



**BUSINESS REVIEW
AND SUSTAINABLE
DEVELOPMENT REPORT**

2024

**THE ONLY FRENCH BANK FULLY-OWNED
BY LOCAL AUTHORITIES**



WE ARE THE VOICE OF AFL



“In Bordeaux, we chose to implement the most virtuous financing mechanism we could. As firm believers in the energy transition and carbon neutrality, we feel it is very important to be consistent on the funding side. AFL, which backs the financing of virtuous projects, ticks all the boxes”.

Claudine Bichet,
Deputy Mayor, Head of Finance
for the City of Bordeaux (33)

“For our Community of Municipalities, we have developed a climate-energy-air initiative, a territorial food plan, and are also working on mobility. Joining AFL is a genuine opportunity in the current context. Beyond the financial aspects, this approach has opened up very interesting prospects and fields of action. Thanks to the barometer published by AFL, we also have access to a tool allowing us to monitor the health of our local finances and generate comparative reports”

Philippe Chalopin,
Mayor of Baugé-en-Anjou (49), Chairman of the Beaugois
Valley Association of Municipalities, 1st vice-president
of the Maine-et-Loire Department Council and Chair
of the Association of Mayors in Maine-et-Loire



@Sébastien Gaudard



@Gérard Cabrimol

“We are in the process of installing new equipments on our public buildings and schools, focusing on rain water collectors, solar power and solar panels. We were fortunate to be backed by AFL whose teams supported our pluriannual investment plan and enabled us to achieve all of these projects.”

Justin Pamphile,
Mayor of Lorrain (972)

“The town of L'Argentière-la-Bessée, which has received the “Petite Ville de Demain” label (Small Towns of Tomorrow), has undertaken plans to improve land use planning, including renaturing public spaces, plans for creating new homes and improving the energy efficiency of all rented accommodation. Housing is a crucial issue in the Hautes-Alpes department. For us, the support provided by AFL on our funding issues is a valuable asset. The bank's cost-effective and solidarity-driven model is perfectly aligned with the needs of local authorities”.

Séverine Flachaire,
Services Director, L'Argentière-la-Bessée (05)
Municipality



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After the Covid-19 pandemic, the invasion of Ukraine, the victorious battle against inflation and the market turmoil caused by Donald Trump's tariff policy, the global economic and financial environment has been particularly complex since 2020. Amid this challenging context, compounded by political uncertainty in France and its implications for the restoration of the budget, local authorities must continue to invest in the transition despite increasingly scarce public funds. Given these difficulties, borrowing activity was particularly high during the past year, and AFL - the bank dedicated to local authorities - was able to effectively meet its members' financing needs and expectations despite the surge in interest rates.

In 2024, the focus was on three main action plans for AFL:

-) The first was to fulfil our role as the financier for local authorities. With over 1,045 shareholder authorities at December 31st 2024, representing around 26% of local public debt, and almost €2 billion in loans granted in 2024, AFL rose to the challenge for its customers. Since its creation 10 years ago, AFL has granted loans worth almost 11 billion euros and has borrowed close to 12 billion euros from French and international investors, which have allowed the bank to offer loans to its members with preferential terms and conditions.
-) The second was to have met its local government members' needs in terms of sustainable funding. Far from restricting funding to specific investment types, we support all our local authorities' needs, while offering the best conditions. AFL does not offer complex green loans or impact loans, but financing from investors wishing to allocate their funds to social and environmental investments that will benefit local communities.

-) Finally, AFL brought the needed

strength and solidity to local authorities, in a complex and uncertain environment. This strength was underpinned by record earnings, including a net banking income in excess of 24 million euros and a consolidated gross operating income of 7.8 million euros. With capital of almost 330 million euros provided by local authorities, the bank has confirmed its strength.

At the time of its creation, the model used by AFL demonstrated its resilience in a very low interest rate environment. Now, it has also proven its compelling nature and superior performance in a positive interest rate environment. Local authorities can be very proud of the bank they created 10 years ago and which is now able to provide them with durable means, allowing them to rise to tomorrow's challenges.



Olivier Landel,
Chief Executive
Officer of AFL-ST



Yves Millardet,
Chairman of AFL's
Management Board

A WORD “ FROM THE CHAIRS

We - the local authorities - are on the front line for addressing the green transition challenges set by the Government. Recent studies, which have proven this point, also refer to a “wall of financing”, with around 19 billion euros needed every year until 2030.

Local authorities, which account for 70% of the transition’s success drivers at local level, must rise to the challenge.

By definition, though, the investment needs and capacities involved for each of our local authorities differ according to the financial health of each local authority and the local issues to be addressed.

AFL, the bank we have created to support us with our investments, is here to assist us.

Above all through its financing solutions: close to €2 billion of loans were granted in 2024. Selected in 74% of the tenders it took part in, in just a few years, the bank has become a key player in funding local authorities and the leading lender among its members.

Second, by supporting us with its expertise: with a study on the scarcity of water resources and by channelling funds towards virtuous initiatives, with a barometer on the financial health of local authorities, including a specific angle on the “Small Towns of Tomorrow”. These publications, which are precious to help steer local authorities when choosing their funding strategy, are also a testimony to AFL’s expertise and its commitment to supporting local authorities.

Finally, providing assistance based on a model that brings us together and reflects who we are. Created to reflect our identity, as we - together with all shareholder authorities - wanted AFL to act as a responsible bank that is the embodiment of responsible finance. AFL has indeed continued to roll out its CSR roadmap, by clarifying its governance, conducting an annual carbon footprint assessment, mapping environmental risks and publishing a gender equality index.

This model also brings us together as it is open to all local authorities, both big and small, urban and rural, and in mainland France and overseas. Every day, AFL fulfils its purpose: bolstering the local government’s ability to act and therefore meet the needs of local communities. With a record 269 new members in 2024, the model we created has proven to be both relevant and dynamic. It has met, is meeting, and will continue to meet, the expectations of local authorities, regardless of the market environment.



Marie Ducamin,
*Chair of AFL-ST's Board
of Directors, Vice-Chair
of Rennes Metropolitan
Area and Mayor of
Saint-Jacques-de-la-Lande.*



Sacha Briand,
*Chairman of AFL's
Supervisory Board,
Deputy-Mayor
of Toulouse.*

2024



HIGHLIGHTS

JANUARY

- › Successful outcome for AFL's first key issuance in 2024
- › AFL kicks off its seventh year with 177 members as of December 31st 2023 and over €9 billion in loans granted since 2015.



FEBRUARY

- › AFL and Intercommunalités de France sign a partnership agreement

MARCH

- › AFL and Cerema sign their first partnership agreement
- › A new study published with INET: As we face a shortage of water resources, how can financing be directed to support a sustainable use of the resource?
- › Publication of 2023 financial statement showing record activity, generating robust earnings and confirming the appeal of the model



APRIL



- › Energy retrofit in public buildings and worker districts - AFL published a new study in partnership with the "Ville et Banlieue de France" Mayors' Association
- › Five new departments joined AFL (Ille-et-Vilaine, Landes, Maine-et-Loire, Yvelines, Gironde)

- › AFL published its business review and sustainable development report
- › Successful launch for AFL's first 10-year bond, totalling 110 million Swiss francs

MAY

- › Estelle Grelier, CEO of SAUR France and former Secretary of State, in charge of local authorities, joined AFL's Supervisory Board
- › Olivier Roullé joined AFL's Management Board

JUNE

- › Yves Millardet is elected to join the Board of the European Association of Public Banks (EAPB)
- › AFL issues a 250-million pound sterling bond
- › AFL Day on the theme: Funding the green transition: "whatever it takes" for local government?
- › AFL publishes its fifth Barometer on local authorities' financial health



JULY-AUGUST

- › The ACPR announces a reduction in the risk weighting for exposure to French local authorities to 0% and the HQLA 1 qualification for local authority debt issued by AFL

SEPTEMBER

- › AFL was rated AA- (long term) and F1+ (short term) by Fitch and ranks at the same level as the French government (AA-/S&P).
- › AFL publishes a Barometer on financial health for local authorities in Bourgogne-Franche-Comté
- › AFL publishes its half-yearly earnings: business is growing at a fast pace and continues to generate positive earnings
- › AFL attends the Congress of Rural Mayors in France at Saint-Julien in Côte-d'Or

OCTOBER

- › Video shoots in Bourgogne-Franche-Comté with member authorities
- › AFL's teams took part in a sports challenge to raise funds for the Restos du Coeur charity

NOVEMBER

- › AFL conducted its second benchmark in euro for the year. A sustainable bond issue of 500 million euros with an 8-year maturity
- › AFL attends the Mayors and Local Government Conference and the 106th Mayors' Congress
- › AFL welcomed its 1000th member, the town of Lure!
- › The Financial Health of "Small Towns of Tomorrow"
AFL publishes its new Barometer in partnership with ANCT and APVF



Town of Lure

DECEMBER

- › For the first time, AFL issued super-subordinated debt due to be recognised as additional Tier 1 - or AT1 equity capital
- › AFL spoke at the ETS conference in Strasbourg on zero-carbon mobility and funding aspects

View on Besançon
from the Vauban Citadel
(Bourgogne-Franche-Comté)



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

As a public development bank, our bank, AFL, is unique in that it was created by and for our local authorities based on a cooperative spirit inspired by the Nordic countries.

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

AFL'S PURPOSE

In line with the provisions of the Pacte law, AFL adopted a corporate purpose at the end of 2019. This was added to the Articles of Association on 28 May 2020.

This purpose is a reflection of the AFL Group's DNA.

Embody
responsible finance

to empower
local government

to meet
*the present and future
needs of local residents*

In 2021, AFL was recognized by the French banking supervisory authority (ACPR) as a public development lending institution.

The decisive criteria for eligibility for this status include **“not having a purpose of maximising profits or market share”**

THREE KEY VALUES

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



Expertise

AFL's expertise is deployed to our benefit in areas such as local public finances or funding the green transition... By drawing on its teams' knowledge of the financial markets, AFL optimises the cost of borrowing for our local authorities.



Solidarity

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



Transparency

As sole shareholders, local authorities are responsible for setting AFL's strategic priorities. We have fully transparent access to information on AFL's financial situation, rating, operations...



AN ETHICS CHARTER TO RE-ASSERT AFL'S GUIDING PRINCIPLES

As required by our public shareholders, AFL's directors and managers share two convictions:

- › Our steadfast commitment to responsible finance must be a daily goal for all of us
- › Ensure the successful development of AFL by drawing on the skills, efforts and integrity of all the women and men who work within the Group

In its ethics charter and ethics manual containing guiding principles and rules of good conduct, and through a set of internal policies, AFL has clearly laid out its commitments and values. These weigh on our decision-making and influence our ways of working on a daily basis. As such, AFL wishes to embody responsible finance, consistent with the mindset that prevailed when the bank was first created.

AFL's executive management has implemented an anti-corruption code of conduct effective since January 1st 2025, with a zero tolerance policy on corruption, traffic of influence or any form misconduct.

Since January 2025, AFL has set up an external whistle-blowing platform accessible on its website, compliant with regulation and guaranteeing the anonymous and confidential nature of the information supplied.

Every year, the AFL Group reports its interest representation activities to the High Authority for Transparency in Public Life (HATVP). The employees responsible for this representation act with dignity and probity, as expected by AFL's members and local authorities.

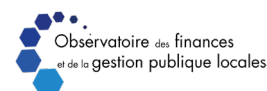


HELPING LOCAL GOVERNMENT WITH FUNDING ISSUES

INSTITUTIONALISATION IN LOCAL GOVERNMENT

As a partner to national associations of elected members and territorial leaders for many years, AFL also works with many players within the local public ecosystem (institutional players, groups of territorial leaders...).

In 2024, the Group renewed all of these partnerships and signed a new agreement with AATF (Association des Administrateurs Territoriaux de France). This additional partnership has strengthened AFL's presence among local authorities and local players.



City of Toulouse (31)
Construction of the Jean Zay elementary school

Grand Orly Seine Bièvre (94)
Construction of the "Les Portes d'Orly" eco-district

Ligny-en-Barrois (55)
New stadium





EXPERTISE SERVING LOCAL AUTHORITIES

Beyond its role as a local authority financier, in 2024, AFL bolstered its expertise for the benefit of our local authorities with the publication of several studies, as well as webinars and presentations, either upon request from our partners or during events hosted or co-hosted by AFL.

- The publication of **the fifth AFL barometer on local authorities' financial health**, as well as a specific application for the **"Small towns of tomorrow"**



Since its creation, AFL has argued that local and State-level authorities should receive the same treatment in terms of banking regulation.

In June 2024, the ACPR announced that the risk weighting for exposures to local authorities would be lowered from 20% to 0%. As a result of this change, securities issued by AFL now qualify as HQLA1.

SPOTLIGHT

THE AFL DAY

On June 20th 2024, more than 170 people attended AFL's 7th Day at the Espace du Centenaire in Paris. The event enabled participants to share their views on a key issue for the future: "Funding the green transition: "whatever it takes" for local authorities? The Day began with addresses by Marie Ducamin, Mayor of Saint-Jacques-de-la-Lande (35), Vice-Chair of the Rennes Metropolitan Area and Chair of the Board of Directors of AFL-ST, and by Antoine Pellion, Secretary General, Head of Green Planning, who insisted on the major challenge of the transition: We need to "achieve more over the next 10 years than we did over the past 30".

The first round table addressed green finance, with experts highlighting its fast growth while raising questions over its effectiveness. While progress has been observed, its true impact remains questionable. During the presentation of the AFL Barometer measuring the financial health of local authorities, results unveiled a divergence between municipalities, which have kept their tax autonomy, and departments and regions, which have seen their finances deteriorate. Elected members pointed to a disconnect between territorial dynamics and tax policies.

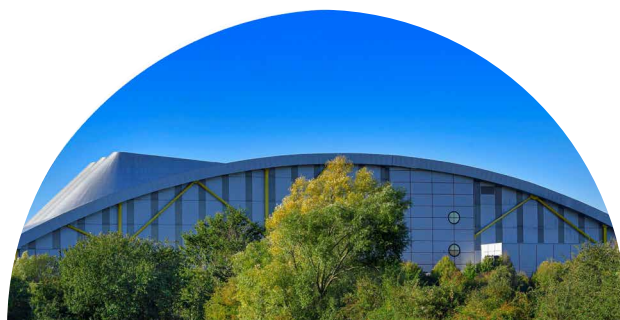
Highlights in the afternoon session included the talk given by Emmanuelle Cosse, Chair of the Social Union for Housing, who discussed the social and environmental issues around social housing, notably regarding energy retrofitting and town planning. She concluded by calling for collective action to address these challenges.



A CONTROLLED APPETITE FOR RISK

We, as local authorities, wanted AFL to be able to conduct its activities while adopting a prudent mindset aligned with the practices of its sister entities in Northern Europe. Risk-taking is nevertheless inherent to banking. AFL has set limits to its risk appetite, to safeguard its activities. These limits are defined and periodically reviewed by AFL-ST's Board of Directors and AFL's Supervisory Board.

The bank's strategy in terms of loans, credit risk management, the management of risks related to market activities, appetite for non-financial risks and capital ratio thresholds is in this way clearly defined. Environmental events and climate change can affect risk taking. As a result, AFL's appetite for risk has gradually embedded environment-related risk factors.



Lille European Metropolitan Area (59)
Modernization of waste sorting
and treatment equipment
to reduce non-recovered waste

COMPLIANCE WITH THE BANKING REGULATIONS: A KEY CONCERN

Banking is a highly regulated industry owing to its impact on the economy.

Regulatory compliance covers the following areas in particular:

- › Compliance with the laws and regulations issued by national and international authorities;
- › Financial integrity: the fight against money laundering and terrorist financing, and the management of conflicts of interests and insider information;
- › Customer protection: transparency with regard to practices and products, respect for customers, data confidentiality and the protection of personal data;
- › Code of conduct and ethics.

AFL was established by local authorities to create a bank aligned with the highest professional standards. Training and awareness campaigns are regularly organized for staff. AFL has introduced a compliance alert and whistle-blowing mechanism.

FIGHT AGAINST MONEY LAUNDERING AND TERRORIST FINANCING (AML/CFT)

Subject to banking regulations, AFL has set up a mechanism for the fight against money laundering and the financing of terrorism, and to ensure compliance with international embargoes and sanctions.

At AFL, this issue is covered by a governance process, a policy and specific procedures aimed at:

- › ensuring that customers and business partners are known and well identified (KYC);
- › monitoring the business relationship;
- › detecting high-risk transactions;
- › carrying out screening based on national and international lists of asset freeze targets;
- › reporting information to regulatory and judicial authorities;
- › conducting permanent controls and periodic audits of the AML/CFT mechanisms in place;
- › providing information and training courses to AFL employees.

FINANCIAL INTEGRITY

Preserving market integrity maintains investors' confidence, fosters financial stability, and guarantees that capital markets operate efficiently.

To this end, information flows within AFL are managed with the greatest care:

) the transparent disclosure of accurate, precise and correct information to AFL's stakeholders. This covers financial information - meaning AFL's performances, as well as risk factors, in accordance with applicable rules and regulation.

) Confidential information is protected by professional secrecy laws, or covered by market abuse regulation. In compliance with the recommendations issued by authorities, AFL has drawn up procedures governing the identification, control and disclosure of inside information. This notably involves setting up insider lists. The goal is to prevent the disclosure and potential exploitation of insider information, that could lead to market abuse and/or insider dealing.

Furthermore, AFL has committed to ensuring that the processing of personal data is **compliant with the general data regulation on data protection (GDPR)** and to French legislation on IT and privacy (*Loi Informatique et Libertés*).

PROTECTION OF CUSTOMERS

We, as public authorities, are both the shareholders and the customers of our bank.

Customer protection is one of the bank's core principles and is materialised in a set of procedures governing all stages of the relationship: from pre-contractual information, to monitoring the loan, to its redemption.

Each of our team members is bound by the duty to safeguard the interests of the member agency, to disclose clear, correct, and exhaustive information, and to prevent any risks of conflicts of interests.

In accordance with the applicable regulations, any local authorities can lodge a complaint with AFL's Commitments & Risks Department, which will deal with each request diligently.



A UNIQUE GOVERNANCE MODEL

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

- › **Defining and executing the strategy**, including regular reviews and monitoring implementation;
- › **Preventing the risk of conflicts of interests** with local authorities, which are both shareholders and borrowers;
- › **Conducting activities while ensuring individual accountability** based on supervisory and control mechanisms;

AFL-ST (TERRITORIAL COMPANY): THE FINANCIAL HOLDING COMPANY

ITS SHAREHOLDERS:

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

ITS MISSION:

- › Promote the AFL Group, in particular to the local public sector, and representation of the interests of member authorities
- › Determine the AFL Group's major strategic priorities
- › Manage the double guarantee system set up within the AFL Group

THE SUPERVISORY BOARD

- ◆ **3 junior high schools**
- ◆ **13 local authorities represented (regions, departments, municipal block)**

AFL: THE LENDING INSTITUTION

ITS SHAREHOLDERS:

More than 99.99% owned by the Société Territoriale

ITS MISSION:

- › Operations management within the AFL Group
- › Management of AFL Group memberships
- › Securing financing on the market
- › Granting of loans to member authorities

THE SUPERVISORY BOARD

- ◆ **12 qualified individuals including**
- ◆ **9 independent directors**



COMPOSITION OF THE BOARD OF DIRECTORS OF AFL-ST AT DECEMBER 31, 2024

Marie Ducamin Chair
Sacha Briand Vice-Chair

REGIONAL BLOCK

PAYS DE LA LOIRE REGION

Didier Reveau
Regional Councillor

OCCITANIE REGION

Stéphane Bérard
Regional Councillor, Chairman
of the Finance Commission

NOUVELLE AQUITAINE REGION

Sandrine Derville
Vice-Chair, Head of Finance,
Administration, modernisation
and transparency on public action

DEPARTMENTAL BLOCK

DEPARTMENT OF ESSONNE

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

DEPARTMENT OF SAVOIE

Luc Berthoud
Department Councillor

MUNICIPAL BLOCK

AIX-MARSEILLE-PROVENCE METROPOLITAN AREA

Didier Khelfa
Vice-Chair in charge of the Budget,
Finance, Financial Strategy and
Contractualization with the State
and local authorities

LYON METROPOLITAN AREA

Bertrand Artigny
Vice-Chairman, Head of Finance

GRAND NANCY METROPOLITAN AREA

Pierre Boileau
Vice-Chair in charge of Relations
with Neighbouring Regions

CONURBATION OF GRAND BOURG

Bernard Bienvenu
First Vice-Chair in charge of Municipal
Services and Decentralisation

LA ROCHE-SUR-YON CONURBATION COMMUNITY

Luc Bouard
Chair

MAREAU-AUX-PRÉS MUNICIPALITY

Bertrand Hauchecorne
Mayor

BUSCHWILLER MUNICIPALITY

Christèle Willer
Mayor

MUZY MUNICIPALITY

Bernard Andrieu
Town councillor,
member of the Finance
Commission

THE SENIOR MANAGEMENT

Olivier Landel
Chief Executive Officer

Yves Millardet
Deputy Chief
Executive Officer



COMPOSITION OF AFL'S SUPERVISORY BOARD AT DECEMBER 31, 2024

Sacha Briand Chair
Marie Ducamin Vice-Chair

Julien Denormandie
Chief Impact Officer of Sweep

Sophie Souliac-Dallemagne
Chief Executive Officer
of Hiram France

Sophie L'Hélias
Founder and Chairperson
of LEADERXXCHANGE

Lars Andersson
Founder of Kommuninvest

Victoire Aubry-Berrurier
Independent director

François Drouin
Chairperson of ETI FINANCE

Estelle Grellet
Chairwoman of SAUR France

Marie Lemarié
SCOR CFO Strategic Advisor

Olivier Landel
Chief Executive Officer, AFL-ST

Lydie Assouline
(non-voting Director)
Senior Advisor at Blackfin

Olivier Labe
(non-voting Director)
CFO BNG Bank

THE MANAGEMENT BOARD

Yves Millardet
Chairman of the
Management Board

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

Laurence Leydier
Head of Memberships
and Credit

Thiébaut Julin
Chief Financial Officer

Olivier Roullé
Secretary General

SPOTLIGHT ON GOVERNANCE ON CSR MATTERS

With corporate responsibility deeply rooted within our bank's DNA, CSR considerations permeate all of AFL's actions. Each of the governing bodies is therefore involved in the governance of CSR issues as part of their duties.

AT AFL-ST LEVEL

The Board holds a key role: it sets the bank's CSR strategy. The Board is assisted by the Remuneration and Corporate Governance Committee on issues of governance and ethics, by its Audit Committee on risks and on issues associated with climate or environmental risks, for example.

The CSR strategy is submitted every three years to the General Meeting of Shareholders, which is attended by all the representatives of the member authorities.

AT AFL LEVEL

The Supervisory Board (SB) sets AFL's pluriannual CSR strategic priorities and approves AFL's roadmap. It also evaluates the results achieved. The SB also approves the implementing policies.

It is assisted by three committees:

-) The Strategy committee became **the Strategy and Responsible Commitments Committee** in 2023. This committee handles the definition and deployment of AFL's Climate and Sustainable Finance Roadmap;
-) **The Remuneration, Appointment and Corporate Governance Committee** handles ethics, governance and remuneration issues on behalf of the SB;
-) **The Risk Committee** handles climate and environment-related risk issues on behalf of the SB

”

“AFL was created by local authorities in a spirit of accountability. We are accountable for the loans, accountable as managers of a credit institution, and accountable individually, with regards to the changes that affect all of us.

The CSR Climate and Sustainable Finance Roadmap materialises our determination to pursue and accomplish the ambitions of our founders.

With this roadmap, AFL fulfils its role as a responsible bank, working in partnership with local authorities, in the best interest of the general public. It also enables AFL to operate as an effective tool to support its members as they fund the energy and climate transitions, in keeping with their expectations and their vision.”

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



AND FINALLY, IN-HOUSE

The CSR, Climate and Sustainable Finance Committee, created to steer the dedicated roadmap, meets on a quarterly basis. This committee brings together the members of the Management Board and employees from all departments.

It is overseen by the Director of Commitments and Risk, Climate & Sustainable Finance, who supervises the initiatives conducted under the Climate and Sustainable Finance CSR Roadmap. She is also directly responsible for risk management and compliance. Considering that corporate responsibility standards are highly intertwined within the Group, each department is in charge of the initiatives within its field of action.

THE SEMINAR FOR BOTH BOARDS

The Strategic seminar for both Boards at AFL was held in January 2025. It gathered representatives of shareholder local authorities and members of the Board of AFL-ST, and the banking and finance experts on AFL's Supervisory Board. This event epitomised our bank's collective commitment to supporting French local authorities.

It was pointed out that AFL now displays the same rating as the French State, which has strengthened our position in capital markets. AFL's debt now qualifies as HQLA1, which will facilitate our funding. The seminar acknowledged the bank's 1,000 new memberships in 10 years. The importance of remaining loyal to the founding principles in a complex economic environment was also emphasised.

The talks covered several themes: loyalty to the bank's values, headway on the strategic plan, institutional perception, environmental commitments and financial stakes. Workshops were held to bring to light possible directions for AFL's future. Discussions were also conducted with Claude Raynal, Senator and Chairman of the Finance Commission, who provided insights into the draft budget bill.

To sum up, the seminar emphasised the importance of preserving our founding principles and maintaining a cautious approach, in order to control risks in an uncertain environment. AFL is undergoing a phase of growth that requires dialogue, to ensure that each governance body can fully play its role. The views and ideas that emerged from these talks will be discussed in further depth in future Board meetings.



LOCAL AUTHORITIES FIRMLY COMMITTED TO SUPPORTING THE GREEN TRANSITION

OVERVIEW OF THE FRENCH LOCAL AUTHORITIES' AREAS OF EXPERTISE

Regions:

- › Economic development
- › Transport
- › High Schools

Departments

- › Social work
- › Roads
- › Junior High Schools

Municipality groupings and unions

- › Urban planning
- › Transport
- › Water and sanitation
- › Waste management
- › Connection to power grid
- › Digital
- › Etc.

Municipalities

- › General expertise at local level (mainly regarding housing, the environment, schools, childhood and early childhood, social care, etc.)

Local public institutions

- › Managing public services on behalf of local authorities in fields such as fire prevention, social care, cultural activities, etc.



OUR LOCAL AUTHORITIES ARE AT THE HEART OF THE GREEN TRANSITION

We - the local authorities - are first in line to support the transitions through the investments we back. These account for more than 70% of public investment in France.

We implement climate change adaptation and mitigation policies, as well as broader environmental initiatives across the country, for which we are held accountable by the residents.

Our investments aim to foster the development of public services and facilities that will benefit local inhabitants.



Dunkirk (59)
Construction of
a sorting facility

LOCAL AUTHORITY COMMITMENTS TO THE NATIONAL LOW CARBON STRATEGY

2010

Obligation for local authorities to produce and present a report on the sustainable development situation ahead of the debate on budget guidelines (DOB).

2015

Signing of the Paris Agreement, in which countries undertook to limit the average temperature increase to 2°C. Adoption of the first National Low Carbon Strategy, aimed at reducing greenhouse gas emissions by a factor of four by 2050. This strategy applies to all local authorities at regional and inter-municipal level.

2015

Introduction of Regional Climate, Air and Energy Plans (PCAET), which are strategic and operational planning tools that allow local authorities to achieve the following targets: the reduction of greenhouse gas emissions, adaptation to the effects of climate change and the improvement of air quality.

2017

The Climate Plan set more ambitious targets for France, including achieving carbon neutrality by 2050.

2019

Enshrining of the carbon neutrality target in law in the energy and climate act.

A FEW EXAMPLES OF PROJECTS ON A LOCAL SCALE



The energy renovation of buildings

The Tertiary Eco-Efficiency Mechanism (DEET) imposes the reduction of the energy consumption of buildings by 40% by 2030, by 50% by 2040, and by 60% by 2050 compared with 2010, and covers all buildings or premises used for business or tertiary purposes whose surface area is greater than or equal to 1,000m².



Reduced land artificialization

The Climate and Resilience Act adopted in 2021 set a target, for 2030, of halving the rate of artificialization compared with the use of spaces seen since 2010, and achieving zero net artificialization (ZAN) by 2050.



Energy efficient public lighting

The Environment Code identifies systems to which a policy applies intended to prevent, reduce and limit energy consumption.



"Green Fleet" strategies for local government vehicles

Article 76 of the Transport Strategy Act (LOM) imposes a minimum proportion of low carbon footprint vehicles when local authorities purchase or replace vehicles from their fleets.



The introduction of low emission zones (LEZ)

The Climate and Resilience Act extends the obligation to introduce an LEZ to local authorities with more than 150,000 inhabitants.

The development of a local sustainable transport policy: according to the Transport Code, it is mandatory for AOMs (Transport Organizing Authorities) whose regional scope includes more than 100,000 inhabitants to produce a Transport Plan.



The decarbonization of mass catering

The Egalim Act adopted in 2018 sets a target of a rate of provision of 50% responsible, high quality products, including 20% organic products.

EXPERTISE FOR THE BENEFIT OF LOCAL AUTHORITIES

TO PROVIDE INSIGHTS INTO CLIMATE-RELATED CHALLENGES AT LOCAL GOVERNMENT LEVEL

In 2024, the AFL Group worked with local government bodies on the green transition. The annual study conducted with CNFPT-INET addressed water management and network upgrades in response to increasing resource scarcity. AFL also shared its research on the vulnerability of our territories to climate change and raised awareness among local authorities on tools such as the green budget, designed to facilitate the green transition.



Ligny-en-Barrois (55)
Town-centre upgrade



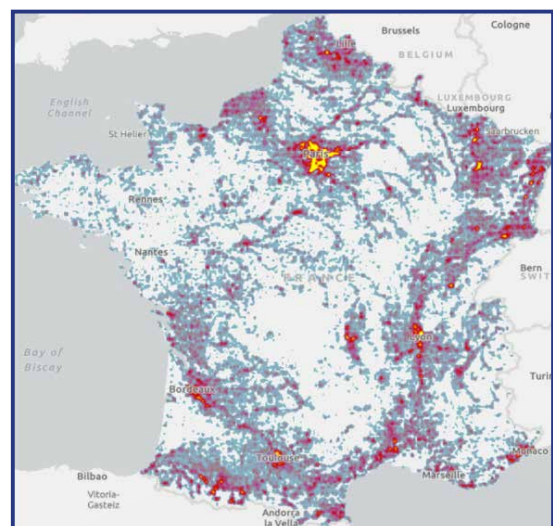
TO PROVIDE INSIGHTS INTO THE CLIMATE-CHANGE RISKS WEIGHING ON LOCAL AUTHORITIES

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

AFL has built a “climate indicator” methodology to assess climate risk.

The research conducted by AFL has taught us the following:

- Most municipalities are not very vulnerable at this stage (indicator < 20/100);
- A minority are already particularly exposed (indicator > 50/100);
- The levels of exposure are usually high around large conurbations.





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

Mézières-sur-Seine (78)
Development of public areas

ENVIRONMENTAL AND CLIMATE RISK MAPPING

AFL has mapped its environmental and climate-related risks since 2023.

Why?

- › To identify the potential impacts of climate change on AFL's risk profile over the medium- and long-term;
- › To be able to adapt our policies and protect the bank if these risks materialize.

Key takeaways from the climate risk mapping

Climate change will have consequences for the population and infrastructure. These will require substantial investments aimed at adapting our territories to the consequences of climate change, but also at mitigating its impacts. Governments and local authorities are on the front line, partially funded by banks and capital markets. In this respect, AFL's stakeholders therefore have growing expectations:

- › We, as local authorities, are mindful to ensure that our bank, and our other partners within the banking industry, are truly aligned with the CSR pathway that we have set for our regions;
- › The appetite shown by investors for ESG-sensitive issuers has changed the environment in which AFL operates;
- › Regulatory authorities have growing requirements on the incorporation of climate and environmental risks, traceability, and transparency;

What are the challenges for AFL?

AFL believes the challenges include: adequate action planning to ensure compliance with regulation, meeting stakeholder expectations while keeping the costs of the initiatives under control (for AFL and the local authorities) and avoiding greenwashing.

A BANK THAT INVESTS IN INCREASINGLY SUSTAINABLE REGIONAL DEVELOPMENT

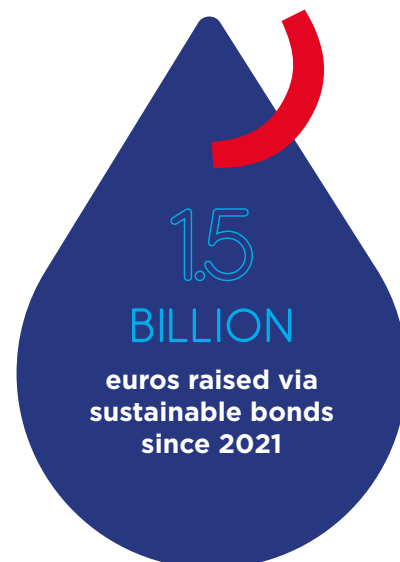
Our local authorities are largely committed to the green transition.

We intend for our bank to support us on this pathway:

-) by funding our investments at the best price,
-) by sharing its financial expertise on issues that concern us,
-) by embodying this pathway in its very own operations.

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

Consistent with our ethical and responsible commitments, our bank, AFL, has set up a sustainable financing system for our local authorities' projects based on an innovative approach.



WHAT MECHANISM?

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

- 1 Access to essential and basic social services (education and culture, employment, access to essential health services, social inclusion);
- 2 The energy and green transition (low-carbon public transport, pollution prevention and control, renewable energy, etc.);

Sustainable infrastructure, cities and regional cohesion (sustainable water management, accessible housing, sustainable and accessible infrastructure).



Suburban Community of the Bassin de Bourg-en-Bresse (01)
Construction of a cycle path

Municipality of Bouscat
(33)

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



Metropolis of Rouen
(76)

Thermal retrofitting of
social housing in urban
districts undergoing
renovation



Department of Allier (03)

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



Region of Occitanie
Modernization of railway
lines and procurement
of new rolling stock



Lille European Metropolitan Area (59)

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

SUSTAINABLE BOND ISSUES

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

Who do the bonds target?

Investors specialising in sustainable financing, or who wish to allocate their capital to investments that will facilitate the green transition or contribute positively to social issues.

The advantage of this system?

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

Is the mechanism recognised?

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

COMMITTING TO A CONTROLLED SOCIAL AND ENVIRONMENTAL IMPACT

With its lightweight operating model, AFL pays close attention to its social and environmental impact throughout its operations. We intend to embrace the values of local government every day in our own practices. Each year, AFL goes a little further to improve its social impact and account for its environmental footprint.

OUR SOCIAL COMMITMENTS

Because AFL's 44 employees play a leading role in the company's performance, since its creation AFL has defined and deployed a human resources policy aimed at promoting the fulfillment and development of its employees' skills.

Ensuring the well-being of employees



- 100% of the eligible employees have signed the remote working charter, meaning that they can benefit from remote working up to 10 days a month;
- Charter on the right to disconnect;
- Continued dialogue between management and volunteer employees on the qualitative aspects of working life: the conclusions drawn from the groups gave rise to the creation of an action plan that is currently being implemented.
- Key figure: 0.35% => employee absenteeism in 2024

Developing an inclusivity policy



- Integration of young people: One professional training contract and two internship agreements were signed in 2024. Integration of people with disabilities: AFL purchases a number of services from companies employing people with disabilities (or ESATs): purchase of supplies, printing, etc.
- Key figure: 2.15 training days per employee in 2024, or a total of 69 days over the year

Applying an anti-discrimination policy and promoting professional equality



- Although not subject to the application of a gender equality index on account of the size of its workforce, AFL has nonetheless decided to publish it proactively.
- Key figure: 86/100 (within the national average).
- Focus on methodology: 4 measurement indicators
 - the gender pay gap, with a score out of 40;
 - the pay raise gap between women and men, with a score out of 35;
 - the percentage of female employees receiving a pay raise 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.

ESG training

During 2024, AFL offered its employees 6 training modules to raise awareness on environmental, social and governance issues.

20 employees attended each module.



OUR ENVIRONMENTAL COMMITMENTS

AFL has committed to:

Digitalizing its business processes while controlling its digital footprint



- The continued roll-out of new digitalized systems** for its operations (capital markets, payroll production, management of regulatory declarations, monitoring of loans, etc.), customer relations (banking portal, electronic signing of loan agreements, etc.) and corporate governance (electronic voting at the General Meeting of Shareholders and for the approval of company-wide agreements by employees).
- A commitment to taking into account the digital footprint of our activities:** introduction of a plan to reduce the digital footprint of our information system (Green IT) which involves assessing and controlling the impact of all our IT resources.

Incorporating social and environmental factors into our procurement policy



- Economic responsibility:** through a description of the key ESG stakes and criteria (Environmental, Societal, and Governance) for the company, based on its activity, and its criteria for selecting its suppliers (local or foreign) and subcontractors (duty of care)

KEY FIGURES

After drawing up two Carbon Footprint Reports in 2021 and 2022, in 2023, AFL set up a greenhouse gas emissions review compliant with the international standards set by GHG Protocol.

greenly

Overall, the group produced *643 tonnes of CO₂ equivalent* in 2023 (scope 1-2 et 3, excl. emissions associated with loans), or approximately *15 tonnes/employee*.

643
TONNES
OF CO₂

Furthermore, AFL is currently assessing emissions associated with its loans to measure the environmental impact of its financial activities, using the PCAF methodology.

Lowering our environmental impact and greenhouse gas emissions (energy and climate plan)



- A bank in control of its resources:** a single physical site in France, in Lyon, with a small surface area to limit the carbon impact and a remote working charter signed by all eligible employees. Specific measures have been taken to reduce the energy consumption of the offices (replacing of multiple screen work stations with work stations with single, wide screens, cutting off of hot water from the bathrooms, controlling of the offices' heating temperature, improving of the selective sorting system, etc.)
- Support from AFL with the transition:** a maintained sustainable transport scheme (FMD), environmentally-sound vehicles for staff, annual in-house sporting challenge designed to encourage employees to take up sport (walking, cycling and running), and participation in the inter-company mobility challenge organised by the Auvergne-Rhône-Alpes Region.



A STREAMLINED OPERATING MODEL

WHERE DOES THE MONEY COME FROM?

◆ EQUITY CAPITAL ◆

328 MILLION
euros of capital pledged
by shareholder

◆ THE BOND MARKET ◆

+12.5 BILLION
euros raised in capital
markets since 2015

+300
investors

2.4 BILLION
euros raised in 2024



WHERE DOES THE MONEY GO?

◆ OUR SHAREHOLDER AUTHORITIES AT DECEMBER 31, 2024 ◆

1045
AUTHORITIES

- 5 regions
- 17 departments
- 2 French overseas authorities
- 15 metropolises
- 8 urban communities
- 51 suburban communities
- 70 municipal communities
- 6 public regional institutions
- 61 inter-municipal and joint local and regional authorities
- 810 municipalities

65%
of the French
population live
in a local authority
that is a member
of AFL

26%
AFL members'
share of local
public debt

269 local authorities became
shareholders in 2024

Our smallest member
at December 31, 2024

Aulan (26): 8 inhabitants

Our largest member
at December 31, 2024

Nouvelle-Aquitaine Region:
6 million inhabitants

IN 2024...

ALMOST 2 BILLION
euros were granted in loans

637

loan agreements were signed

436

authorities borrowed
from AFL

74%

of the time, AFL was chosen
in consultations

40%

was the financing market
share for AFL members
in 2024. The leading lender
for its members

+10%

total estimated banking
market share in 2024

Our smallest loan in 2024
€15,000

Our largest loan in 2024
100 million euros

WHAT IS THE
MONEY FOR?



A MODEL FOCUSED ON OPTIMISING FINANCIAL RESOURCES

In 2024, AFL raised a record volume of €2.4 billion on the bond market.

AFL issued two syndicated bonds in euros weighing €750 million (maturing in 10 years), and €500 million (maturing in 8 years) in sustainable format. Thanks to the new HQLA1 status, investors showed considerable interest in this benchmark issuance.

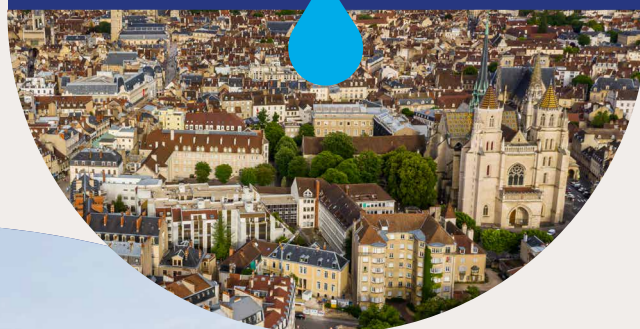
In addition to these two issuances, AFL also issued inaugural Swiss franc and Pound sterling bonds weighing CHF110 million and GBP 250 million, respectively. Several private placements were also completed, including €100 million in sustainable format.

For the first time, the Fitch Ratings agency assigned a long-term "AA-, negative outlook" rating to AFL. The bank and the French State now display identical ratings according to the two main agencies (Fitch and S&P).

IN 2024...

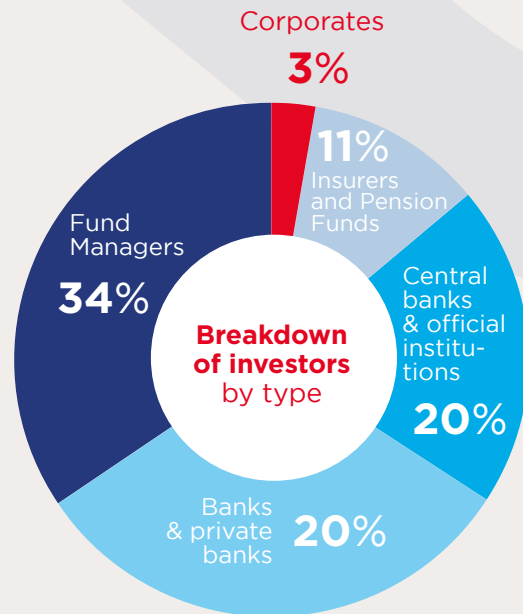
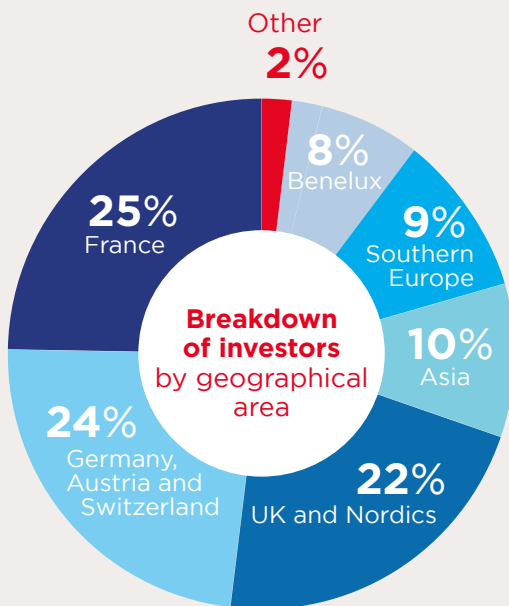
2.4 BILLION
were raised on
the bond market through
long-term issues

7.6 YEARS
was the weighted
average maturity



OUR INVESTORS

BY GEOGRAPHICAL ORIGIN AND BY TYPE



KEY FIGURES

“Since its creation in 2015, AFL has raised over **12 billion euros** on the bond market, the proceeds of which will be used to fund the investments of its local government agency members.



On account of its quality rating, the HGLQ1 qualification of its debt since 2024, and with support from lead banks, AFL earned the trust of over **300 French and international investors**, a testimony to the appeal of the model and the strength of French local authorities.”

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



FitchRatings

AA-(Negative) / F1+

**S&P Global
Ratings**

AA- (Negative) / A-1 +

RECORD ACTIVITY AND ROBUST EARNINGS IN 2024

(Earnings at 31/12/2024 - consolidated data for AFL Group under IFRS standards)

AFL Group, announces solid results:

- The net banking income has exceeded 24 million euros and the gross operating income rose to 7.8 million euros
- For the first time, local government funding has reached 2 billion euros
- New memberships, now 269 - an all-time high since the AFL Group was created - have brought the total number of shareholder authorities to 1,045
- At 31/12/2024, AFL's liquidity reserves cover almost 11 months of its cash flow needs
- CET1 ratio at 63%
- Leverage ratio of public development banks at 11.25%

The record volume of credit production for member local authorities contributed to the growth of AFL's core business revenues in 2024.

The bank's net banking income remained stable from one year to the next, despite a growth in activity, owing to the falling cost of the resource. This stems from the downgrade of France's credit rating which weighed on the net income generated by assets within the liquidity reserves.

The AFL Group's gross operating income rose to 7.8 million euros, up from 7.6 million at end 2023. These results confirm AFL's ability to generate revenue growth (excluding exceptional events) and strengthen its balance sheet in a negative environment, as demonstrated by its very comfortable capital and liquidity ratios. General operating expenses over the period only posted a modest 3% increase year-over-year.

At €381K, the cost of risk is intrinsically low owing to the nature of the balance sheet exposures, the excellent solvency of local governments, and the cautious management of the bank.

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



SPOTLIGHT ON AFL'S RATIOS

- 63%: solvency ratio (CET1)
- 11.25%: leverage ratio
- 447%: LCR

2024 results in figures:

In thousands of euros

	Dec 31, 24	Dec 31, 23
Net banking income - NBI	24,061	23,355
Non-recurring income: profits and losses net of hedging from the sale of loans and securities	505	540
Income net of IFRS hedge accounting	-793	-1,569
Net interest margin	24,128	24,267
Transactions with customers	322,089	221,566
Cash reserves and collateral	98,369	84,395
Debt	-396,342	-281,677
General operating expenses	-16,213	-15,734
Staff costs	-7,515	-7,655
Administrative costs	-7,504	-7,056
Depreciation and amortization	-1,194	-1,023
Gross operating income	7,848	7,620
Cost of risk	-381	117
Income tax	-2,059	-1,999
Net Income	5,704	5,739

AT
DECEMBER
31, 2024

1045 SHAREHOLDER AUTHORITIES IN THE AFL GROUP



See a list of all
our members



For local authorities

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For investors

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