973,829
Debt securities	10	8,262,191	6,589,082
Due to credit institutions	11	133,307	102,377
Due to customers			
Revaluation adjustment on interest rate hedged portfolios		81,770	126,038
Current tax liabilities			
Deferred tax liabilities	7	387	467
Accruals and other liabilities	12	5,312	3,976
Provisions	13	139	140
Equity		**208,136**	**187,333**
Equity, Group share		**208,136**	**187,333**
Share capital and reserves		221,700	207,600
Consolidated reserves		(15,252)	(18,009)
Gains and losses recognised directly in equity		(4,051)	(5,015)
Profit (loss) for the period		5,738	2,758
Non-controlling interests			
TOTAL LIABILITIES		**9,375,067**	**8,011,803**

Income statement

(€ '000s)	Notes	31/12/2023	31/12/2022
Interest and similar income	14	335,866	50,509
Interest and similar expenses	14	(311,748)	(34,907)
Fee & Commission Income	15	274	301
Fee & Commission Expense	15	(176)	(153)
Net gains (losses) on financial instruments at fair value through profit or loss	16	4,071	8,968
Net gains or losses on financial instruments at fair value through other comprehensive income	17	(5,073)	(7,150)
Net gains and losses on derecognition of financial assets at amortised cost	18		
Income on other activities			
Expenses on other activities			
NET BANKING INCOME		**23,213**	**17,569**
Operating expenses	19	(14,513)	(12,513)
Net depreciation, amortisation and impairments of tangible and intangible assets	9	(1,081)	(866)
GROSS OPERATING INCOME		**7,619**	**4,190**
Cost of risk	20	117	(404)
OPERATING INCOME		**7,737**	**3,786**
Net gains and losses on other assets	21	0.1	
INCOME BEFORE TAX		**7,737**	**3,786**
Income tax	22	(1,999)	(1,029)
NET INCOME		**5,738**	**2,758**
Non-controlling interests			
NET INCOME GROUP SHARE		**5,738**	**2,758**
Basic earnings per share (in EUR)		2.59	1.33
Diluted earnings per share (in EUR)		2.59	1.33

Net income and other comprehensive income

(€ '000s)	31/12/2023	31/12/2021
Net income	**5,738**	**2,758**
Items will be reclassified subsequently to profit or loss	**(1,577)**	**(2,507)**
Revaluation of financial assets at fair value through other comprehensive income recyclable to income	(2,064)	(3,367)
Other items recognized through other comprehensive income recyclable to income		
Related taxes	487	861
Elements not recyclable in profit or loss	**2,542**	**(3,416)**
Revaluation in respect of defined benefit plans		
Revaluation of financial assets at fair value through to equity	3,389	(4,554)
Other items recognized through other comprehensive income not recyclable to income		
Related taxes	(847)	1,139
Total gains and losses recognized directly in equity	**965**	**(5,922)**
COMPREHENSIVE INCOME	**6,703**	**(3,165)**

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 2022	**196,800**	**-**	**(19,618)**	**961**	**-**	**-**	**(54)**	**1,609**	**179,698**	**-**	**179,698**
Increase in share capital	10,800								10,800		10,800
Elimination of treasury shares											
Allocation of profit 2021			1,609					(1,609)			
Dividends 2021 paid											
Sub-total of changes linked to transactions with shareholders	**10,800**	**-**	**1,609**	**-**	**-**	**-**	**-**	**(1,609)**	**10,800**	**-**	**10,800**
Changes in fair value through equity				(2,810)					(2,810)		(2,810)
Change in value of through profit or loss				(557)					(557)		(557)
Revaluation of financial assets at fair value through not recyclable equity							(4,554)		(4,554)		(4,554)
Changes in actuarial gains on retirement benefits											
Related taxes				861			1,139		1,999		1,999
Changes in gains and losses recognized directly in equity	**-**	**-**	**-**	**(2,507)**	**-**	**-**	**(3,416)**	**-**	**(5,922)**	**-**	**(5,922)**
2022 Net income								2,758	2,758		2,758
Sub-total	**-**	**-**	**-**	**(2,507)**	**-**	**-**	**(3,416)**	**2,758**	**(3,165)**	**-**	**(3,165)**
Effect of acquisitions and disposals on non-controlling interests											
Shareholders' equity at 31 December 2022	**207,600**	**-**	**(18,010)**	**(1,546)**	**-**	**-**	**(3,470)**	**2,758**	**187,333**	**-**	**187,333**
Increase in share capital	14,100 (1)								14,100		14,100
Elimination of treasury shares											
Allocation of profit 2022			2,758					(2,758)			
Dividends 2022 paid											
Sub-total of changes linked to transactions with shareholders	**14,100**	**-**	**2,758**	**-**	**-**	**-**	**-**	**(2,758)**	**14,100**	**-**	**14,100**
Changes in fair value through equity				(1,959)					(1,959)		(1,959)
Change in value of through profit or loss				(105)					(105)		(105)
Revaluation of financial assets at fair value through not recyclable equity							3,389		3,389		3,389
Changes in actuarial gains on retirement benefits											
Related taxes				487			(847)		(360)		(360)
Changes in gains and losses recognized directly in equity	**-**	**-**	**-**	**(1,577)**	**-**	**-**	**2,542**	**-**	**965**	**-**	**965**
31 December 2023 Net income								5,738	5,738		5,738
Sub-total	**-**	**-**	**-**	**(1,577)**	**-**	**-**	**2,542**	**5,738**	**6,703**	**-**	**6,703**
Effect of acquisitions and disposals on non-controlling interests											
Shareholders' equity at 31 December 2023	**221,700**	**-**	**(15,252)**	**(3,123)**	**-**	**-**	**(928)**	**5,738**	**208,136**	**-**	**208,136**

(1) The share capital of Agence France Locale which amounts on 31 of December, 2023 to € 221,700,000 consists of 2,217,000 shares. The Company carried out two capital increases during the year 2023 subscribed on 14th March for € 3,000K, on 27th June 2023 for €3,500K, on 8th November 2023 for €6,000K and on 27th December 2023 for €1,600K.

Cash flow statement

(€ '000s)	31/12/2023	31/12/2022
Net income before taxes	**7,737**	**3,786**
+/- Net depreciation and amortisation of tangible and intangible non-current assets	1,081	866
+/- Net provisions and impairment charges	(117)	404
+/- Expense/income from investing activities	(4,878)	2,941
+/- Expense/income from financing activities	(46,776)	689
+/- Other non-cash items	(14,802)	(6,133)
= Non-monetary items included in net income before tax and other adjustments	**(65,492)**	**(1,234)**
+/- Cash from interbank operations		
+/- Cash from customer operations	(1,670,641)	(913,685)
+/- Cash from financing assets and liabilities	150,146	(22,202)
+/- Cash from not financing assets and liabilities	163	(325)
- Income tax paid		
= Decrease/(increase) in cash from operating activities	(1,520,331)	(936,212)
= CASH FLOW FROM OPERATING ACTIVITIES (A)	**(1,578,087)**	**(933,659)**
+/- Flows linked to financial assets and investments	115,606	(107,490)
+/- Flows linked to investment properties		
+/- Flows linked to tangible and intangible non-current assets	(737)	(1,437)
= CASH FLOW FROM INVESTING ACTIVITIES (B)	**114,869**	**(108,927)**
+/- Cash from or for shareholders	14,100	10,800
+/- Other cash from financing activities	1,287,355	901,107
= CASH FLOW FROM FINANCING ACTIVITIES (C)	**1,301,455**	**911,907**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)		
Increase/(decrease) in cash equivalents (A + B+ C + D)	**(161,763)**	**(130,680)**
Cash flow from operating activities (A)	(1,578,087)	(933,659)
Cash flow from investing activities (B)	114,869	(108,927)
Cash flow from financing activities (C)	1,301,455	911,907
Effect of changes in exchange rates on cash and cash equivalents (D)		
Cash and cash equivalents at the beginning of the period	**1,147,429**	**1,278,108**
Cash and balances with central banks (assets & liabilities)	1,134,476	1,175,973
Interbank accounts (assets & liabilities) and loans/deposits at sight	12,953	102,135
Cash and cash equivalents at the end of the period	**985,665**	**1,147,429**
Cash and balances with central banks (assets & liabilities)	974,861	1,134,476
Interbank accounts (assets & liabilities) and loans/deposits at sight	10,804	12,953
CHANGE IN NET CASH	**(161,763)**	**(130,680)**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS ACCORDING TO IFRS STANDARDS

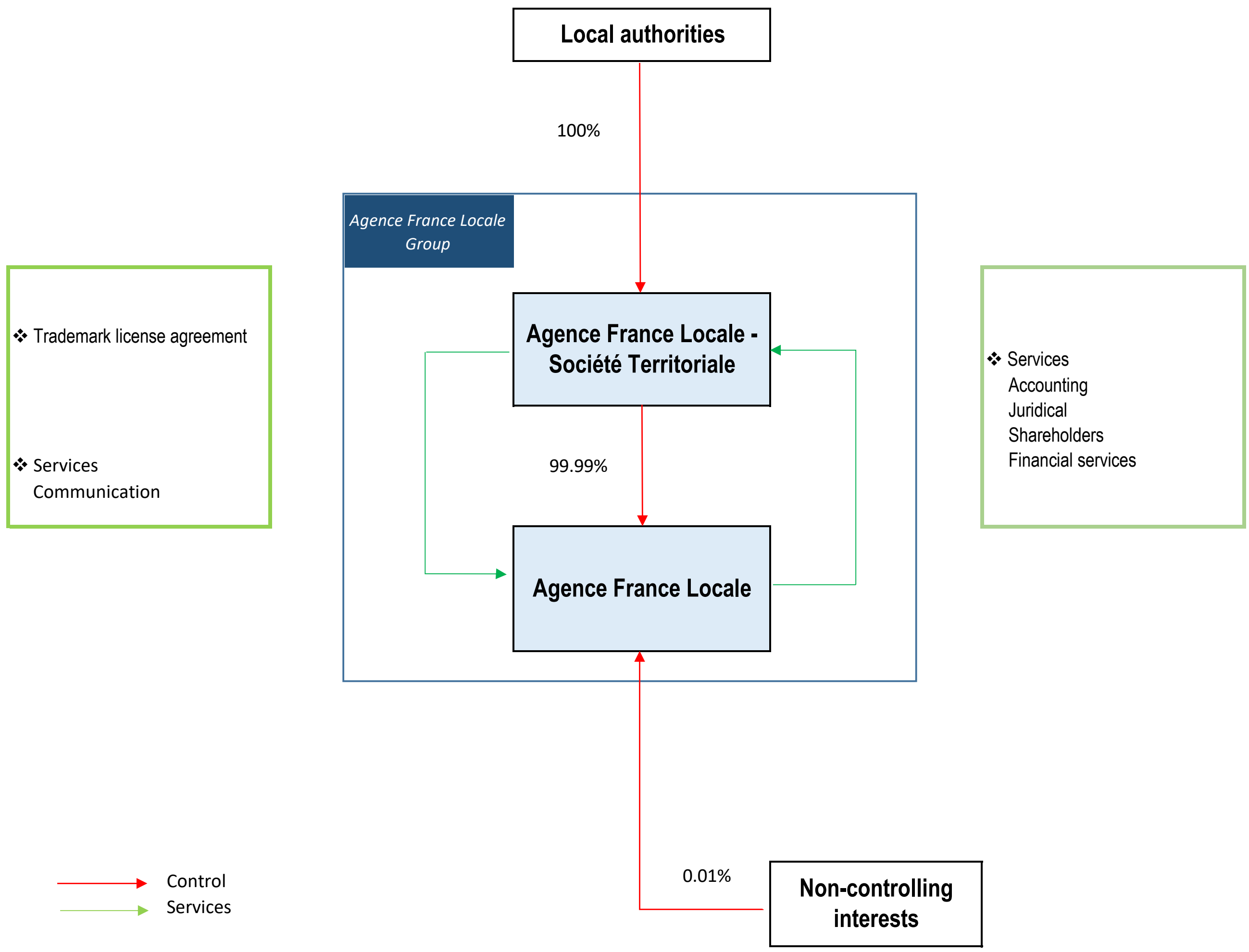
General framework

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 annual financial statements were approved by the Board of Directors as of March 13, 2024.

II - Highlights from financial year

The year 2023 marks a very significant increase in results linked to credit activity, which is part of the Company's development trajectory in accordance with its 2022-2026 strategic plan. The progression of results excluding non-recurring items reflects the good dynamic of income generation from credit activity since 2015, the year AFL's activities started, and which is measured in particular by the regular and constant increase in the portfolio of loans granted to member local authorities.

The production of medium and long-term loans carried out by AFL for the 2023 financial year amounted to €1,907.4 million compared to €1,391.5 euros for the year 2022. This increase finds its explanation in the large number of new memberships, generally followed by a call for credit, and in an increasing financing need of local authorities, linked to a sustained pace of capital expenditure.

In 2023, AFL carried out two syndicated issues denominated in euros, at 7 and 15 years respectively. The first issue with a 7-year maturity and an amount of 750 million euros was carried out at a margin of 54 basis points above the OAT curve, and the second issue for an amount of 500 million euros at a margin of 44 basis points above the OAT curve. In addition to these two issues, there are two additional contributions to an issue maturing in June 2025 denominated in pounds sterling and several private placements in euros including, for the first time, private placements repayable at the option of the AFL ("callable "). In addition to these operations, several private placements were carried out, making it possible to optimize the maturity profile of AFL's debts as well as its financing cost.

For the 2023 financial year, AFL-ST, pursuing its corporate purpose, subscribed to the capital of the AFL for €14.1 million as part of four capital increases, thus bringing the share capital to AFL from €207.6 million on January 1, 2023 to €221.7 million on December 31, 2023. AFL Group now has 776 members, including 177 new communities, who joined the AFL Group over the course of the past financial year.

At the end of the 2023 financial year, the NBI generated by the activity stood at €23,213K compared to €17,569K as of December 31, 2022. The NBI for 2023 mainly corresponds to a net interest margin of €24,118K compared to €15,602K as of December 31, 2022, an increase of 55%; to capital gains from the sale of investment securities in the amount of €540K compared to €1,467K for the 2022 financial year, once corrected for the hedging elements sold, and to a net result of the hedge accounting of the elements present on the balance sheet of -€1,576K compared to €367K in 2022.

The strong increase in the net interest margin can be explained by the following elements: the increase in outstanding loans to a stable margin net of the cost of debt, the rise in interest rates which results in profitability increased assets to replace equity and the very significant drop in the cost of carrying liquidity, due to an increase in the ECB's key rates faster than market expectations.

The net interest margin of €24,118K comes from three elements:

▪ Firstly, income linked to the credit portfolio in the amount of €221,566K, after taking into account hedging effects, compared to €31,182K as of December 31, 2022, is up very sharply due to the rapid increase of outstanding credit and especially the sharp rise in the 3-month Euribor rate, on which most of AFL's loan portfolio is indexed, through hedging derivatives, automatically leading to an increase in interest income ;

▪ Secondly, income from the liquidity reserve in the amount of €84,229K compared to €2,460K as of December 31, 2022, experienced a similar evolution, again due to the strong rise in the 3-month Euribor rate and the rate of the ECB, on which these assets are indexed. In this respect, we will also note a reduction in the cost of carrying liquidity due to higher profitability of deposits in the Banque de France, the deposit rate actually increasing more quickly than the markets' expectations of a rise in rates.

▪ Finally, interest on the debt in the amount of €281,677K compared to €18,033K as of December 31, 2022, increases symmetrically due to the sharp increase in the 3-month Euribor rate on which the debts issued by AFL are indexed, through hedging derivatives.

The net result of hedge accounting which amounts to -€1,576K represents the sum of the differences in fair value of the hedged items and their hedging. Among these differences, -1,015K€ relate to valuation differential charges on instruments classified as macro-hedging, -2,348K€ relate to income from the valuations of instruments on the assets classified as micro-hedging and €1,787K to charges arising 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, 2023, general operating expenses represented €14,513K compared to €12,513K for the previous financial year once restated for the application of IFRIC relating to software used in Saas mode. These expenses include personnel expenses for €7,343K compared to €6,124K as of December 31, 2022. General operating expenses also include administrative expenses, which amounted to €7,170K compared to €6,389K as of December 31, 2022, a once the re-invoicing between the AFL and the AFL-ST has been subtracted and restated for the change in method induced by the IFRIC.

The increase in operating expenses is explained by the following elements:

▪ Personnel costs increased from €1,219K to €7,343K as of December 31, 2023 due to new recruitments, the increase in fixed and variable remuneration.

▪ External services net of re-invoicing between AFL and AFL-ST and charges to be distributed increased by €615K to €5,722K as of December 31, 2023 compared to €5,107K as of December 31, 2022. The increases mainly come from operating costs of IT systems, an increase in the use of services other than legal advice and marketing and communication expenses.

▪ An increase in taxes, duties and mandatory contributions from €196K to €1,364K as of December 31, 2023 compared to €1,169K as of December 31, 2022. The main component of this increase comes from the corporate solidarity social contribution (C3S) for €158K.

At the end of the financial year, depreciation charges amounted to €1,081K compared to €866K as of December 31, 2022, an increase of €215K. The depreciation charges for the period take into account the restatements induced by the 2021 IFRIC relating to the costs of implementing information systems which have been applied since January 1, 2022.

Beyond this regulatory impact, this development mainly corresponds to continued investments in the credit chain, the general database, the third-party database, the development of regulatory reporting and the dedicated information system linked to the market operations processing chain.

After depreciation charges, the gross operating income as of December 31, 2023 stands at €7,619K compared to €4,190K as of December 31, 2022.

The cost of risk relating to ex-ante depreciation for expected losses on financial assets under IFRS 9 is a reversal of provision of €117K compared to a provision of €404K as of December 31, 2022. This results in an overall stock of provisions IFRS 9 of €1,158K as of December 31, 2023 compared to €1,275K as of December 31, 2022, corresponding to 1.2 basis points of outstandings, compared to 1.7 basis points as of December 31, 2022. This decrease is the result of an evolution the weighting of the macroeconomic scenarios underlying the provisioning calculation model, it being understood that loans to local authorities and the securities that AFL holds in its portfolio are by nature low risk.

As of December 31, 2023, AFL has a total amount of deferred tax assets of €4,609K compared to €6,641K as of December 31, 2022. This decrease mainly corresponds to the reduction in tax loss carryforwards accumulated since the creation of the AFL. The tax charge of €1,999K for 2023 corresponds to corporate tax of €406K and a deferred tax charge of which €1,673K relates to the use of tax losses.

After tax, AFL closed the 2023 financial year with a net profit of €5,738K compared to €2,758K as of December 31, 2022.

The revenues generated by the AFL's core activities are growing rapidly as demonstrated by the strong improvement in the operating coefficient which went from 76.1% as of December 31, 2022 to 67.2% as of December 31, 2023, thus confirming the viability and sustainability of the model adopted by the AFL.

Subsequent events

No major event likely to have an impact on the financial statements presented occurred at the start of the 2024 financial year.

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 2023, call upon the judgement of managers and the parties involved in preparing the financial statements, particularly where assessing the fair value of financial

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).

Standards, amendments and interpretations published by the IASB, the application of which is mandatory for years beginning on or after January 1, 2023

They mainly concern: IFRS 17 “Insurance Contracts”: this standard establishes the principles for the recognition, measurement and presentation of insurance contracts;

▪ IFRS 17 “Insurance Contracts”: this standard establishes the principles for the recognition, measurement and presentation of insurance contracts;

▪ amendment to IAS 12 “Deferred taxes relating to assets and liabilities resulting from a single transaction”: this amendment removes the exemption from initial recognition of deferred taxes for transactions resulting from taxable and deductible temporary differences of the same amount;

▪ amendments to IAS 8 “Definition of accounting estimates”: these amendments clarify the differences between accounting methods and accounting estimates. Accounting estimates are now defined as “monetary amounts in financial statements that are subject to uncertainty with respect to their measurement”;

▪ amendments to IAS 8 “Definition of accounting estimates”: these amendments clarify the differences between accounting methods and accounting estimates. Accounting estimates are now defined as “monetary amounts in financial statements that are subject to uncertainty with respect to their measurement”;

These amendments had no impact on the AFL's financial statements.

IASB and IFRIC texts adopted by the European Union applicable in advance

AFL has decided not to apply the following standards in advance:

▪ amendments to IAS 1 “Non-current liabilities with restrictive clauses”;

▪ Amendments to IAS 1 “Non-current liabilities with restrictive clauses”; Amendment to IAS 12: Deferred taxes relating to assets and liabilities resulting from the same transaction

▪ Amendments to IFRS 16 “Leaseback Liabilities”;

▪ Amendments to IAS 7 and IFRS 7 “Supplier financing agreements”;

▪ Amendment to IAS 21 “Lack of convertibility”.

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 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 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 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 does not hold any debt instruments measured at fair value through non-recyclable equity.

Recognition date of securities

AFLrecords 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 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 2023 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

	31/12/2023		31/12/2022	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Financial assets held for trading	13,374	13,219	28,591	28,562
Financial assets at fair value option through profit or loss				
Total financial assets at fair value through profit or loss	**13,374**	**13,219**	**28,591**	**28,562**

Financial assets held for trading

	31/12/2023		31/12/2022	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Equity instruments				
Debt securities				
Loans and advances				
Derivatives	13,374	13,219	28,591	28,562
Total Financial assets held for trading	**13,374**	**13,219**	**28,591**	**28,562**

	31/12/2023				31/12/2022			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**276,700**	**276,700**	**13,374**	**13,219**	**383,450**	**383,450**	**28,591**	**28,562**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts								
Other contracts								
Over-the-counter markets	**276,700**	**276,700**	**13,374**	**13,219**	**383,450**	**383,450**	**28,591**	**28,562**
Interest rate contracts	276,700	276,700	13,374	13,219	383,450	383,450	28,591	28,562
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

(€ '000s)	31/12/2023		31/12/2022	
	Assets	Liabilities	Assets	Liabilities
Derivatives designated as fair value hedges	593,493	636,719	756,089	941,846
Derivatives designated as cash flow hedges				
Derivatives designated as portfolio hedges	111,571	33,888	156,171	31,983
Total Hedging derivatives	**705,064**	**670,607**	**912,259**	**973,829**

Detail of derivatives designated as fair value hedges

	31/12/2023				31/12/2022			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**9,235,506**	**5,576,037**	**593,493**	**636,719**	**7,187,446**	**5,013,778**	**756,089**	**941,846**
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	**9,235,506**	**5,576,037**	**593,493**	**636,719**	**7,187,446**	**5,013,778**	**756,089**	**941,846**
Interest rate contracts	8,163,407	5,438,876	581,959	518,852	6,211,642	4,809,098	736,789	782,025
FRA								
Cross Currency Swaps	1,072,099	137,162	11,534	117,867	975,805	204,680	19,300	159,821
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	-	-	-	-	-	-	-	-

Detail of derivatives designated as interest rate hedged portfolios

	31/12/2023				31/12/2022			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**178,010**	**1,123,745**	**111,571**	**33,888**	**203,760**	**947,640**	**156,171**	**31,983**
Organised markets	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
Over-the-counter markets	**178,010**	**1,123,745**	**111,571**	**33,888**	**203,760**	**947,640**	**156,171**	**31,983**
Interest rate contracts	178,010	1,123,745	111,571	33,888	203,760	947,640	156,171	31,983
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)	31/12/2023	31/12/2022
Government paper and similar securities	495,891	604,899
Bonds	95,604	102,407
Other fixed income securities		
Net amount in balance sheet	**591,496**	**707,306**
Including depreciation	(413)	(528)
Including net unrealised gains and losses	(40,073)	(71,918)

Expected credit losses on debt instruments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2022	**(528)**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total transfer movement	**-**	**-**	**-**	**-**
Movement attributable to financial instruments recognized over the period	**115**	**-**	**-**	**-**
Acquisitions	(118)			
Re-estimate of parameters	52			
Bad debts written off				
On sales	181			
Expected losses as of 31st of December 2023	**(413)**	**-**	**-**	**-**

Fixed-income securities - Analysis by contreparty

(€ '000s)	31/12/2023	31/12/2022
Local public sector	409,455	464,941
Financial institutions and other financial corporations	182,041	242,365
Non-financial corporations	-	-
Net amount in balance sheet	**591,496**	**707,306**

Fixed income securities held on Financial institutions include € 54,171K 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 31/12/2022	Additions	Disposals	Other movements	Change in fair value recognised in equity	Change in accrued interest	Prem/Disc Amort.	Total amount as of 31/12/2023
Government paper and similar securities	604,899	592,526	(722,565)	(1,727)	21,087	1,602	70	495,891
Bonds	102,407	165,671	(177,467)	-	3,399	(64)	1,658	95,604
Other fixed income securities	-	-	-	-	-	-	-	-
TOTAL	**707,306**	**758,197**	**(900,032)**	**(1,727)**	**24,486**	**1,539**	**1,727**	**591,496**

Note 4 - SECURITIES AT AMORTIZED COST

Fixed-income securities - Analysis by nature

(€ '000s)	31/12/2023	31/12/2022
Government paper and similar securities	322,052	249,688
Bonds	7,149	7,203
Other fixed income securities		
Net amount in balance sheet	**329,201**	**256,891**
Including expected credit losses on debt instruments	(326)	(256)

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 2022	**(256)**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total transfer movement	**-**	**-**	**-**	**-**
Movement attributable to financial instruments recognized over the period	**(70)**	**-**	**-**	**-**
Acquisitions	(81)			
Re-estimate of parameters	(4)			
Bad debts written off				
On sales	15			
Expected losses as of 31st of December 2023	**(326)**	**-**	**-**	**-**

Fixed-income securities - Analysis by contreparty

(€ '000s)	31/12/2023	31/12/2022
Local public sector	175,107	125,191
Financial institutions and other financial corporations	154,093	131,700
Non-financial corporations		
Net amount in balance sheet	**329,201**	**256,891**

Fixed income securities held on Financial institutions include € 146,945K of securities guaranteed by States of the European Economic Area.

Changes in securities at amortized cost

(€ '000s)	Total amount as of 31/12/2022	Additions	Disposals	Other movements	Interest rate Reevaluation	Change in accrued interest	Prem/Disc Amort.	Expected credit losses change	Total amount as of 31/12/2023
Government paper and similar securities	249,688	97,360	(35,470)	(1,069)	9,687	1,969	(40.9)	(72)	322,052
Bonds	7,203	-	-	(30)	8	(0.4)	(34)	2	7,149
Other fixed income securities	-	-	-	-	-	-	-	-	-
TOTAL	**256,891**	**97,360**	**(35,470)**	**(1,099)**	**9,694**	**1,969**	**(75)**	**(70)**	**329,201**

Note 5 - RECEIVABLES ON CREDIT INSTITUTIONS

Accounts with central banks

(€ '000s)	31/12/2023	31/12/2022
Mandatory reserve deposits with central banks	975,186	1,134,477
Other deposits		
Cash and central banks	**975,186**	**1,134,477**
Impairment	(56)	(65)
Net amount in balance sheet	**975,130**	**1,134,411**

Receivables on credit institutions

(€ '000s)	31/12/2023	31/12/2022
Loans and receivables		
- on demand and short notice	10,836	12,964
- term	60,692	80,219
Cash collateral paid	103,784	177,604
Securities bought under repurchase agreements		
TOTAL	**175,312**	**270,787**
Impairment for expected losses	(19)	(32)
NET CARRYING AMOUNT	**175,293**	**270,754**

Note 6 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	31/12/2023	31/12/2022
Short-term credit facilities	79,647	8,698
Other loans	6,497,162	4,682,094
Customers transactions before impairment charges	**6,576,809**	**4,690,792**
Impairment	(329)	(377)
Net carrying amount	**6,576,479**	**4,690,415**
Of which individual impairment	(329)	(377)
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 2022	**(278)**	**(197)**	**-**	**-**
Transfers from 12-month to maturity	(14)	14		
Transfers from maturity to 12-month	(8)	8		
Transfers from expected to incurred losses				
Total transfer movement	**(22)**	**22**	**-**	**-**
Movement attributable to financial instruments recognized over the period	**(9)**	**80**	**-**	**-**
Production and acquisition	(78)	(0.3)		
Re-estimate of parameters	33	80		
Bad debts written off				
Repayments	37	0.1		
Expected losses as of 31st of December 2023	**(309)**	**(96)**	**-**	**-**

SUMMARY OF PROVISIONS ON SECURITIES, LOANS AND FINANCING COMMITMENTS

(€ '000s)	31/12/2022	Depreciation charges	Reversals amounts not used	Net charge	Utilised	31/12/2023
Financial assets at fair value through other comprehensive income						
Depreciations on performing assets	528	66	(181)	**(115)**		**413**
Depreciations on non-performing assets	-					**-**
Depreciations on doubtfull assets	-					**-**
Total	**528**	**66**	**(181)**	**(115)**		**413**
Financial assets at amortized cost						
Depreciations on performing assets	534	131	(30)	**101**		**635**
Depreciations on non-performing assets	196	(80)	(22)	**(102)**		**95**
Depreciations on doubtfull assets	-					**-**
Total	**731**	**51**	**(52)**	**(1)**		**730**

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	975,186			(56)			**975,130**
Financial assets at fair value through other comprehensive income	591,909			(413)			**591,496**
Securities at amortized cost	329,526			(326)			**329,201**
Loans and receivables due from credit institutions at amortized cost	175,312			(19)			**175,293**
Loans and receivables due from customers at amortized cost	6,498,488	78,321	-	(235)	(94)	-	**6,576,479**

Note 7 - DEFERRED TAX

The movement on the deferred tax account is as follows:

(€ '000s)	31/12/2023	31/12/2022
Net asset as at 1st of january	**6,175**	**5,204**
Of which deferred tax assets	6,641	5,374
Of which deferred tax liabilities	467	169
Recognised in income statement	**(1,593)**	**(1,029)**
Income statement (charge) / credit	(1,593)	(1,029)
Recognised in equity	**(360)**	**1,999**
Financial assets at fair value through other comprehensive income	487	861
Cash flow hedges	(847)	1,139
Other		
Net asset as at	**4,222**	**6,175**
Of which deferred tax assets	4,609	6,641
Of which deferred tax liabilities	387	467

Deferred tax are attributable to the following items:

(€ '000s)	31/12/2023	31/12/2022
Financial assets at fair value through other comprehensive income	1,179	691
Cash flow hedges	309	1,157
Losses carried forward	3,121	4,793
Other temporary differences		
TOTAL DEFERRED TAX ASSETS	**4,609**	**6,641**

(€ '000s)	31/12/2023	31/12/2022
Financial assets at fair value through other comprehensive income		
Cash flow hedges		
Other temporary differences	387	467
TOTAL DEFERRED TAX LIABILITIES	**387**	**467**

Note 8 - OTHER ASSETS AND ACCRUALS

(€ '000s)	31/12/2023	31/12/2022
Other assets		
Deposits	453	238
Other assets	546	323
Impairment		
Total	**1,000**	**561**
Accruals		
Prepaid charges	257	266
Other deferred income		
Transaction to recieve and settlement accounts		0.3
Other accruals	224	226
Total	**480**	**492**
TOTAL OTHER ASSETS AND ACCRUALS	**1,480**	**1,053**

Note 9 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible fixed assets	31/12/2022	Additions	Transfers	Disposals	Amort. and provisions	Other	31/12/2023
Intangible fixed assets							
IT development costs	12,641	377	(37)			(51)	12,930
Other intangible assets	163						163
Intangible assets in progress		134					134
Intangible fixed assets gross amount	**12,804**	**511**	**(37)**	**-**	**-**	**(51)**	**13,227**
Depreciation and allowances - Intangible fixed assets	(10,423)		37		(861)		(11,247)
Intangible fixed assets net carrying amount	**2,381**	**511**	**-**	**-**	**(861)**	**(51)**	**1,980**

Tangible fixed assets	31/12/2022	Additions	Disposals	Amort. and provisions	Other	31/12/2023
Commercial leases	1,347					1,347
Property, plant & equipment	412	82		(5)		490
Tangible fixed assets gross amount	**1,759**	**82**	**-**	**(5)**	**-**	**1,837**
Depreciation and allowances - Tangible fixed assets	(658)		4	(221)		(875)
Tangible fixed assets net carrying amount	**1,101**	**82**	**4**	**(225)**	**-**	**961**

Note 10 - DEBT SECURITIES

(€ '000s)	31/12/2023	31/12/2022
Negotiable debt securities	385,077	370,794
Bonds	7,877,115	6,218,288
Other debt securities		
TOTAL	**8,262,191**	**6,589,082**

NOTE 11 - DUE TO CREDIT INSTITUTIONS

(€ '000s)	31/12/2023	31/12/2022
Loans and receivables		
- on demand and short notice	0.004	0.2
- term		
Cash collateral paid	133,307	102,377
Securities bought under repurchase agreements		
TOTAL	**133,307**	**102,377**

Note 12 - ACCRUALS AND OTHER LIABILITIES

(€ '000s)	31/12/2023	31/12/2022
Other liabilities		
Miscellaneous creditors	3,044	2,277
Total	**3,044**	**2,277**
Accruals		
Transaction to pay and settlement accounts	290	
Other accrued expenses	1,950	1,667
Unearned income		
Other accruals	28	32
Total	**2,268**	**1,699**
TOTAL ACCRUALS AND OTHER LIABILITIES	**5,312**	**3,976**

Note 13 - PROVISIONS

(€ '000s)	Balance as of 31/12/2022	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 31/12/2023
Provisions						
Financing commitment execution risks	16	16		(17)		15
Provisions for litigations						
Provisions for employee retirement and similar benefits	124					124
Provisions for other liabilities to employees						
Other provisions						
TOTAL	**140**	**16**	**-**	**(17)**	**-**	**139**

OFF-BALANCE SHEET

(€ '000s)	31/12/2023	31/12/2022
Commitments given	**893,312**	**810,248**
Financing commitments	832,095	810,248
For credit institutions		
For customers	*832,095*	*810,248*
Guarantee commitments	61,217	
For credit institutions		
For customers	*61,217*	
Commitments on securities		
Securities to be delivered to the issuance		
Other securities to be delivered		
Commitments received	**1,827**	**1,960**
Financing commitments		
From credit institutions		
Guarantee commitments	1,827	1,960
From credit institutions		
From customers	*1,827*	*1,960*
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 2022	**16**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total transfer movement	**-**	**-**	**-**	**-**
Movement attributable to financial instruments recognized over the period	**(1)**			
Charge	16			
Utilised				
Reversal untilised	(17)			
Expected losses as of 31st of December 2023	**15**	**-**	**-**	**-**

VI - Notes to the Income Statement

Note 14 - INTEREST INCOME AND EXPENSES

(€ '000s)	31/12/2023	31/12/2022
Interest and similar income	**335,866**	**50,509**
Due from banks	50,237	4,502
Due from customers	202,606	33,007
Bonds and other fixed income securities	37,575	2,101
Financial assets at fair value through other comprehensive income	*26,228*	*1,068*
Securities at amortized cost	*11,347*	*1,033*
Debt securities		
Macro-hedge transactions	33,616	6,106
Other interest income	11,833	4,793
Interest and similar expenses	**(311,748)**	**(34,907)**
Due to banks	(3,215)	(4,128)
Bonds and other fixed income securities		
Financial assets at fair value through other comprehensive income		
Securities at amortized cost		
Debt securities	(282,028)	(18,036)
Macro-hedge transactions	(14,656)	(7,931)
Other interest expenses	(11,850)	(4,812)
Interest margin	**24,118**	**15,602**

Note 15 - NET FEE AND COMMISSION INCOME

(€ '000s)	31/12/2023	31/12/2022
Fee & Commission Income	**274**	**301**
Interbank transactions		
Customer transactions		100
Securities transactions		
Forward financial instruments transactions		
Currencies transactions		
Financing commitments and guarantee	274	201
Other commissions recieved		
Fee & Commission Expense	**(176)**	**(153)**
Interbank transactions	(22)	(16)
Securities transactions		
Forward financial instruments transactions	(154)	(136)
Currencies transactions		
Financing commitments and guarantee		
Other commissions paid		
Net Fee and Commission income	**98**	**148**

Note 16 - NET RESULT OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(€ '000s)	31/12/2023	31/12/2022
Gains/(losses) on Trading book	16	(18)
Net result of hedge accounting	4,043	8,986
Net result of foreign exchange transactions	11	(0.02)
TOTAL	**4,071**	**8,968**

Analysis of net result of hedge accounting

(€ '000s)	31/12/2023	31/12/2022
Fair value hedges		
Fair value changes in the hedged item attributable to the hedged risk	(35,543)	138,213
Fair value changes in the hedging derivatives	34,988	(136,860)
Hedging relationship disposal gain	5,613	8,617
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	49,087	(132,739)
Fair value changes in the hedging derivatives	(50,102)	131,755
Net result of hedge accounting	**4,043**	**8,986**

Note 17 - NET GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(€ '000s)	31/12/2023	31/12/2022
Gains from disposal of fixed income securities	718	2,124
Losses from disposal of fixed income securities	(5,791)	(9,274)
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	**(5,073)**	**(7,150)**

Note 18 - NET GAINS AND LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST

(€ '000s)	31/12/2023	31/12/2022
Gains on derecognition of fixed income securities at amotised cost		
Losses on derecognition of fixed income securities at amotised cost		
Gains on loans sold		
Losses on loans sold		
Total Net gains and losses on derecognition of financial assets at amortised cost	**-**	**-**

Note 19 - GENERAL OPERATING EXPENSES

(€ '000s)	31/12/2023	31/12/2022
Employee expenses		
Wages and salaries	4,795	4,088
Post-employment benefit expenses	451	377
Other expenses	2,097	1,658
Total Employee expenses	**7,343**	**6,124**
Operating expenses		
Taxes and duties	1,364	1,169
External services	5,970	5,373
Total Administrative expenses	**7,334**	**6,542**
Charge-backs and reclassification of administrative expenses	(164)	(153)
Total General operating expenses	**14,513**	**12,513**

Note 20 - COST OF RISK

(€ '000s)	31/12/2023	31/12/2022
Net charge to provisions	116	(398)
for financial assets at fair value through other comprehensive income	*115*	*(75)*
for financial assets at amortized cost	*1*	*(323)*
Net charge to provisions	1	(6)
for financing commitments	*1*	*(6)*
for guarantee commitments		
Irrecoverable loans written off not covered by provisions		
Recoveries of bad debts written off		
Total Cost of risk	**117**	**(404)**

Note 21 - NET GAINS AND LOSSES ON OTHER ASSETS

(€ '000s)	31/12/2023	31/12/2022
Gains on sales of Investment securities		
Gains on sales of tangible or intangible assets	1	
Reversal of impairment		
Total Gains on other assets	**1**	**-**
Losses on sales of Investment securities		
Losses on sales of tangible or intangible assets	(1)	
Charge of impairment		
Total Losses on other assets	**(1)**	**-**

Note 22 - INCOME TAX

(€ '000s)	31/12/2023	31/12/2022
Expense and income of current tax	(406)	
Expense and income of differed tax	(1,593)	(1,029)
Ajustement on previous period		
Total Income tax	**(1,999)**	**(1,029)**

Note 23 - EXTERNAL AUDITOR FEES

	Caillau Dedouit et Associés		KPMG Audit	
	2023 (€ '000s)	2022 (€ '000s)	2023 (€ '000s)	2022 (€ '000s)
Audit				
Fees related to statutory audit, certification, examination of:				
AFL-Société Opérationelle	76	73	76	72
Sub-total	**76**	**73**	**76**	**72**
Other fees and benefits (*) :				
AFL-Société Opérationelle	40	36	74	42
Sub-total	**40**	**36**	**74**	**42**
TOTAL	**116**	**110**	**150**	**114**

(*) Other fees and benefits are related to issue prospectus audit, capital increases, reliance letter, ESEF report review and allocation review of funds raised as part of the sustainability bond issue.

Note 24 - RELATED PARTIES

There are, on 31 December 2023, 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 2023 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 2023 were the following ones :

(€ '000s)	31/12/2023
Fixed remuneration	849
Variable remuneration	316
Payments in kind	21
Total	**1,187**

In addition, members of the AFL Supervisory Board received €153K 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:

	31/12/2023			
	Total	Measured using		
(€ '000s)		Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss	**13,374**	-	13,374	-
Hedging derivative instruments	**705,064**	-	705,064	-
Government paper and similar securities	495,891	495,891	-	-
Bonds	95,604	87,841	-	7,763
Other fixed income securities	-	-	-	-
Total Financial assets at fair value through other comprehensive income	**591,496**	**583,732**	**-**	**7,763**
Total Financial assets	**1,309,934**	**583,732**	**718,438**	**7,763**
Financial liabilities				
Financial liabilities at fair value through profit or loss	**13,219**	-	13,219	-
Hedging derivative instruments	**670,607**	-	670,607	-
Total Financial liabilities	**683,826**	**-**	**683,826**	**-**

Fair values of instruments carried at amortised cost:

	31/12/2023				
	Net Carrying value	Fair value	Measured using		
(€ '000s)			Level 1	Level 2	Level 3
Financial assets					
Cash, central banks and issuing institutions	**975,130**	**975,130**	-	-	975,130
Government paper and similar securities	322,052	321,497	241,999	-	79,499
Bonds	7,149	6,988	6,988	-	-
Other fixed income securities	-	-	-	-	-
Total Securities at amortized cost	**329,201**	**328,486**	248,987	-	79,499
Loans and receivables due from credit institutions	**175,293**	175,293	-	-	175,293
Loans and advances to customers (*)	**6,494,709**	6,494,709	-	-	6,494,709
Total Financial assets	**7,974,334**	**7,973,619**	**248,987**	**-**	**7,724,632**
Financial liabilities					
Debt securities	**8,262,191**	8,205,315	6,717,828	1,098,434	389,053
Total Financial liabilities	**8,262,191**	**8,205,315**	**6,717,828**	**1,098,434**	**389,053**

(*) 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 2023 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 31/12/2023
Cash, central banks	975,186		(56)	**975,130**
Financial assets at fair value through profit or loss	13,374			**13,374**
Hedging derivative instruments	705,064			**705,064**
Financial assets at fair value through other comprehensive income	591,496			**591,496**
Securities at amortized cost	329,526		(326)	**329,201**
Loans and receivables due from credit institutions	175,312		(19)	**175,293**
Loans and advances to customers	6,576,809		(329)	**6,576,479**
Revaluation adjustment on interest rate hedged portfolios				**-**
Current tax assets				**-**
Other assets	1,000			**1,000**
Sub-total Assets	**9,367,766**	**-**	**(730)**	**9,367,036**
Financing commitments given	832,095			**832,095**
TOTAL Credit risk exposure	**10,199,861**	**-**	**(730)**	**10,199,131**

Exposure analysis by counterparty

(€ '000s)	Total 31/12/2023
Central banks	975,130
Local public sector	7,993,939
Credit institutions guaranteed by the EEA States	201,115
Credit institutions	1,028,916
Other financial corporations guaranteed by the EEA States	
Other financial corporations	
Non-financial corporations guaranteed by the EEA States	
Non-financial corporations	30
Total Exposure by counterparty	**10,199,131**

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 31/12/2023
France	9,490,133
Supranational	263,015
Canada	189,443
Finland	68,474
Iceland	28,214
New Zealand	27,736
Switzerland	27,000
Japan	20,014
Netherlands	14,092
Sweden	13,450
Poland	13,027
South Korea	12,251
Belgium	11,975
Denmark	11,896
Germany	8,410
Total Exposure by geographic area	**10,199,131**

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 31/12/2023
Cash, central banks	975,130				**975,130**			**975,130**
Financial assets at fair value through profit or loss		2,021	7,387	3,414	**12,822**	552		**13,374**
Hedging derivative instruments	654	8,357	40,529	653,794	**703,334**	1,730		**705,064**
Financial assets at fair value through other comprehensive income								
Government paper and similar securities	4,203	49,570	232,186	239,378	525,337	4,135	(33,581)	495,891
Bonds			81,943	19,462	101,405	692	(6,492)	95,604
Total Financial assets at fair value through other comprehensive income	**4,203**	**49,570**	**314,128**	**258,840**	**626,742**	**4,827**	**(40,073)**	**591,496**
Securities at amortized cost								
Government paper and similar securities	20,606	57,532	101,033	156,563	335,734	2,717	(16,399)	322,052
Bonds				7,056	7,056	100	(8)	7,149
Total Securities at amortized cost	**20,606**	**57,532**	**101,033**	**163,619**	**342,790**	**2,818**	**(16,407)**	**329,201**
Loans and receivables due from credit institutions	114,185		60,000		**174,185**	1,108		**175,293**
Loans and advances to customers	193,179	504,363	1,955,537	4,339,816	**6,992,894**	19,055	(435,470)	**6,576,479**
Revaluation adjustment on interest rate hedged portfolios								**-**
Current tax assets								**-**
Other assets	1,000				**1,000**			**1,000**
TOTAL ASSETS								**9,367,036**

Central banks								**-**
Financial assets at fair value through profit or loss		2,020	7,388	3,415	**12,822**	397		**13,219**
Hedging derivative instruments	418	16,933	207,021	481,002	**705,374**	(34,767)		**670,607**
Debt securities	163,693	1,041,714	2,891,719	4,590,395	**8,687,521**	55,623	(480,952)	**8,262,191**
Due to credit institutions	133,307				**133,307**			**133,307**
Revaluation adjustment on interest rate hedged portfolios							81,770	**81,770**
Other liabilities	3,044				**3,044**			**3,044**
TOTAL LIABILITIES								**9,164,138**

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 €16.7 billion at December 31, 2023.

Throughout 2023, 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 interest rate risk in the banking book (IRRBB) excluding the trading book through changes in the economic value of equity and net interest income.

Template EU IRRBB1 - Interest rate risks of non-trading book activities

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	-6.71%	0.07%	0.13%	3.72%
2	Parallel down	9.26%	0.86%	-0.15%	-3.72%
3	Steepener	-3.16%	-4.20%		
4	Flattener	2.15%	4.30%		
5	Short rates up	-0.08%	3.99%		
6	Short rates down	0.13%	-4.11%		

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 2023

Agence France Locale S.A.

112 rue Garibaldi - 69006 Lyon

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

Statutory Auditor's report on the "financial statements"

For the year ended 31st December 2023

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 2023, 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 2023, 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, March 27th, 2024	Paris, March 27th, 2024
French original signed by	
Sophie Meddouri *Partner*	Sandrine Le Mao *Partner*

Consolidated Pillar III report

(AFL Group)

Agence France Locale

Pillar 3 at December 31, 2023

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, 2023. 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

A. Publication of key indicators and an overview of risk-weighted exposure amounts

Template EU OV1 - Overview of total risk exposure amounts

Data as of 31/12/2023 (T) and 31/12/2022 (T-1)		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		T	T-1	T
1	Credit risk (excluding CCR)	1 486 475 279	1 141 921 166	118 918 022
2	Of which the standardised approach	1 486 475 279	1 141 921 166	118 918 022
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	30 281 600	23 164 532	2 422 528
7	Of which the standardised approach	23 659 013	6 759 329	1 892 721
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	11 707 521	8 301 547	936 602
EU 8b	Of which credit valuation adjustment - CVA	18 574 079	14 862 984	1 485 926
9	Of which other CCR	- 23 659 013	- 6 759 329	- 1 892 721
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)	13 815 517	-	1 105 241
21	Of which the standardised approach	-	-	-
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	34 007 981	27 450 129	2 720 638
EU 23a	Of which basic indicator approach	34 007 981	27 450 129	2 720 638
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**	**1 564 580 377**	**1 192 535 827**	**125 166 430**

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	207 027 615	197 057 632	195 632 472	191 729 572	185 726 404
2	Tier 1 capital	207 027 615	197 057 632	195 632 472	191 729 572	185 726 404
3	Total capital	207 027 615	197 057 632	195 632 472	191 729 572	185 726 404
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1 564 580 377	1 329 501 450	1 303 992 406	1 238 187 404	1 192 535 827
	Capital ratios (as a percentage of risk weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	13,23%	14,82%	15,00%	15,48%	15,57%
6	Tier 1 ratio (%)	13,23%	14,82%	15,00%	15,48%	15,57%
7	Total capital ratio (%)	13,23%	14,82%	15,00%	15,48%	15,57%
	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)	0,94%	0,94%	0,94%	0,94%	0,94%
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 (%)	0,00	0,00	0,00	0,00	0,00
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-	-	-
11	Combined buffer requirement (%)	2,73%	2,74%	2,75%	2,51%	2,51%
EU 11a	Overall capital requirements (%)	11,98%	11,99%	12,00%	11,76%	11,76%
12	CET1 available after meeting the total SREP own funds requirements (%)	3,98%	5,57%	5,75%	10,28%	10,37%
	Leverage ratio					
13	Total exposure measure	2 336 145 260	2 634 525 483	2 520 938 327	2 490 852 257	2 379 204 052
14	Leverage ratio (%)	8,86%	7,48%	7,76%	7,70%	7,81%
	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 (%)	3,00%	3,00%	3,00%	3,00%	3,00%
	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)	1 718 336 562	1 861 395 730	1 847 706 950	1 881 392 859	1 873 704 318
EU 16a	Cash outflows - Total weighted value	343 741 844	211 628 740	148 687 864	175 115 862	421 307 801
EU 16b	Cash inflows - Total weighted value	28 004 493	99 006 337	141 937 728	66 664 140	48 600 145
16	Total net cash outflows (adjusted value)	315 737 351	112 622 403	37 171 966	108 451 722	372 707 655
17	Liquidity coverage ratio (%)	544,23%	1652,78%	4970,70%	1734,77%	502,73%
	Net Stable Funding Ratio					
18	Total available stable funding	6 795 291 422	6 865 858 227,7200	6 743 791 686,8400	6 618 059 126,4500	5 547 371 740,3100
19	Total required stable funding	2 934 955 300	3 766 249 041,9500	3 719 530 190,7900	2 886 138 644,0400	3 863 318 344,3100
20	NSFR ratio (%)	231,53%	182,30%	181,31%	229,30%	143,59%

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.

B. 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)	As of December 31, 2023, the AFL's financial risk situation is good: • Credit exposures are mainly linked to loans granted to local authorities that are members of the AFL. The average score of the credit portfolio is 3.55 below 4.5. Over 2023, the average rating of the portfolio improves. • Credit exposures also come from exposures to supra-agency sovereigns and marginally to banks linked to the liquidity reserve and balance sheet rate coverage. 85% of exposures are rated at least AA-. • In terms of liquidity risk, as of 12/31/2023, the size of the liquidity reserve amounts to nearly €2 billion; the NCRR ratio reaches 80%. In line with the Group's risk appetite, the transformation – measured by the difference in the average life of assets and liabilities – amounts to 1.27. The consolidated regulatory indicators respect their limit with an LCR at 541% (liquidity at 30 days) and an NSFR at 231% (stable financing) • In terms of interest rate risk, the sensitivity of the net present value of the AFL group to a change in rates is less than 15% (regulatory scenarios). The sensitivity of the AFL Group's net interest margin is below the regulatory limit of 5%. AFL has put in place a global system aimed at limiting operational risks. As of December 31, 2023, AFL's situation in terms of non-financial risks is adequate, while presenting challenges including the adaptation of the operating model to the increase in volumes and the compliance projects in the face of new regulatory requirements. • In 2023, no significant incident (i.e. impact greater than 500 keur) was noted. The solvency ratio stands at 13.23% above the regulatory and internal requirement. 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: On 27 March 2024, 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:

Legal basis	Row number	
		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[1] 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.* *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.*

[1] *The score assigned to the local authorities follows a grid ranging from 1 (best score) to 7.*

Legal basis	Row number	
		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.*
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*

Legal basis	*Row number*	
		implementation of hedges. Relevant information is provided to stakeholders.

Table EU OVB - Disclosure of information on governance arrangements

<table>
<tr><th>Legal basis</th><th>Row number</th><th></th></tr>
<tr><td>Article 435, paragraph 2, point a), of the CRR.</td><td>(a)</td><td>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.</td></tr>
<tr><td>Article 435, paragraph 2, point b), of the CRR.</td><td>(b)</td><td>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.</td></tr>
<tr><td>Article 435, paragraph 2, point c), of the CRR.</td><td>(c)</td><td>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.</td></tr>
<tr><td>Article 435, paragraph 2, point d), of the CRR.</td><td>(d)</td><td>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.</td></tr>
<tr><td>Article 435, paragraph 2, point e), of the CRR.</td><td>(e)</td><td>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.</td></tr>
</table>

C. 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		975 130 330	975 130 330				
2	Financial assets at fair value through profit or loss		13 373 867		13 373 867			
3	Hedging derivative instruments		705 063 979		705 063 979			
4	Financial assets at fair value through other comprehensive income		591 495 828	591 495 828				
5	Securities at amortized cost		333 453 994	333 453 994				
6	Loans and receivables due from credit institutions and similar items at amortized cost		180 074 265	180 074 265				
7	Loans and receivables due from customers at amortized cost		6 576 479 046	6 576 479 046				
8	Revaluation adjustment on interest rate risk-hedged portfolios		-	-				
9	Current tax assets		-	-				
10	Deferred tax assets		4 630 914	1 487 929				3 142 985
11	Accruals and other assets		1 328 175	1 328 175				
12	Intangible assets		1 980 423					1 980 423
13	Property, plant and equipment		2 495 163	2 495 163				
14	Goodwill							
15	**Total assets**		**9 385 505 985**	**8 661 944 731**	**718 437 846**	**-**	**-**	**5 123 408**
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Central banks		-	-				
2	Financial liabilities at fair value through profit or loss		13 218 949		13 218 949			
3	Hedging derivative instruments		670 606 981		670 606 981			
4	Debt securities		8 262 191 363					
5	Due to credit institutions		133 306 873	133 306 873				
6	Deferred tax liabilities		387 145					
7	Accruals and other liabilities		4 998 847	4 998 847				
8	Provisions		138 860	138 860				
9	Equity		218 481 513					
10	Equity, Group share		218 481 413					
11	Share capital and reserves		232 047 600					
12	Consolidated reserves		- 15 254 408					- 15 254 408
13	Reevaluation reserve		-					
14	Gains and losses recognised directly in equity		- 4 050 672					- 4 050 672
15	Profit (loss) for the period		5 738 893					5 738 893
16	Non-controlling interests		100					
17	**Total liabilities**		**9 385 505 985**	**138 444 580**	**683 825 931**	**-**	**-**	**- 13 566 187**

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)**	9 380 382 577	8 661 944 731	-	718 437 846	-
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	9 399 072 172	138 444 580	-	683 825 931	-
3	**Total net amount under the scope of prudential consolidation**	8 558 112 067	8 523 500 151	-	34 611 915	-
4	**Off-balance-sheet amounts**	832 094 501	832 094 501	-	-	
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*	- 63 797 693	- 63 797 693	-	-	
10	*Differences due to Securitisation with risk transfer*	-	-	-	-	
11	*Other differences*	- 19 107 556	- 130 297 977	-	111 190 420	
12	**Exposure amounts considered for regulatory purposes**	**9 307 301 319**	**9 161 498 983**	-	**145 802 335**	-

Template EU LI3 - Summary of the differences between the scopes of consolidation (entity by entity)

a	b	c	d	e	f	g	h
		Method of prudential consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity
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)

As AFL-ST determines the AVA according to the simplified approach in accordance with Article 4 §1 of Delegated Regulation 2016/101, the following table is empty.

		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)**								-	-	-

D. Disclosure of equity capital information

AFL-ST only holds Common Equity Tier 1 (CET1) equity capital.

As of December 31, 2023, 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) Amounts	(b) 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	232 047 600	a
	of which: Instrument type 1	232 047 600	
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	- 15 244 381	b
3	Accumulated other comprehensive income (and other reserves)	- 4 060 699	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**	**212 742 520**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	- 591 496	
8	Intangible assets (net of related tax liability) (negative amount)	- 1 980 423	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)	- 3 142 985	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)	-	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)**	- 5 714 904	d+e1+e2
29	**Common Equity Tier 1 (CET1) capital**	**207 027 615**	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	232 047 600	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)**	**207 027 615**	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)**	**207 027 615**	a+b+c+d+e+f+g
60	**Total Risk exposure amount**	**1 564 580 377**	

Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	13,23%	
62	Tier 1 capital	13,23%	
63	Total capital	13,23%	
64	Institution CET1 overall capital requirements	7,93%	
65	of which: capital conservation buffer requirement	2,50%	
66	of which: countercyclical capital buffer requirement	0,23%	
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	0,70%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	5,30%	
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	18 727 285	
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	975 130 330		
2	Financial assets at fair value through profit or loss	13 373 867		
3	Hedging derivative instruments	705 063 979		
4	Financial assets at fair value through other comprehensive income	591 495 828		
5	Securities at amortized cost	333 453 994		
6	Loans and receivables due from credit institutions and similar items at amortized cost	180 074 265		
7	Loans and receivables due from customers at amortized cost	6 576 479 046		
8	Revaluation adjustment on interest rate risk-hedged portfolios	-		
9	Current tax assets	-		
10	Deferred tax assets	4 630 914		e1+e2
11	Accruals and other assets	1 328 175		
12	Intangible assets	1 980 423		d
13	Property, plant and equipment	2 495 163		
14	Goodwill	-		
15	**Total assets**	**9 385 505 985**		
Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*				
1	Central banks	-		
2	Financial liabilities at fair value through profit or loss	13 218 949		
3	Hedging derivative instruments	752 376 586		
4	Debt securities	8 262 191 363		
5	Due to credit institutions	133 306 873		
6	Deferred tax liabilities	387 145		
7	Accruals and other liabilities	5 404 696		
8	Provisions	138 860		
9	**Total liabilities**	**9 167 024 472**		
Shareholders' Equity				
1	Share capital and reserves	232 047 600		a
2	Consolidated reserves	- 15 254 408		b
3	Reevaluation reserve	-		
4	Gains and losses recognised directly in equity	- 4 050 672		c
5	Profit (loss) for the period	5 738 893		
6	**Total shareholders' equity**	**218 481 513**		

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.

E. Disclosure of countercyclical equity capital buffer information

As of December 31, 2023, AFL holds relevant (according to CCyB) exposures towards counterparties located in three countries. Out of these three countries only France is applying a countercyclical capital buffer, of 0.50%.

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	Canada	57 481 816						459 855			459 855		40,77%	0,00%
2	France	30 163 605						516 589			516 589		45,80%	0,50%
3	New Zealand	18 931 096						151 449			151 449		13,43%	0,00%
020	Total	106 576 517	-	-	-	-	106 576 517	1 127 893	-	-	1 127 893	14 098 657	100,00%	

Model EU CCyB2 - Amount of countercyclical equity capital buffer specific to the institution

		a
1	Total risk exposure amount	1 564 580 377
2	Institution specific countercyclical capital buffer rate	0,0023
3	Institution specific countercyclical capital buffer requirement	3 598 535

F. 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 31/12/2023	a Applicable amount
1	Total assets as per published financial statements	9 318 593 673
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	66 912 314
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	177 990 948
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)	575 947 732
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	- 7 803 299 407

Model EU LR2 - LRCom: Leverage ratio - joint declaration

Data as of 31/12/2023 (T) and 31/12/2022 (T-1)		CRR leverage ratio exposures	
		a	b
		T	T-1
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	8 476 341 254	6 798 267 481
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)	- 1 980 423	- 2 389 058
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	8 474 360 831	6 795 878 423
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	40 164 474	60 866 874
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	170 505 956	35 904 002
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	210 670 430	96 770 875
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	832 413 167	784 081 452
20	(Adjustments for conversion to credit equivalent amounts)	- 256 465 435	- 155 099 258
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
22	Off-balance sheet exposures	575 947 732	628 982 194

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)	- 6 924 833 733	- 5 142 427 441
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)**	**- 6 924 833 733**	**- 5 142 427 441**
Capital and total exposure measure			
23	Tier 1 capital	207 027 615	185 721 788
24	**Total exposure measure**	**2 336 145 260**	**2 379 204 052**
Leverage ratio			
25	Leverage ratio (%)	8,86%	7,81%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	2,24%	2,47%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8,86%	7,81%
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)	2 336 145 260	2 379 204 052
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)	2 336 145 260	2 379 204 052
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)	8,86%	7,81%
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)	8,86%	7,81%

Model EU LR3 - LRSpl: Breakdown of statement of financial position exposures (excluding derivatives, SFTs and exempt exposures)

	Data as of 31/12/2023 (T)	a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**2 063 338 895**
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	2 063 338 895
EU-4	Covered bonds	102 753 179
EU-5	Exposures treated as sovereigns	1 340 620 454
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	485 557 934
EU-7	Institutions	128 603 567
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporates	-
EU-11	Exposures in default	-
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	5 803 762

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:* *To manage its leverage and avoid excessive leverage, the Financial Department of AFL uses 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.*

G. 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.

H. 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)**					**1 903 717 417**	**1 867 136 687**	**1 801 134 112**	**2 409 318 907**
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	164 602 958	115 670 859	153 900 603	432 647 482	164 602 958	115 670 859	153 900 603	432 647 482
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
8	Unsecured debt	164 602 958	115 670 859	153 900 603	432 647 482	164 602 958	115 670 859	153 900 603	432 647 482
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	742 232 516	602 473 364	537 638 643	702 555 140	119 936 568	112 004 420	102 728 747	121 738 940
11	Outflows related to derivative exposures and other collateral requirements	50 792 574	57 507 871	54 405 425	57 203 807	50 792 574	57 507 871	54 405 425	57 203 807
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	691 439 942	544 965 494	483 233 218	645 351 333	69 143 994	54 496 549	48 323 322	64 535 133
14	Other contractual funding obligations	1 010 000	4 343 333	20 094 142	18 615 548	-	3 333 333	19 084 142	17 605 548
15	Other contingent funding obligations	187 908 000	19 842 171	105 523 931	62 856 196	187 908 000	19 842 171	105 523 931	62 856 196
16	TOTAL CASH OUTFLOWS					**472 447 526**	**250 850 783**	**381 237 423**	**634 848 165**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	72 164 053	52 886 844	53 842 374	47 772 556	37 270 713	22 940 240	26 741 703	24 423 420
19	Other cash inflows	117 322 460	55 233 234	281 182 194	92 108 844	117 322 460	55 233 234	281 182 194	92 108 844
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	**189 486 513**	**108 120 078**	**335 024 568**	**139 881 400**	**154 593 173**	**78 173 475**	**307 923 897**	**116 532 264**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	189 486 513	108 120 078	335 024 568	139 881 400	154 593 173	78 173 475	307 923 897	116 532 264
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					1 903 717 417	1 867 136 687	1 801 134 112	2 409 318 907
22	TOTAL NET CASH OUTFLOWS					317 854 354	172 677 309	158 261 107	518 315 902
23	LIQUIDITY COVERAGE RATIO					605,02%	1167,82%	2248,38%	913,05%

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 framework validated by the AFL-ST Board of Directors and the AFL Supervisory Board, the AFL Group must hold a liquidity reserve to cover 100% of its 1-year liquidity needs, with a range of 80%-125%.* *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 80% of AFL's liquidity reserve consists of AA-rated debt securities and more than 80% 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).*

Row number	Topics	
(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 31/12/2023		a	b	c	d	e
	(in currency amount)	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	207 027 615	-	-	-	207 027 615
2	*Own funds*	207 027 615	-	-	-	207 027 615
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		-	-	-	-
5	*Stable deposits*		-	-	-	-
6	*Less stable deposits*		-	-	-	-
7	Wholesale funding:		1 193 946 330	-	6 591 291 422	6 591 291 422
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		1 193 946 330	-	6 591 291 422	6 591 291 422
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	**139 035**	5 524 852	-	-	-
12	*NSFR derivative liabilities*	139 035				
13	*All other liabilities and capital instruments not included in the above categories*		5 524 852	-	-	-
14	**Total available stable funding (ASF)**					**6 795 291 422**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
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		15 572 442	-	-	7 786 221
17	Performing loans and securities:		419 581 834	235 627 728	3 947 444 718	2 873 236 220
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*		60 000 000	-	-	6 000 000
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		359 581 834	213 655 046	3 928 482 856	2 840 132 296
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		359 581 834	213 655 046	3 928 482 856	2 840 132 296
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*		-	21 972 682	18 961 863	27 103 924
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*		-			-
30	*NSFR derivative liabilities before deduction of variation margin posted*		97 679 167			4 883 958
31	*All other assets not included in the above categories*		2 530 378	-	10 434 676	10 434 676
32	Off-balance sheet items		539 014 101	188 823 000	44 447 400	38 614 225
33	**Total RSF**					**2 934 955 300**
34	**Net Stable Funding Ratio (%)**					231,53%

Table EU LIQA - Liquidity risk management

Row number	Topics	
(a)	*Liquidity risk management strategies and processes, including policies to diversify the*	*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*

Row number	Topics	
	sources and duration of planned financing.	*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 100% of its foreseeable needs over a rolling 12-month horizon with a range of 80% to 125%.* • *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*

Row number	Topics	
		buffer for limited periods raising the limit to 2 years (making it possible to absorb the possible drift of this indicator during the production of end-of-loan loans). The difference will return to 12 months by June 30 of the following year. 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. 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

Row number	Topics	
		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"

Row number	*Topics*	
(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"*

I. 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:* *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:*

Row number	
	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	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	990 803 893	990 803 893	-	-	-	-	- 74 892	- 74 892	-	-	-	-	-	-	-
010	Loans and advances	6 637 500 300	6 559 179 633	78 320 667	-	-	-	- 329 475	- 234 990	- 94 485	-	-	-	-	1 826 691	-
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	6 576 808 521	6 498 487 854	78 320 667	-	-	-	- 329 475	- 234 990	- 94 485	-	-	-	-	1 826 691	-
040	*Credit institutions*	60 691 779	60 691 779	-	-	-	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
080	*Households*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	925 279 882	925 279 882	-	-	-	-	- 330 060	- 330 060	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	588 634 493	588 634 493	-	-	-	-	- 179 977	- 179 977	-	-	-	-	-	-	-
120	*Credit institutions*	336 645 389	336 645 389	-	-	-	-	- 150 083	- 150 083	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	***893 311 530***	***893 311 530***	-	-	-	-	***15 167***	***15 167***	-	-	-	-		-	-
160	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	*General governments*	832 094 501	832 094 501	-	-	-	-	15 167	15 167	-	-	-	-		-	-
180	*Credit institutions*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	*Other financial corporations*	61 217 029	61 217 029	-	-	-	-	-	-	-	-	-	-		-	-
200	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
210	*Households*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
220	***Total***	***9 446 895 605***	***9 368 574 938***	***78 320 667***	-	-	-	- ***719 260***	- ***624 775***	- ***94 485***	-	-	-	-	***1 826 691***	-

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	118 953 585	698 662 072	2 015 536 980	4 339 815 979	- 416 415 304	6 756 553 311
2	Debt securities	-	128 207 991	418 873 806	422 458 682	- 48 794 042	924 949 824
3	*Total*	**118 953 585**	**826 870 063**	**2 434 410 785**	**4 762 274 661**	- **465 209 346**	**7 681 503 134**

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**	3 850 137,1
020	Inflows to non-performing portfolios	-
030	Outflows from non-performing portfolios	- 3 850 137,1
040	Outflows due to write-offs	-
050	Outflow due to other situations	- 3 850 137,1
060	**Final stock of non-performing loans and advances**	-

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		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
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	72 576 739	-	-	-	- 90 873	-	-	-
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	72 576 739	-	-	-	- 90 873	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	-	-	-	-	-	-	-	-
070	*Households*	-	-	-	-	-	-	-	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	***Total***	**72 576 739**	-	-	-	- **90 873**	-	-	-

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	990 803 893	990 803 893	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	6 637 500 300	6 637 500 300	-	-	-	-	-	-	-	-	-	-
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	6 576 808 521	6 576 808 521	-	-	-	-	-	-	-	-	-	-
040	*Credit institutions*	60 691 779	60 691 779	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-
080	*Households*	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	925 279 882	925 279 882	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	588 634 493	588 634 493	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	336 645 389	336 645 389	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	893 311 530			-								-
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	-			-								-
200	*Non-financial corporations*	-			-								-
210	*Households*	-			-								-
220	***Total***	9 446 895 605	8 553 584 075	-	-	-	-	-	-	-	-	-	-

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***	***7 575 679 970***	-	-	***7 575 679 970***	- ***659 536***		-
020	*France*	6 890 023 327	-	-	6 890 023 327	- 434 364		-
030		-	-	-	-	-		-
040		-	-	-	-	-		-
050		-	-	-	-	-		-
060		-	-	-	-	-		-
070	*Other countries*	685 656 643	-	-	685 656 643	- 225 172		-
080	***Off-balance-sheet exposures***	***893 311 530***	-	-			***15 167***	
090	*France*	893 311 530	-	-			-	
100								
110								
120								
130								
140	*Other countries*	- 0	-	-			15 167	
150	***Total***	***8 468 991 500***	-	-	***7 575 679 970***	- ***659 536***	***15 167***	-

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***	-	-

J. 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	7 626 477 502	1 826 691	-	1 826 691	-
2	Debt securities	927 106 573	- 1 826 691	-	- 1 826 691	
3	Total	8 553 584 075	0	-	0	-
4	*Of which non-performing exposures*	-	-	-	-	-
EU-5	*Of which defaulted*	-	-			

K. 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 11 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, otherwise 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	1 173 504 990	-	1 173 504 990	-	11 968 005	1,02%
2	Regional government or local authorities	6 668 599 060	832 413 167	6 668 599 060	575 947 732	1 415 486 266	19,54%
3	Public sector entities	135 811 397	-	135 811 397	-	13 197 310	9,72%
4	Multilateral development banks	181 429 025	-	181 429 025	-	-	0,00%
5	International organisations	79 836 275	-	79 836 275	-	-	0,00%
6	Institutions	128 603 567	-	128 603 567	-	31 725 042	24,67%
7	Corporates	-	-	-	-	-	
8	Retail	-	-	-	-	-	
9	Secured by mortgages on immovable property	-	-	-	-	-	
10	Exposures in default	-	-	-	-	-	
11	Exposures associated with particularly high risk	-	-	-	-	-	
12	Covered bonds	102 753 179	-	102 753 179	-	10 275 318	10,00%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	
14	Collective investment undertakings	-	-	-	-	-	
15	Equity	-	-	-	-	-	
16	Other items	3 823 339	-	3 823 339	-	3 823 339	100,00%
17	**TOTAL**	8 474 360 831	832 413 167	8 474 360 831	575 947 732	1 486 475 279	16,42%

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	1 130 776 152	-	-	-	41 240 909	-	-	-	-	-	-	1 487 929	-	-	-	1 173 504 990	1 487 929
2	Regional government or local authorities	167 115 463	-	-	-	7 077 431 329	-	-	-	-	-	-	-	-	-	-	7 244 546 792	7 077 431 329
3	Public sector entities	69 824 844	-	-	-	65 986 552	-	-	-	-	-	-	-	-	-	-	135 811 397	-
4	Multilateral development banks	181 429 025	-	-	-	-	-	-	-	-	-	-	-	-	-	-	181 429 025	-
5	International organisations	79 836 275	-	-	-	-	-	-	-	-	-	-	-	-	-	-	79 836 275	-
6	Institutions	-	-	-	-	108 589 139	-	20 014 428	-	-	-	-	-	-	-	-	128 603 567	60 000 000
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	102 753 179	-	-	-	-	-	-	-	-	-	-	-	102 753 179	-
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	-	-	-	-	-	-	-	-	-	3 823 339	-	-	-	-	-	3 823 339	3 823 339
17	TOTAL	1 628 981 760	-	-	102 753 179	7 293 247 930	-	20 014 428	-	-	3 823 339	-	1 487 929	-	-	-	9 050 308 563	7 142 742 596

L. 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.

M. 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.

N. 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 or €ster. 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 to guarantees and other credit risk mitigation	AFL has set up daily margin call procedures, at the first Euro with all its derivative counterparties.

Row number	Legal basis	
	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)	28 711 186	75 433 340		1.4	145 802 336	145 802 336	145 802 336	11 707 521
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**					**145 802 336**	**145 802 336**	**145 802 336**	**11 707 521**

Template EU CCR2 - Transactions subject to CVA risk equity capital requirements CVA

		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	23 659 013	18 574 079
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**	23 659 013	18 574 079

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	-	122 143 323	-	-	8 549 507	15 109 506	-	-	-	-	-	145 802 335
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term cre	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	-	**122 143 323**	-	-	**8 549 507**	**15 109 506**	-	-	-	-	-	**145 802 335**

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	131 852 652	-	-	-	-	-	-	-
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**	**131 852 652**	-	-	-	-	-	-	-

Model EU CCR8 - CCP exposures

		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		2 442 866
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	122 143 323	2 442 866
3	(i) OTC derivatives	122 143 323	2 442 866
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)**		9 264 654
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	23 659 013	9 264 654
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	23 659 013	9 264 654
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.

O. 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 tables EU SEC 5, EU SEC1, EU SEC2, EU SEC3, EU SEC4 et EU SECA.

P. 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*

Q. Disclosure of operational risk

1. 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*

Legal basis	*Row number*	
		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)	13 989 523	17 608 373	22 814 874	2 720 638	34 007 981
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	-	-	-	-	-

2. 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.

R. 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.

Table EU IRRBBA - Qualitative information on interest rate risks of non-trading book activities

Row number			*Legal basis*
(a)	*A description of how the institution defines IRRBB for purposes of risk control and measurement.*	*Interest rate risk (IRRBB) corresponds to the potential loss caused by adverse movements in market rates due to all of the bank's balance sheet and off-balance sheet transactions. It materializes the risk incurred on the bank's results, in particular via the Net Interest Margin (NIM), and on the economic value of its equity in the event of a change in interest rates.*	*Article 448.1 (e), first paragraph*

Row number			Legal basis
(b)	*A description of the institution's overall IRRBB management and mitigation strategies.*	*To hedge against interest rate risk, AFL implements a quasi-systematic micro-hedging policy for its debts and part of its assets (mainly loans and securities making up the liquidity reserve) at a fixed rate. to convert them into floating rate debt and assets using 3-month Euribor fixed/floating rate swaps. For part of the balance sheet (shortest assets and liabilities), the coverage index used can be the Ester. In addition to this central micro-hedging policy, there is a macro-hedging policy, in particular fixed-rate loans for low unit amounts granted to local authorities. Some items on the balance sheet (e.g. current accounts, fixed-rate loans/securities replacing a fraction of equity, etc.) escape this variability via swaps against 3-month Euribor. The amounts allocated to these components are steered and monitored monthly by the AL Committee, subject to the sensitivity of the NPV and the sensitivity of the NIM.*	*Article 448.1 (f)*
(c)	*The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB.*	*As part of interest rate risk monitoring, two main metrics are used:* *1°) The Sensitivity of the Net Present Value (NPV) to various standard rate shocks: the change in the rate curve impacts the economic value of the AFL. The NPV is calculated by summing the discounted fixed rate flows of all assets and liabilities except net equity. The sensitivity of the NPV represents the change in economic value due to an immediate interest rate shock (parallel movements of the curve, deformations such as steepening/flattening of the curve) in static view. This metric is very sensitive to a change in long-term balance sheet positions and is one of the indicators monitored monthly in ALCO.* *2°) AFL monitors the sensitivity of the net interest margin to different rate scenarios. This measure, calculated on a constant balance sheet basis, reflects the impact of interest rate movements on the 12-month net interest margin. The metric is monitored quarterly in ALCO.* *To measure the interest rate risk, a 3rd metric is also monitored in ALCO: the fixed rate gap which measures the difference between the assets and the liabilities whose income is fixed for a given period of time so as to measure the refinancing risk. and the replacement risk carried on the balance sheet. This gap is by nature limited due to AFL's balance sheet variability policy, with the exception of a few non-swap fixed rate exposures.* *Finally, AFL is also exposed to a certain number of residual risks: the basis risk induced by the use of different indexation references (Euribor 3Mois, Ester mainly) and the fixing risk linked to the use of different fixing dates. Reports relating to these 2 risks are monitored monthly by ALCo.*	*Article 448.1 (e) (i) and (v); Article 448.2*
(d)	*A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in the economic value and in net interest income (if applicable).*	*To estimate changes in economic value and net interest income, AFL uses standardized rate scenarios as defined by IRRBB.*	*Article 448.1 (e) (iii); Article 448.2*

Row number			Legal basis
(e)	A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable).	Early repayments are taken into account at 0%, taking into account the history noted to date (very low early repayments in amount and limited in number – over a still limited history). Furthermore, customers wishing to repay a loan before maturity must pay a penalty for early repayment equivalent to the difference between the credit rate and the replacement rate on the market until maturity applied to the amount. remaining due (except for a very marginal part of the loans, namely: bridging loans which are by nature short-term). In this regard, generally speaking, AFL does not suffer a loss in the event of early repayment.	Article 448.1 (e) (ii); Article 448.2
(f)	A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment (if applicable).	The strategy of variabilization of almost the entire balance sheet involves a strategy of systematic micro-hedging of debts and part of the assets. In addition, a macro-hedging strategy is deployed for fixed-rate loans of low unit amounts 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 reference as well as for amortizing loans of the constant maturity type, given their characteristics and loans with a tailor-made profile that cannot be swapped in compensation.	Article 448.1 (e) (iv); Article 448.2
(g)	A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable).	The NPV (Net Present Value) of AFL is calculated by summing the discounted fixed rate flows of all assets and liabilities except net equity, based on a 3-month euribor swap curve. For non-scheduled balance sheet items, outflow agreements are validated annually by ALCO. This mainly concerns nostri accounts and current accounts at the Banque de France, for which the rate revision period is daily. An "add on" for options is implemented in the calculation of the NPV, and relates exclusively to the floors present on the AFL balance sheet (mainly through variable rate credits – and potentially some bond securities/issues). To date, due to the simplicity of the AFL business model (non-complex), the calculation of the add on is based on the simplified standard approach.	Article 448.1 (c); Article 448.2
(h)	Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures	For 2023, the AFL sought to reduce the sensitivity of its 12-month NIM as much as possible, which translates into an indicator close to 0 as of 12/31/23 and down compared to the end of 2022. For this, unhedged fixed rate investments (in representation of equity) were made during the year 2023, in an environment of attractive rates. On the other hand, due to this development, the NPV sensitivity indicators are more important at 12/31/23 than they were at the end of 2022, for parallel shocks. For a shock of +200 bps, the EVE would deteriorate by nearly 7% at the end of 2023 (vs. a level close to 0 at the end of 2022).	Article 448.1 (d)
(i)	Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)		
(1) (2)	Disclosure of the average and longest repricing maturity assigned to non-maturity deposits	For AFL, unscheduled deposits correspond to nostri accounts or current accounts at the central bank. For these assets, the rate reset period is defined as daily.	Article 448.1 (g)

Template EU IRRBB1 - Interest rate risks of non-trading book activities

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	-6,71%	0,07%	0,13%	3,72%
2	Parallel down	9,26%	0,86%	-0,15%	-3,72%
3	Steepener	-3,16%	-4,20%		
4	Flattener	2,15%	4,30%		
5	Short rates up	-0,08%	3,99%		
6	Short rates down	0,13%	-4,11%		

S. 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 amended 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 seven 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. The principle of equity* *7. 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 because 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. *From 2022, the AFL is implementing a system for allocating eco-responsible company vehicles to all volunteer employees, as a loyalty and motivation tool. The vehicles made available, as a benefit in kind, comply with the company's CSR approach.* *From 2023, AFL updates the conditions of application of the Sustainable Mobility Package (FMD) for all eligible employees, in accordance with the company's CSR approach.* *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 performance achieved during a performance measurement period.*	*The limit on variable compensation to 15% of the fixed salary of each AFL employee is a ceiling particularly low 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 individuals 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, and Head of Membership and Credit,* - *The Secretary General,* - *The General Counsel,* - *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*	*The Agence France Locale Group does not grant any shares or options to its employees or executives.*

	Article 450, paragraph 1, point f), of the CRR.	
(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 MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1	Fixed remuneration	Number of identified staff	8	7	-	8
2		Total fixed remuneration	33 750	1 289 411	-	957 041
3		Of which: cash-based		1 289 411	-	957 041
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	8	7	-	8
10		Total variable remuneration	118 750	424 350	-	230 853
11		Of which: cash-based	118 750	424 350	-	230 853
12		Of which: deferred		32 030	-	
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)**		**152 500**	**1 713 761**	**-**	**1 187 894**

Model EU REM2 - Special payments to staff whose professional activities have a significant impact on the institution's risk profile (identified staff)

		a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	8	7	-	8
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into a	-	-	-	-
	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

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	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)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	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	121 611	82 847	38 764				29 642	70 794
8	Cash-based	121 611	82 847	38 764				29 642	70 794
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	10 566					3 500	
14	Cash-based	10 566	10 566					3 500	
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	11 300	11 300					2 000	
20	Cash-based	11 300	11 300					2 000	
21	Shares or equivalent ownership interests								
22	Share-linked instruments or equivalent non-cash instruments								
23	Other instruments								
24	Other forms								
25	**Total amount**	**143 477**	**104 713**	**38 764**				**35 142**	**70 794**

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						Total
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
1	**Total number of identified staff**										**15**
2	Of which: members of the MB	8	7	7							
3	Of which: other senior management										
4	Of which: other identified staff					6			2		
5	**Total remuneration of identified staff**	**152 500**	**1 713 761**	**1 866 261**		**854 269**			**333 625**		
6	Of which: variable remuneration	118 750	424 350	543 100		156 791			74 062		
7	Of which: fixed remuneration	33 750	1 289 411	1 323 161		697 478			259 563		

Agence France Locale - Société Territoriale did not pay compensations 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.

T. 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**	**189 918 230**	**50 324 645**			**8 376 559 205**	**1 881 246 255**		
030	Equity instruments								
040	Debt securities	50 324 645	50 324 645	50 324 645	50 324 645	847 571 674	707 927 995	847 571 674	707 927 995
050	of which: covered bonds								
060	of which: securitisations								
070	of which: issued by general governments					506 053 113	436 648 931	506 053 113	436 648 931
080	of which: issued by financial corporations					172 054 638	13 359 790	172 054 638	13 359 790
090	of which: issued by non-financial corporations					-	-	-	-
120	**Other assets**	**142 145 000**	-			**7 561 159 915**	**1 117 465 613**		

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**	-	-	-	-
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	-	-		
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**	-	-

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.*

III. 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.

Yves MILLARDET

Deputy Chief Executive Officer of Agence France Locale – Société Territoriale

President of the Management Board of Agence France Locale