



Investor Presentation

AFL, the bank for local governments

October 2026



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Executive Summary

- AFL is a local government funding agency fully owned and guaranteed by French Local Authorities.
- The high creditworthiness of AFL is based on:



Authorized by the banking law dated 26 July 2013 to fund local authorities



Fitch: **A+** (stable) / F1+
(15 May 2026)
S&P: **A+** (stable) / A-1
(21 October 2025)



EU LCR: **HQLA level 1***
CRR standard approach: **30% RW**
IRB Methodology: **around 5% RW****
Collateral eligibility: ECB, Eurex

**A Credit
Institution**
dedicated to
the funding of
**French local
authorities**



Well recognized and efficient
model as demonstrated by the
Nordic **LGFA**s



Sustainalytics
(23 July 2025)

ESG Risk Rating **CORE** ⓘ

13.7 Low
Risk

Negligible	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

*ACPR annual notice (p. 94): https://acpr.banque-france.fr/sites/default/files/media/2024/07/03/20240703_notice_2024_clean.pdf

** according to AFL

Contents

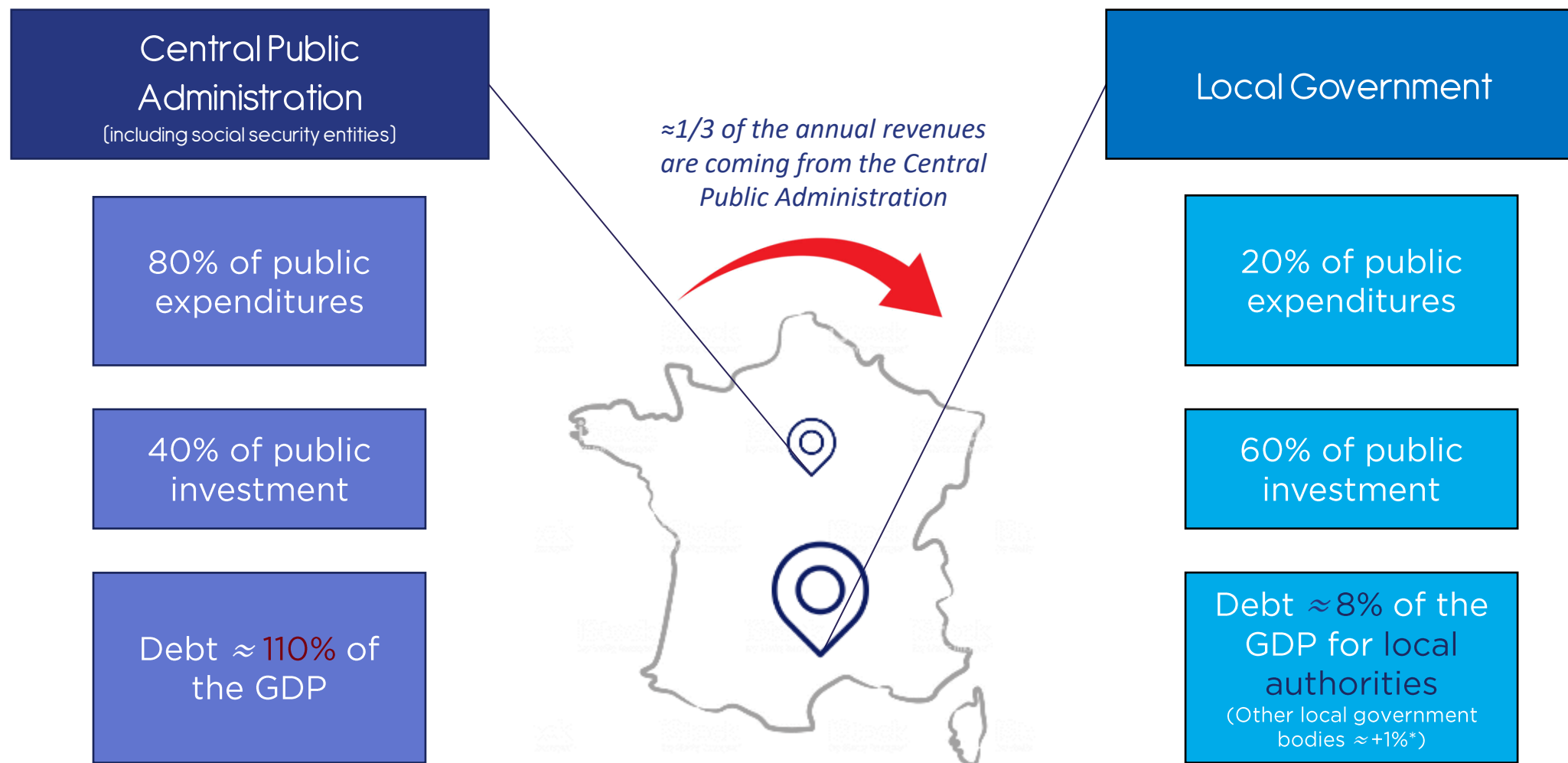
- _O1 Characteristics of French Public Sector
- _O2 AFL's Characteristics and Financial Framework
- _O3 Operational Activities and Development
- _O4 Funding Strategy
- _O5 Sustainable Bonds
- _O6 Appendices

Characteristics of French Public Sector



Grenoble Metropolis – Construction of a cogeneration plant

The French Local Authorities: a sound financial situation



*Entities such as IdF Mobilité, SGP, etc.

Source: approximation as of 30/06/2026 based on INSEE report from 09/2026

More than 45 000
local authorities

70% of their investment is
self-financed

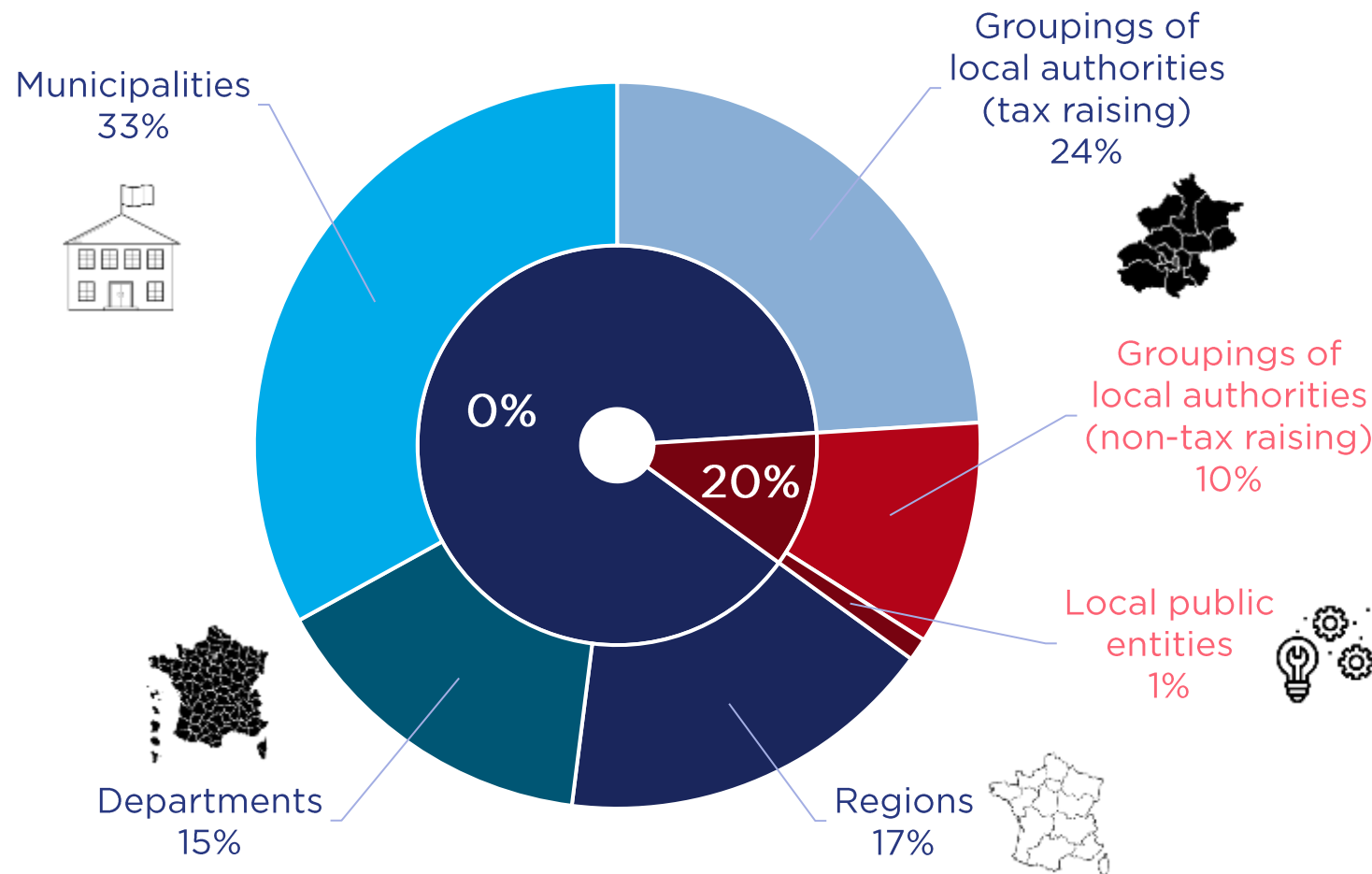
The **regulatory framework** governing French local authorities is highly stringent :

The golden rule

Local authorities :

- ✦ Cannot go bankrupt or undergo liquidation proceedings.
- ✦ Are compelled to balance their operating budget.
- ✦ May only borrow funds in order to finance their investments.
- ✦ Must repay debt interests and capital on their own resources.

French Local Authorities ^{2/2}



Local Governments with a **0%** risk weight account for **89%** of local public sector debt

Share of each category in the total indebtedness of the French Local Authorities' sector (DGFIP, March 2026).
Detailed competencies of each category on appendix 2

AFL's Characteristics and Financial Framework



*Suburban community of Vichy
- Urban planning - Banks of
the Allier*

A well recognized model by international investors

A well established model

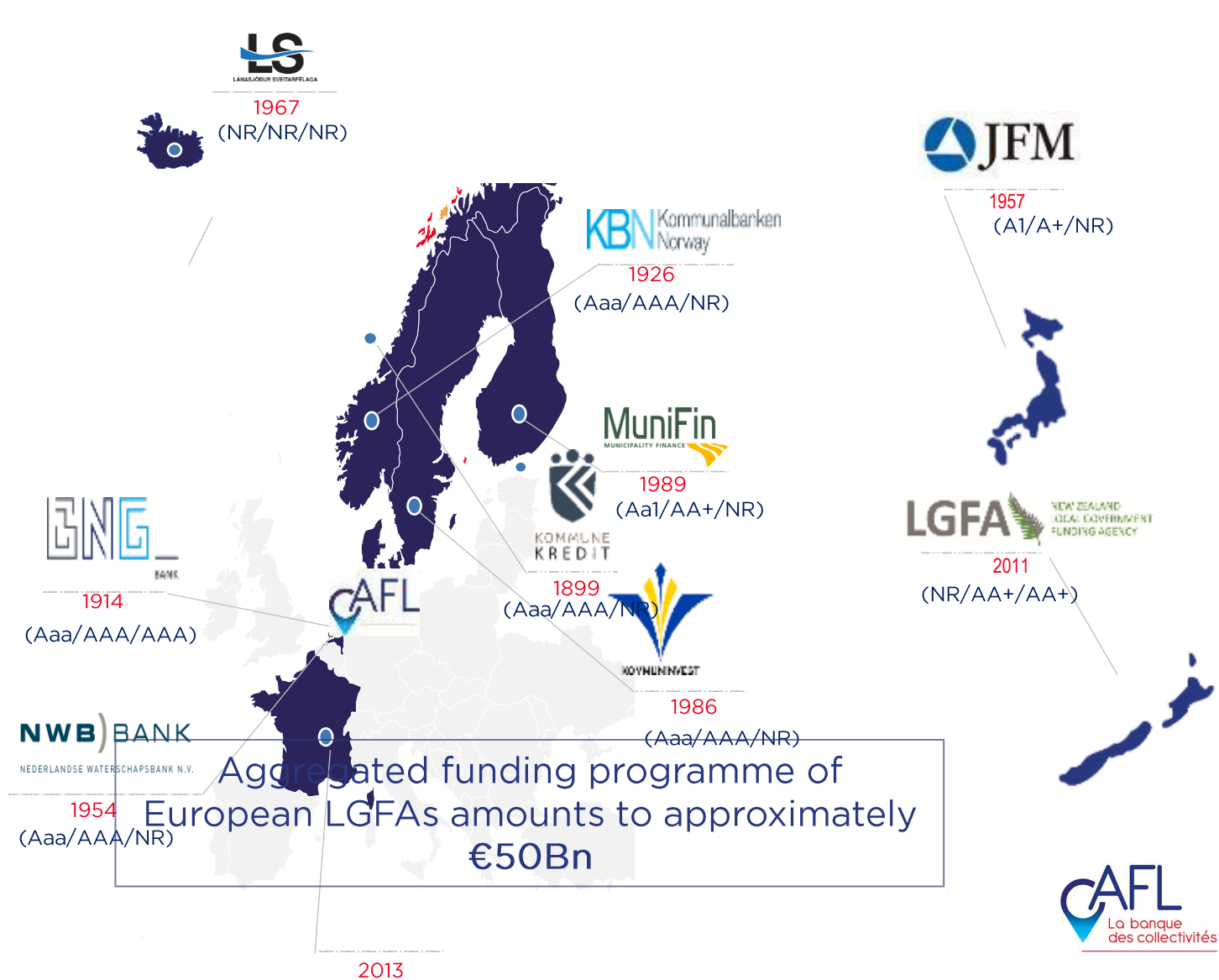
- The model of a national funding agency bringing together local authorities to pool their borrowing needs in the bond market has proved successful in various Northern European countries, Japan and New Zealand.

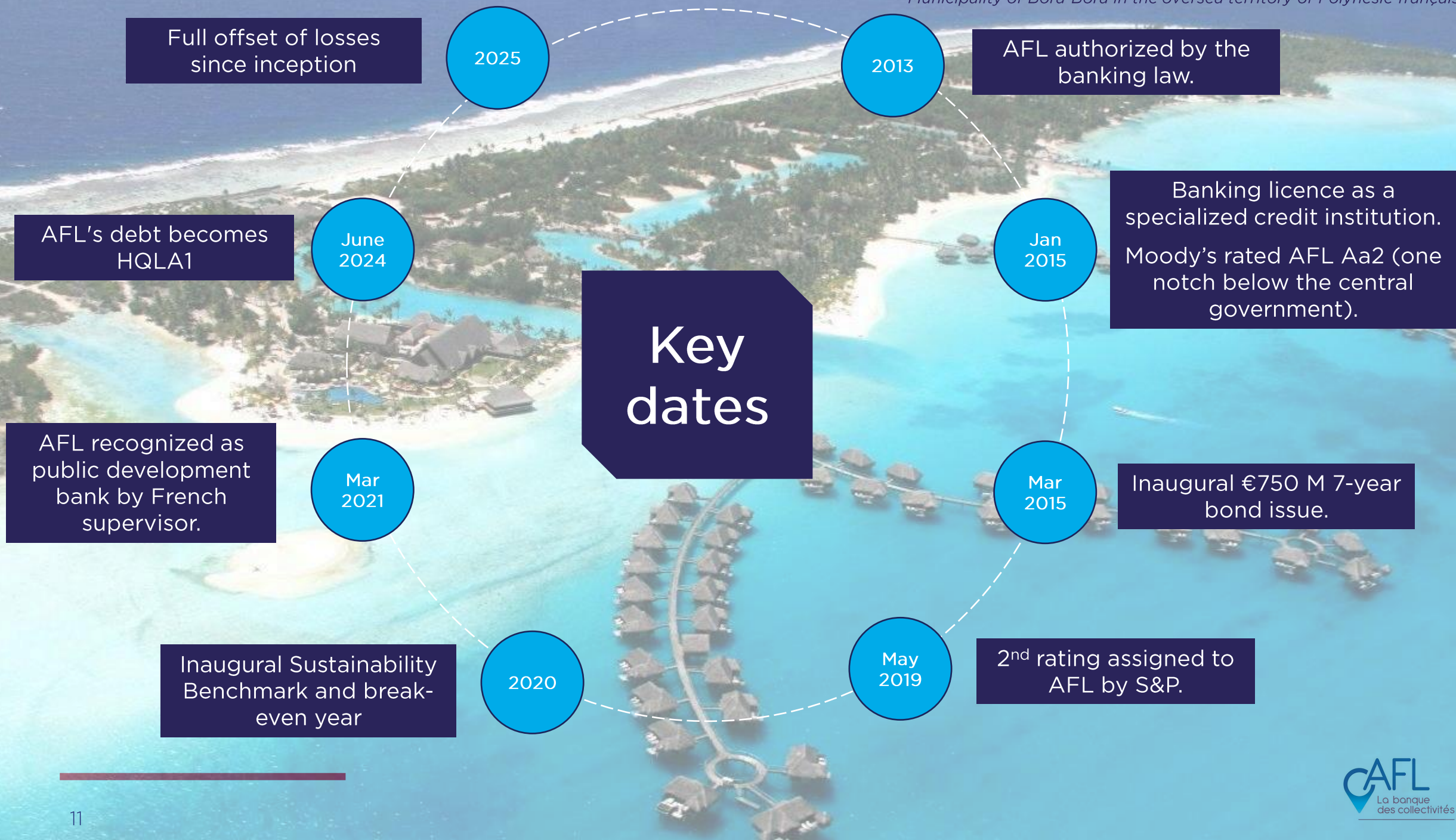
A sustainable model

- Created by Danish municipalities in the late 19th century, the model has disseminated in many countries.

A core mandate

- Funding investments of local authorities is the core mandate of Local Government Funding Agencies.

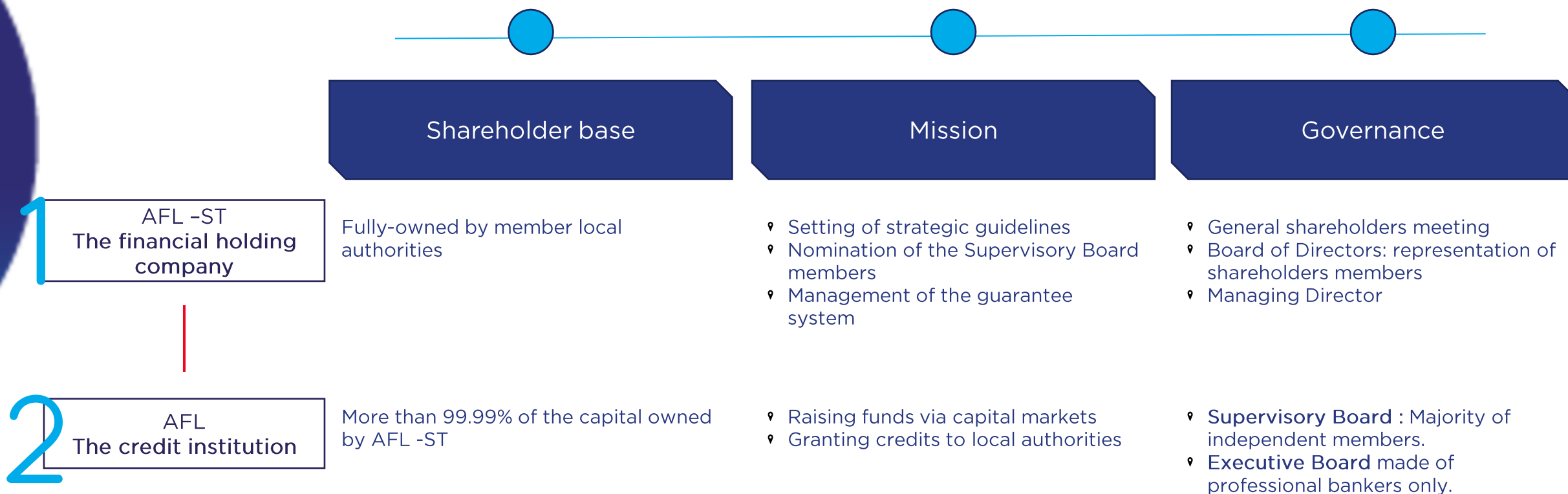




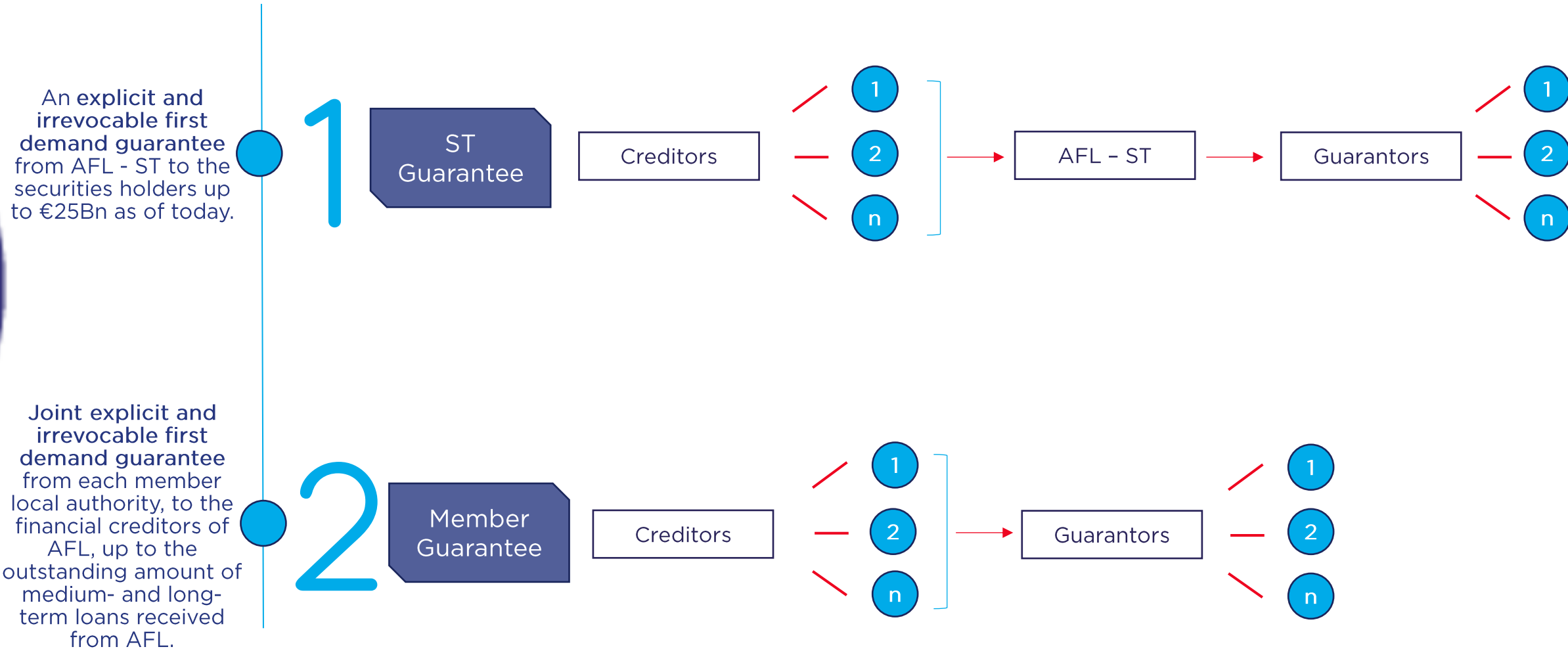
A responsible structure and governance

The governance of AFL Group is based on a two-tier structure (AFL-ST and AFL) with the objective to:

- Prevent conflict of interests between shareholders and borrowers
- Provide risk-based loans to the borrowers
- Ensure accountability from stakeholders
- Have a decision-making process based on adequate checks and balances



Legal guarantee system to the benefit of securities holders



Conditions of Eligibility & Scoring of members

1 Membership regulatory criteria



2 A scoring methodology



3 Initial Capital Contribution



A Stringent Credit Policy

Loan granting and pricing are based on AFL's internal scoring and credit analysis

Distribution of vanilla loans to local authorities

- Long term loans
- Long term loans with progressive cash outflows
- Bridge loans
- Short term facilities
- No structured products

Stringent membership and credit policy

- Membership only possible for Local authorities with a minimum score
- Membership and guarantee undertakings necessary to get a loan

Ceiling applicable to loan exposure

- Lending capacity is limited¹

Member's scoring	Maximum limit (of outstanding debt)
1 to 3.99	80%
4 to 4.99	60%
5 to 5.99	40%

Loan pricing is based on credit quality

- Loan pricing varies based on the internal scoring of local authorities by AFL.

¹ Not applicable to local authorities under €10M outstanding debt

Prudent ALM policies



Hedging of all interest rate and currency risk

- To immunize AFL from undesired exposure to changes in interest and currency rates.
- Hedging essentially with swaps.



Low liquidity risk

- Conservative Liquidity Buffer to vary between 60 to 100% of 12 months net cash requirement essentially invested in liquid and ECB eligible assets.
- AFL has access to a line of credit with the ECB through ECMS (Eurosystem Collateral Management System) as the loan portfolio is an eligible collateral.
- Limited transformation with maximum 18 months gap objective between the average life maturity of assets and the average life maturity of liabilities.



Conservative investment policy

- Securities rated A- at least and mainly issued by Official Institutions (exposures to banking sector limited to 30% maximum) from the European Economic Area, North America and explicitly internally approved countries
- 70% minimum of high-quality liquid assets, or HQLA.
- ESG investment policy.

Corporate responsibility

Distribution of economic value

- ✦ AFL Group does not pursue an objective of shareholder value maximization
- ✦ Value is directed towards all stakeholders :
 - ✦ Borrowers with competitive loan pricing
 - ✦ Investors with regular, predictable bond issuance
 - ✦ Annual profits added to retained earnings to build up the capital base with a pay out ratio set at a maximum of 5%

Equality

- ✦ Capital contribution to the AFL Group commensurate to the total outstanding debt of each local authority
- ✦ Similar loan pricing for same internal scoring

Responsible policies

- ✦ AFL financial strategy and policies pursue an objective of wealth preservation, business sustainability, long-term confidence of investors

Governance diversity

- ✦ Gender representation:
 - ✦ Gender diversity in the Supervisory Board
 - ✦ High degree of gender mix at all corporate level
- ✦ Representation of all categories of local governments to the Board of Directors of AFL-ST
- ✦ A majority of independent directors and experts of the financial sector within the Supervisory Board of AFL.

Operational Activities and Development



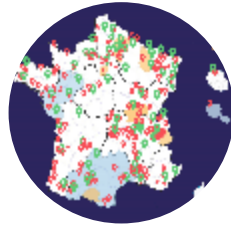
Municipality of Saint-Julien-en-Genevois – School complex construction

A well distributed membership

1 300 local authorities
shareholders of the AFL Group



2014

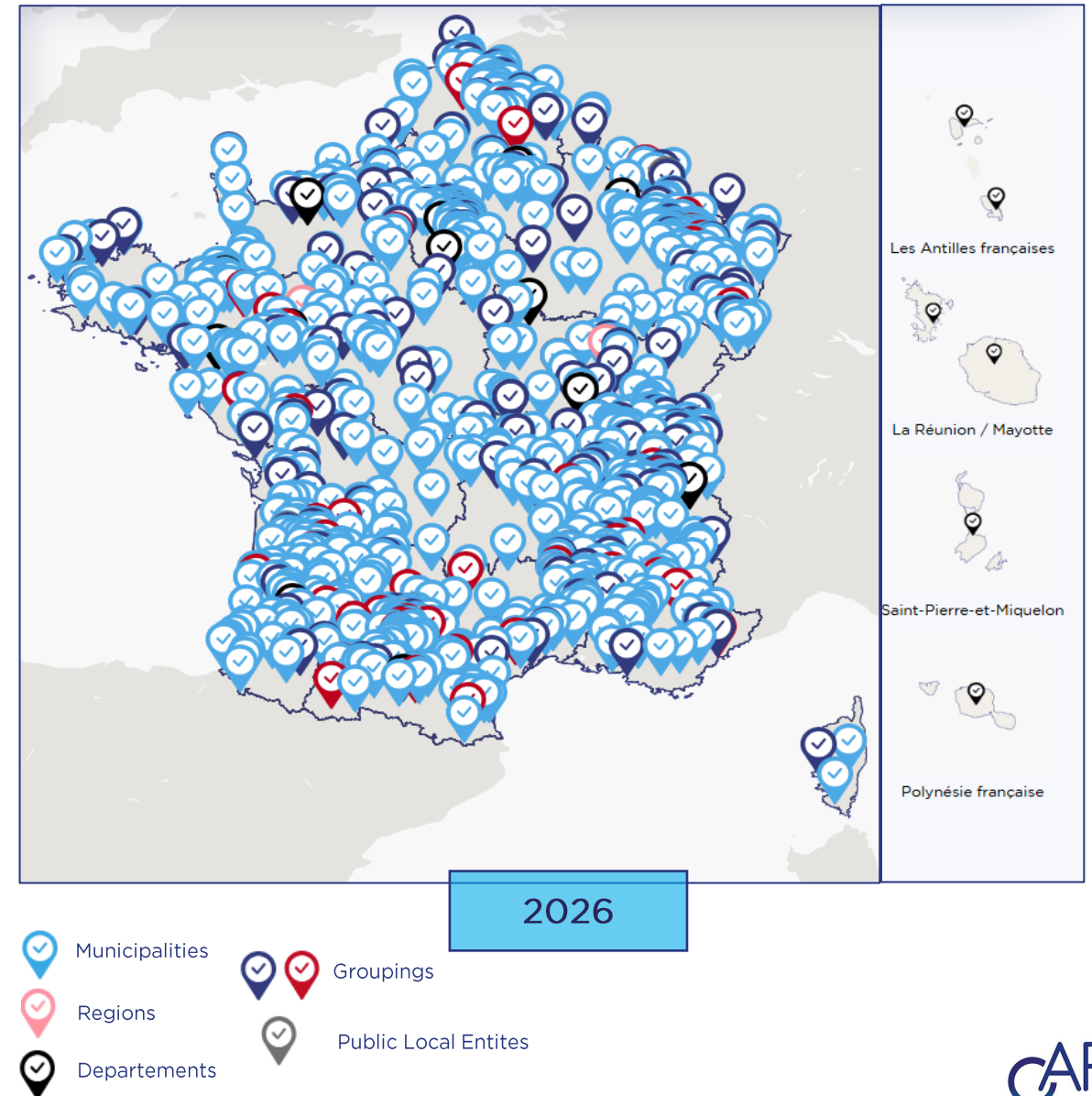


2017



2022

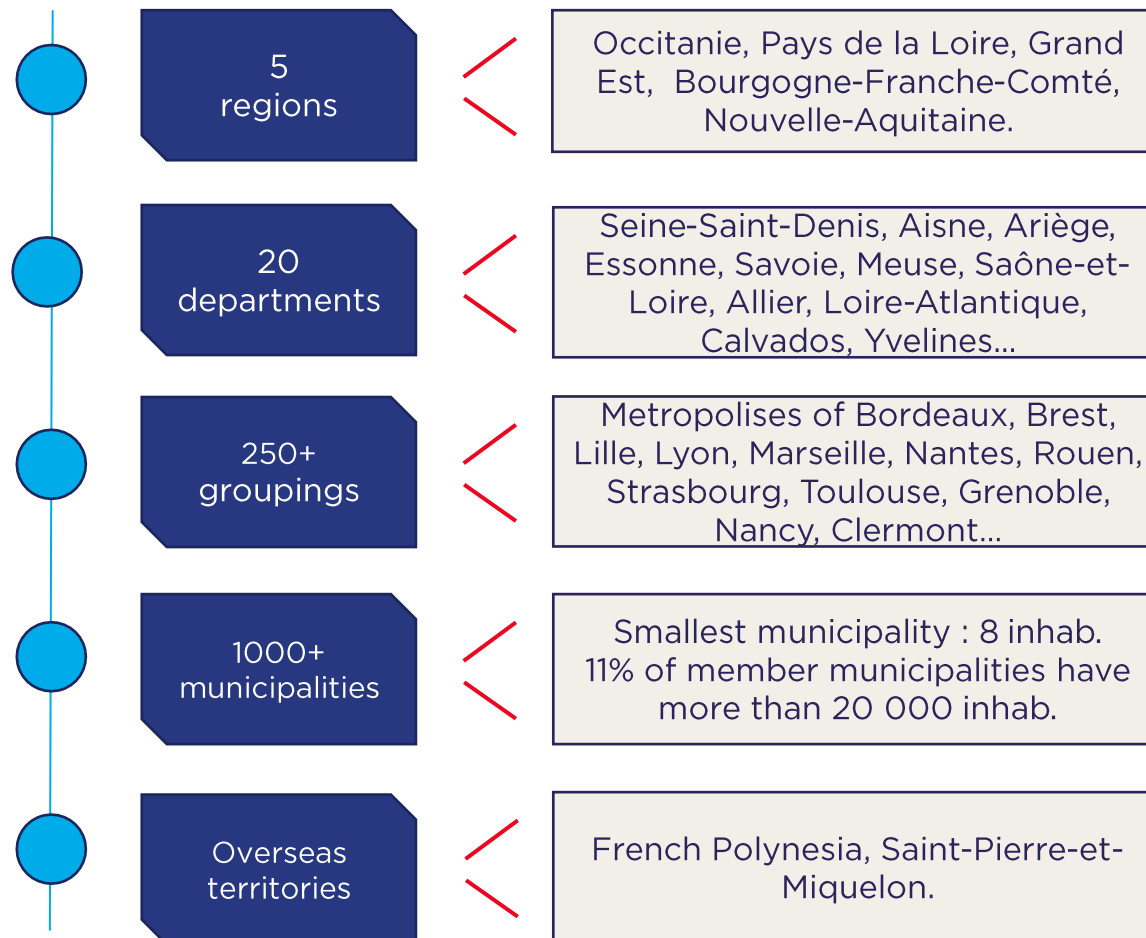
Data: as at 30/06/2026



Our members

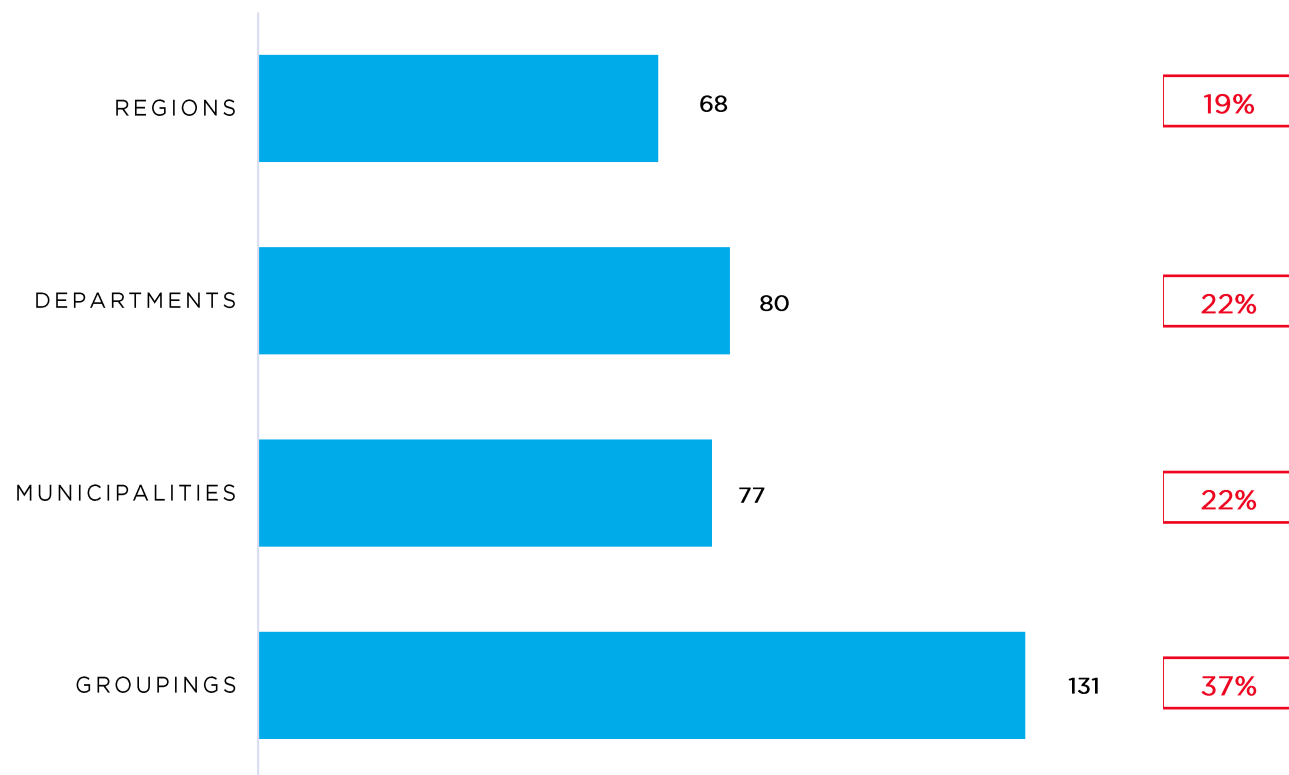
30.6%

Share of the outstanding debt of AFL's members in the total debt of French local governments (which amounts to more than €227Bn).



Committed Capital by category of local authorities

Total committed capital of **357M€**

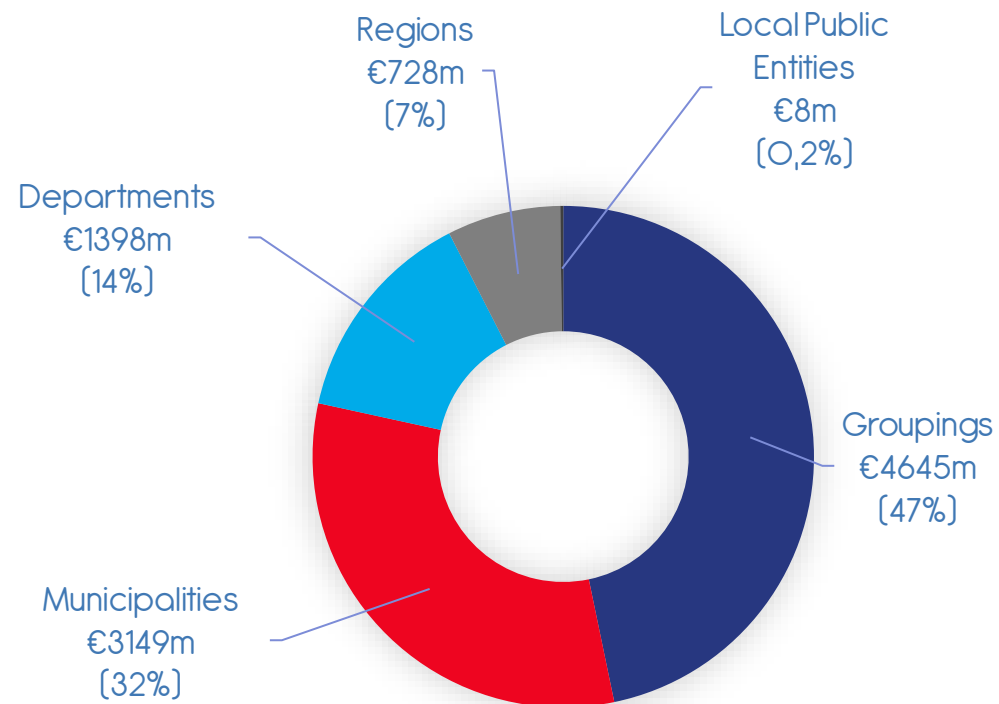


Brest Metropolis- Cable car

Data: as at 30/06/2026 in EUR Mn

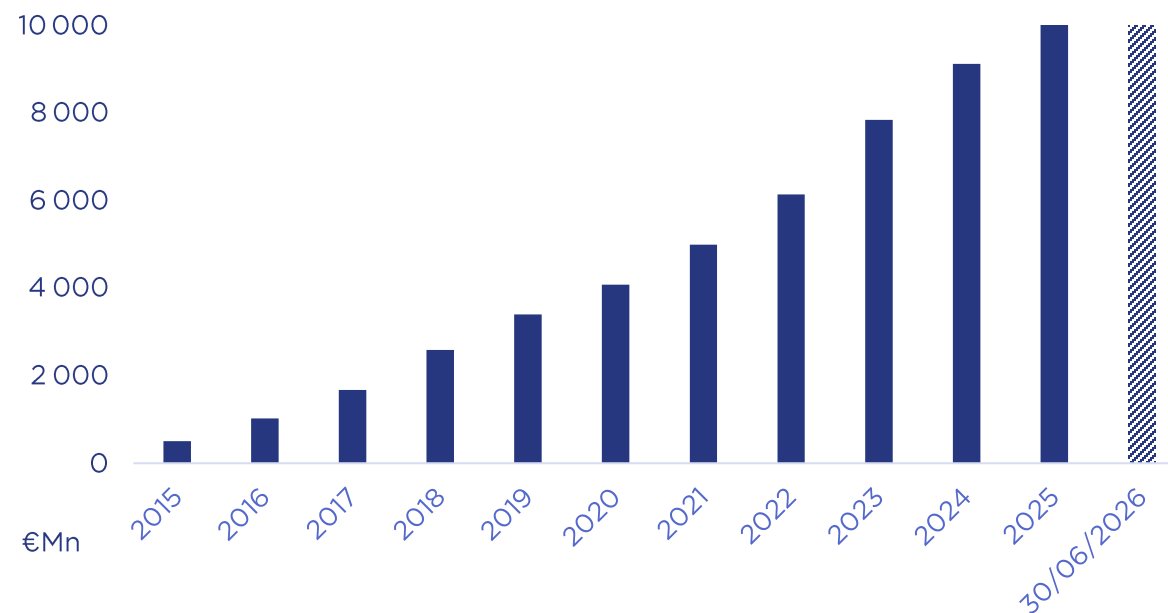
A growing loan portfolio

Loans by category of local governments



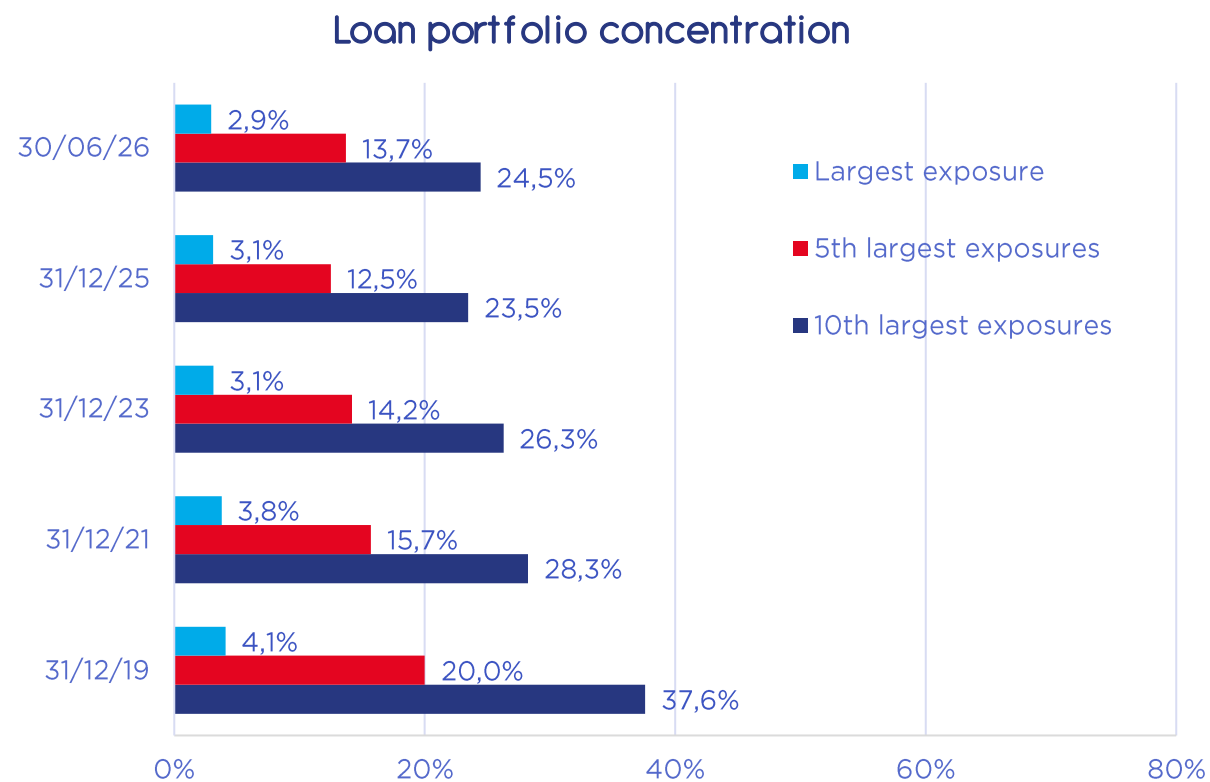
Data: EAD as at 30/06/2026

Outstanding signed loan portfolio amounts to
€10.8Bn



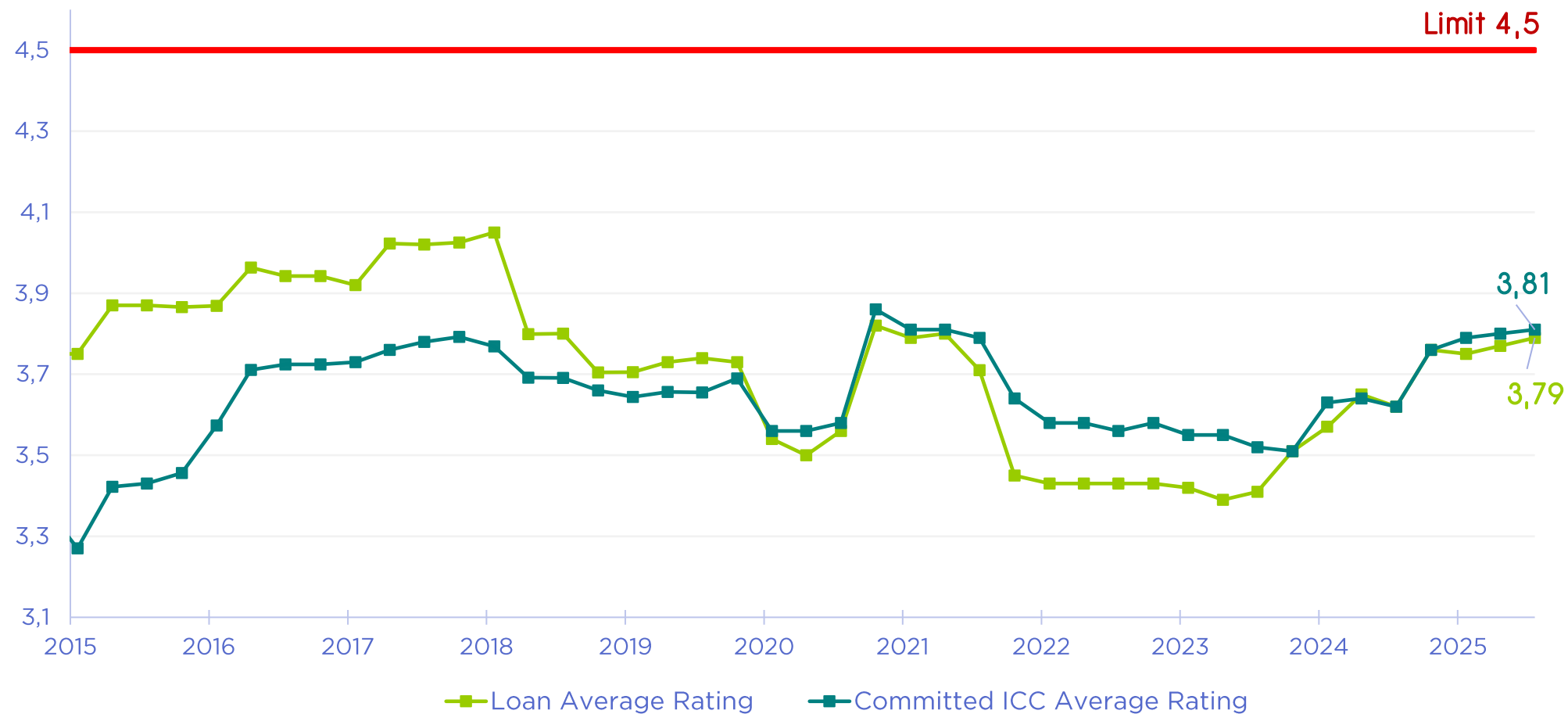
Data: French GAAP as at 30/06/2026

Diversification of the loan portfolio



Public territorial entity of Grand Orly Seine Bièvre - Extension of Paris subway line 15 - Copyright @Grand Orly Seine Bievre

Rating stability

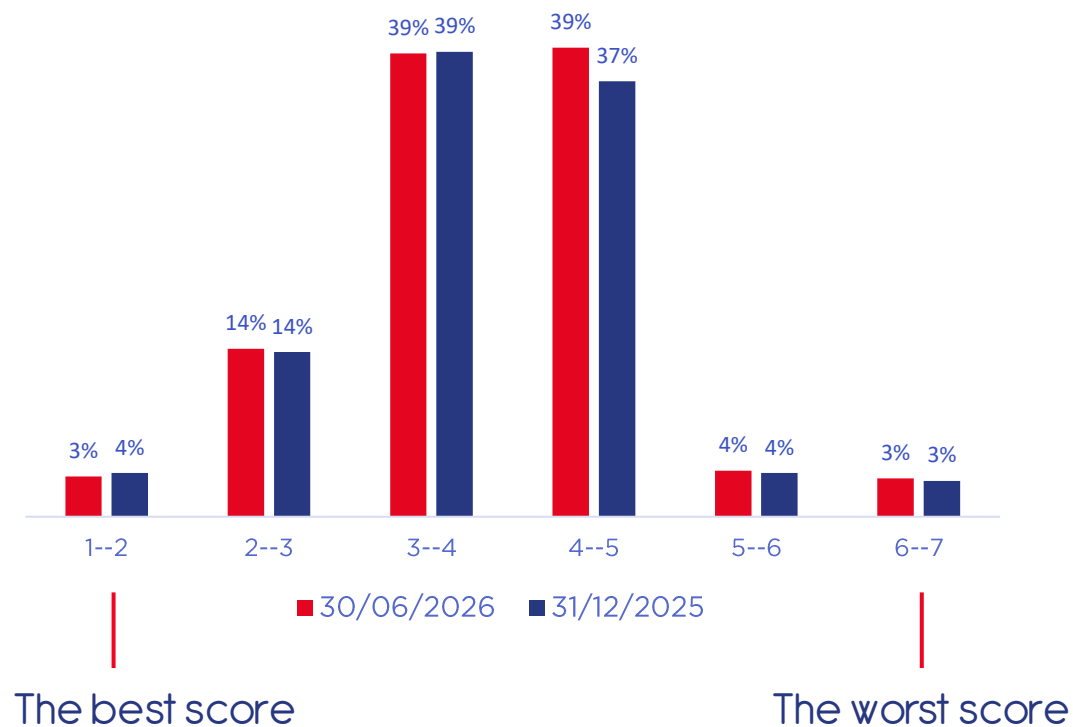
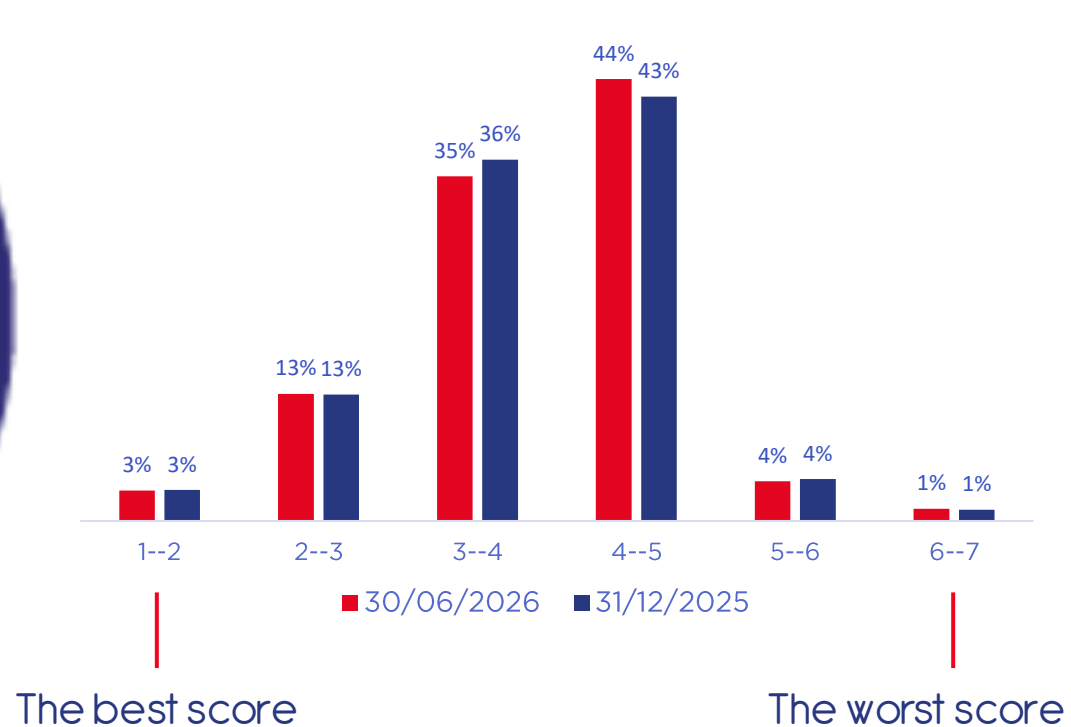


ICC: Initial Capital Contribution

Rating distribution of capital and loans

Distribution of committed ICC* by rating

Distribution of outstanding loans by rating



As at 30 June 2026, the weighted average rating of the committed capital was **3.81** and the weighted average rating of outstanding loans **3.79**.

*Initial Capital Contribution

AFL's business model is at the very heart of sustainable finance

- The achievement of SDGs relies on the contribution from local authorities to promote integrated, inclusive and sustainable territorial development.
 - AFL participates in the financing of local authorities' investments in social and environmental areas.
 - These investments contribute to achieving sustainable development goals for local authorities and the country.



At least **40%**¹ of **investment expenditures** of French Local Authorities directly contribute to sustainable development



Of which according to AFL:

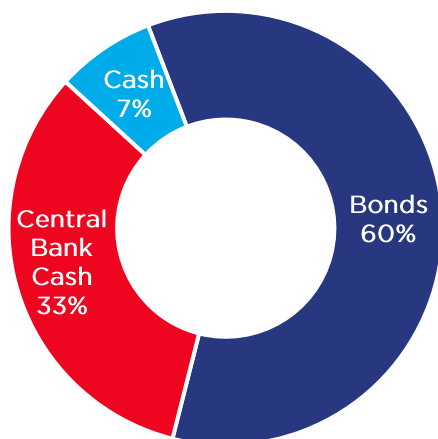
- Slightly more than **53%** allow to achieve the UN SDG n°4.
- Slightly less than **9%** allow to achieve the UN SDG n°9.
 - **8%** help achieve the UN SDG n°10.
 - **20%** allow to achieve the UN SDG n° 11.



¹According to AFL

High-quality liquidity reserve

Distribution of liquidity reserves

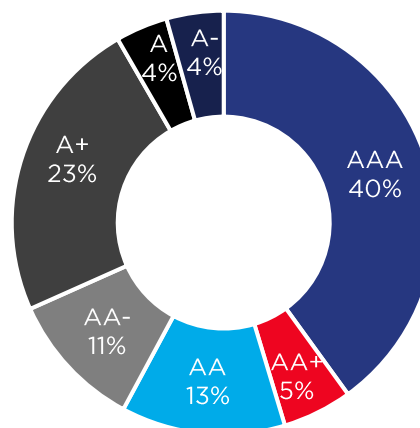


Total liquidity reserve of
€2.4Bn

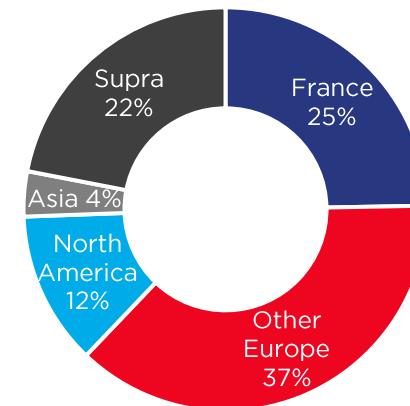
Data: as at 30/06/2026

Bond portfolio distribution

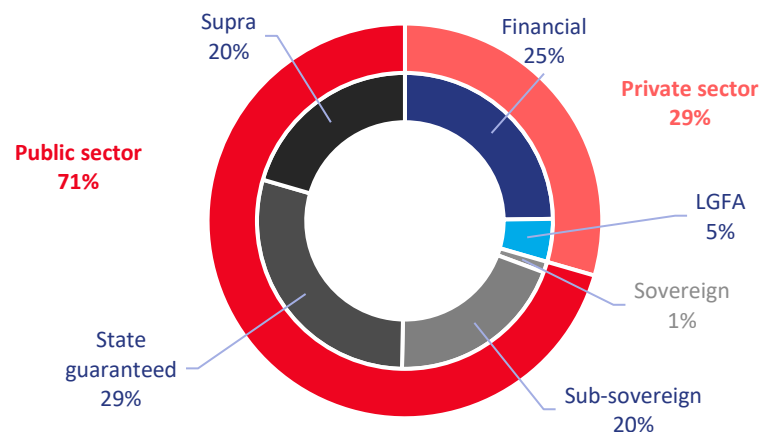
Distribution by rating



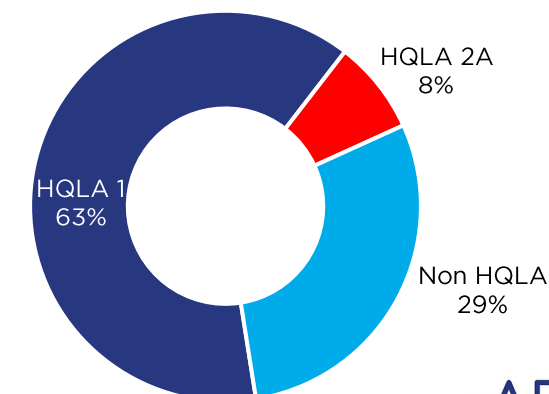
Distribution by geographical location



Distribution by counterparty type

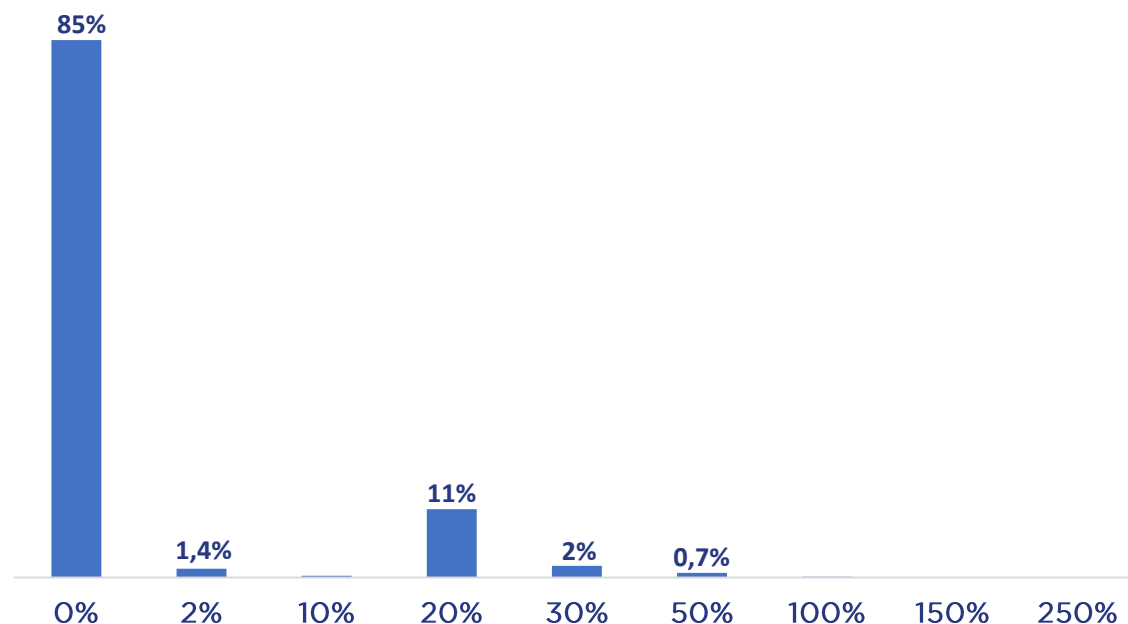


Distribution by LCR classification



AFL bears Low Risk Assets

Exposures by risk weight (standard method)



Most of AFL's exposures are **0%** risk weighted.

Data: as at 30/06/2026



Municipality of Nantes – cultural exhibition

Strong capital and liquidity positions

Capital and liquidity ratios, AFL IFRS consolidated (as at 30/06/2026)	
Solvency ratios	
Common Equity Tier 1 <i>(IFRS consolidated basis, 11.47% regulatory limit)</i>	54.2%
Tier 1 capital <i>(including AT1 issuance)</i>	63.6%
PDCI Leverage ratio	
<i>(Public development credit institutions CRR2, IFRS consolidated basis, 3% regulatory limit)</i>	12.67%
Banking Leverage ratio	
<i>(1.7% regulatory limit, government decree n°2024-807)</i>	2.71%
LCR ratio	
<i>(regulatory limit 100%)</i>	250%
NSFR ratio	
<i>(regulatory limit 100%)</i>	165%
NCRR ratio	
<i>(internal liquidity ratio, limit 60% - 100%)</i>	161%

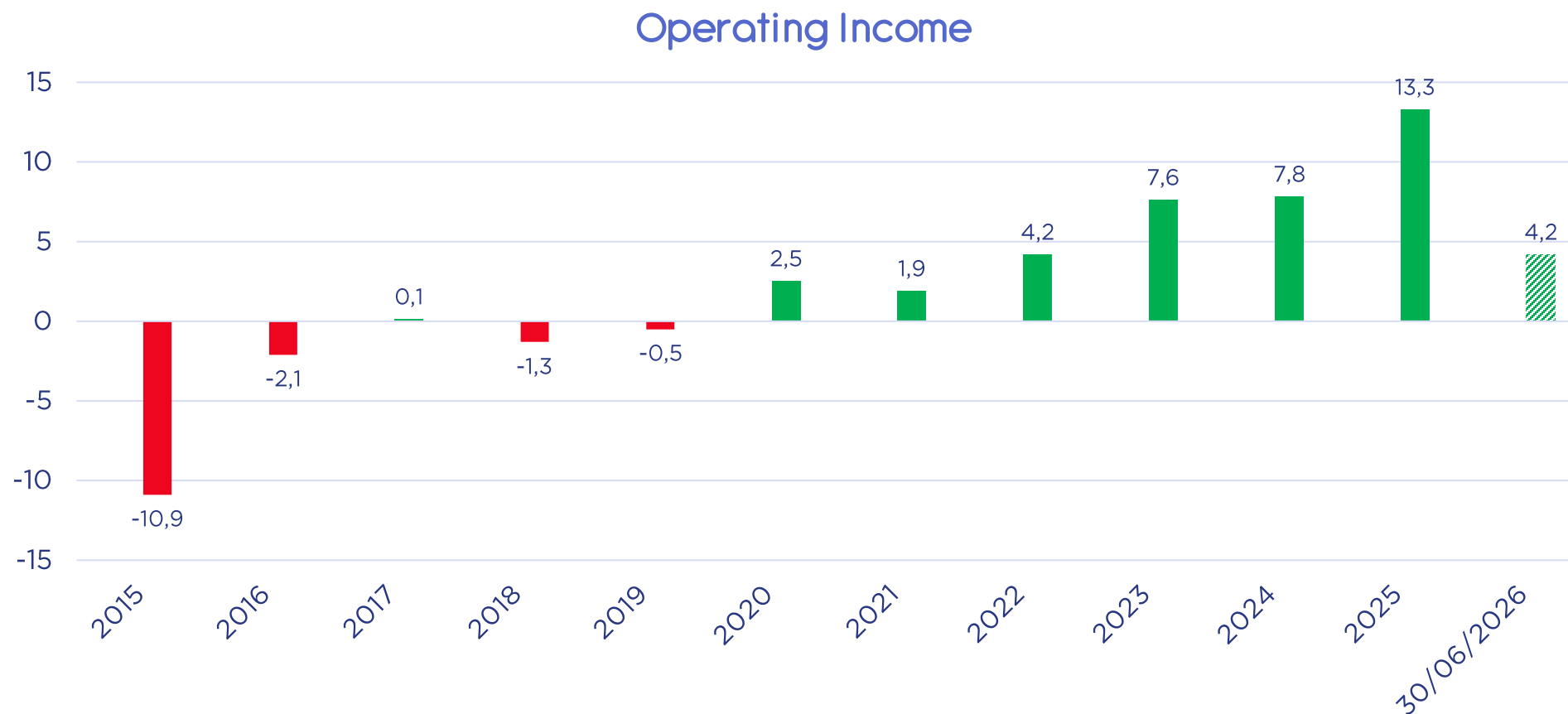
- AFL's capital as at 30 June 2026:
 - Committed capital amounts to €357 M
 - Prudential capital amounts to €332 M

Available Distributable Items (ADI):

ADI / AT1's Coupon : 4.46

With ADI amounting to €15.6 M
(as at 30/06/2026)

A profitable institution since 2020



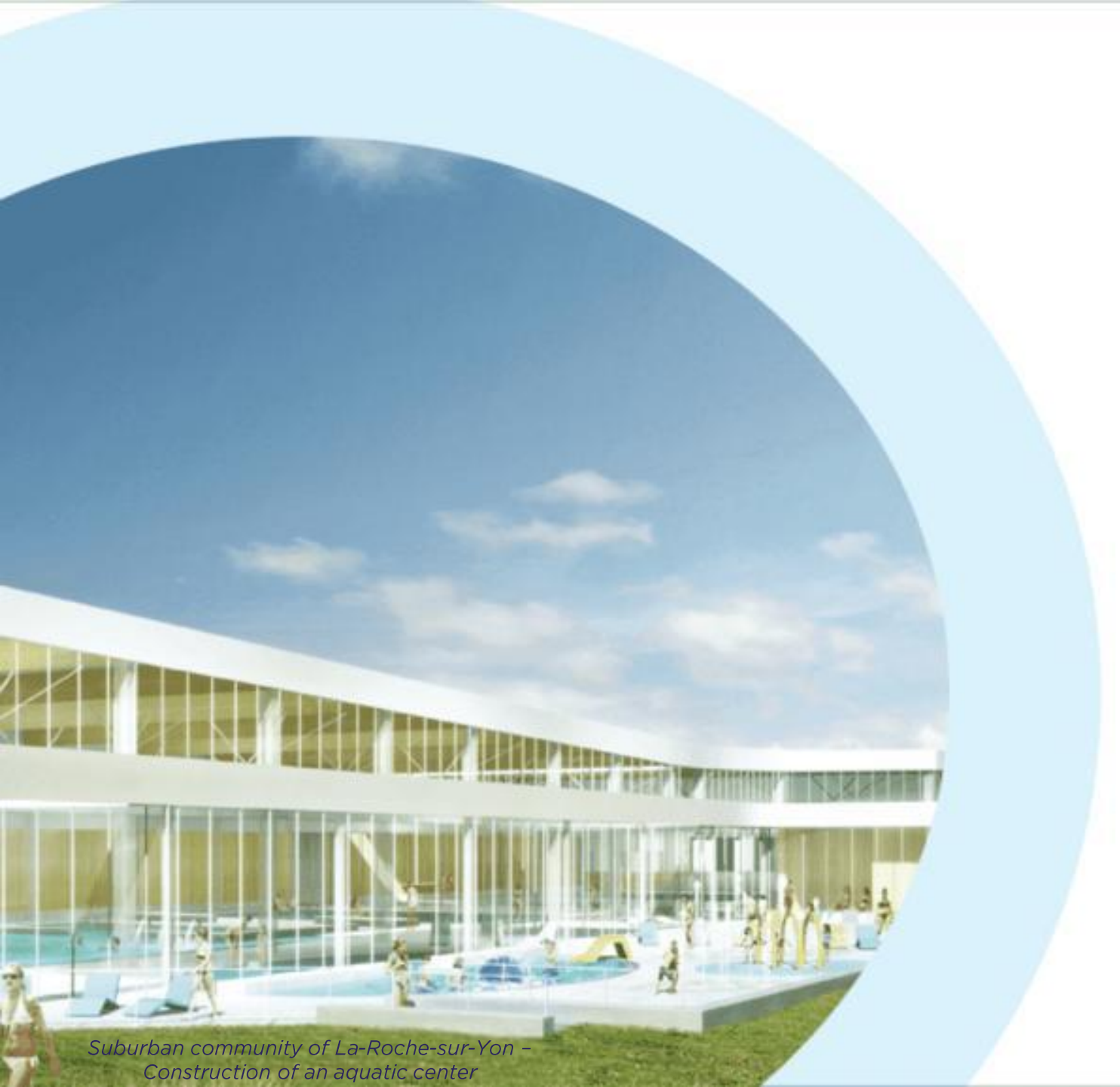
Data: IFRS in EUR Mn

Extract of financial statements

IFRS in EUR Million	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	30/06/2026
Liquidity reserves	502	435	991	856	948	1 580	2 321	2 192	1 967	1 909	2 160	2 407
Signed loans	505	1 026	1 670	2 596	3 478	4 230	5 006	5 501	7 409	8 792	10 272	10 440
Loans and receivables	384	893	1 431	2 230	3 161	3 832	4 431	4 690	6 576	8 247	9 485	9 676
Debt securities	841	1 259	2 336	2 997	4 037	5 296	6 572	6 589	8 262	9 818	11 226	11 659
Equity (IFRS consolidated)	65	99	121	124	131	158	190	197	218	307	335	350
Net banking income	0,4	9,3	10,7	9,7	11,1	13,8	14,0	17,6	23,2	23,9	30,7	15,0
Net interest margin	0,5	4,7	6,5	7,8	10,1	11,8	12,7	15,6	24,1	23,9	29,5	15,5
Total operating expenses	-11,4	-11,3	-10,5	-11,0	-11,6	-11,2	-12,1	-13,4	-15,6	-16,1	-17,5	-10,9
Operating income	-10,9	-2,1	0,1	-1,3	-0,5	2,5	1,9	4,2	7,6	7,8	13,3	4,2
Net income	-7,8	-3,4	-0,4	-1,7	-1,2	2,3	1,7	2,8	5,7	5,4	10,8	2,8

Data: IFRS in EUR Mn

Funding Strategy



*Suburban community of La-Roche-sur-Yon –
Construction of an aquatic center*

SCF Project?

Rationale: diversify AFL's investor base secure long-term access to the capital markets.



Current status:

An opportunity with GE SCF (currently in *run-off*), offering AFL the possibility of acquiring the vehicle.



What's the future?

A dual-signature funding model:

- AFL Senior Unsecured Bonds
- AFL Covered Bond

At least one EUR benchmark transaction per year under each signature.

Medium and long-term issuance programme



A multicurrency €20Bn EMTN programme that allows to issue bonds in various currencies in the form of public or private placement transactions.

- Long term commitment to issue at least one Euro denominated benchmark per year.



A A\$4Bn kangaroo programme to issue in AUD.



A dedicated Sustainable Bond programme to refinance eligible loans granted to French Local Authorities.

- Long term commitment to issue at least a sustainability bond every year.

2026



Up to €2Bn of medium- and long-term funding:

- Euro denominated listed benchmarks;
- Other currency public transactions (GBP, CHF, AUD);
- Opportunistic multicurrency private placements;
- Taps of existing Euro bonds.

Short-term issuance programme

A short term €2Bn ECP programme

- Issuance in various currencies (such as EUR, GBP, USD...) for maturities up to 1 year.
- STEP¹ registered (eligible as collateral for ECB's open market operations).

Up to €1Bn of short-term funding in 2026 in the form of ECP transactions.



Municipality of Strasbourg - Ecodistrict

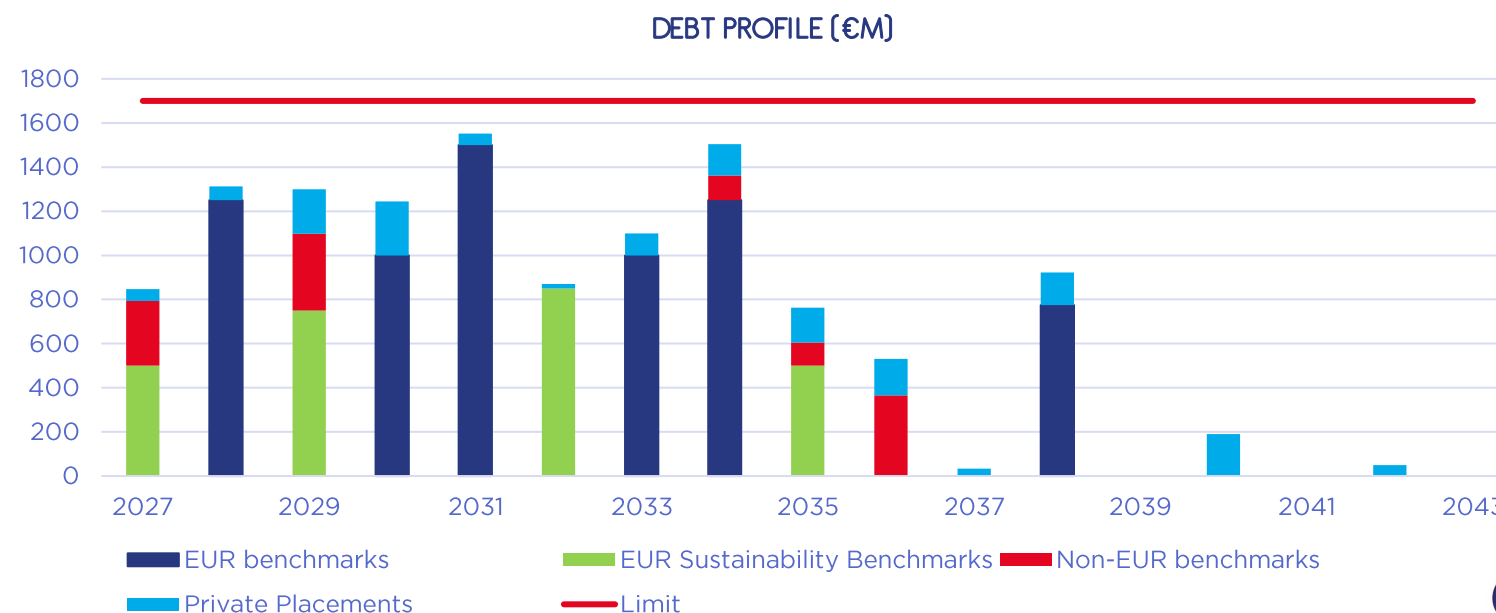
¹ Short Term European Paper

A balanced debt profile

Since 2015, AFL is targeting at least one medium to long term euro benchmark per year.

	July 2027	Sept. 2027	June 2028	Jan. 2029	March 2029	March 2030	March 2031	Dec. 2031	Aug. 2032	March 2033	Sept. 2033	March 2034	April 2034	March 2035	April 2035	Feb. 2036	June 2038
<i>Outstanding Amount (in M)</i>	£250	€500	€1 250	£300	€750	€1 000	€1 000	€500	€850	€500	€500	€1 250	CHF110	€500	CHF100	A\$600	€775
<i>Coupon</i>	4.75%	0.00%	1.125%	4.375%	0.20%	3.00%	0.00%	3.25%	3.00%	3.125%	3.625%	3.125%	1.4778%	4.00%	1.1623%	5.90%	3.625%

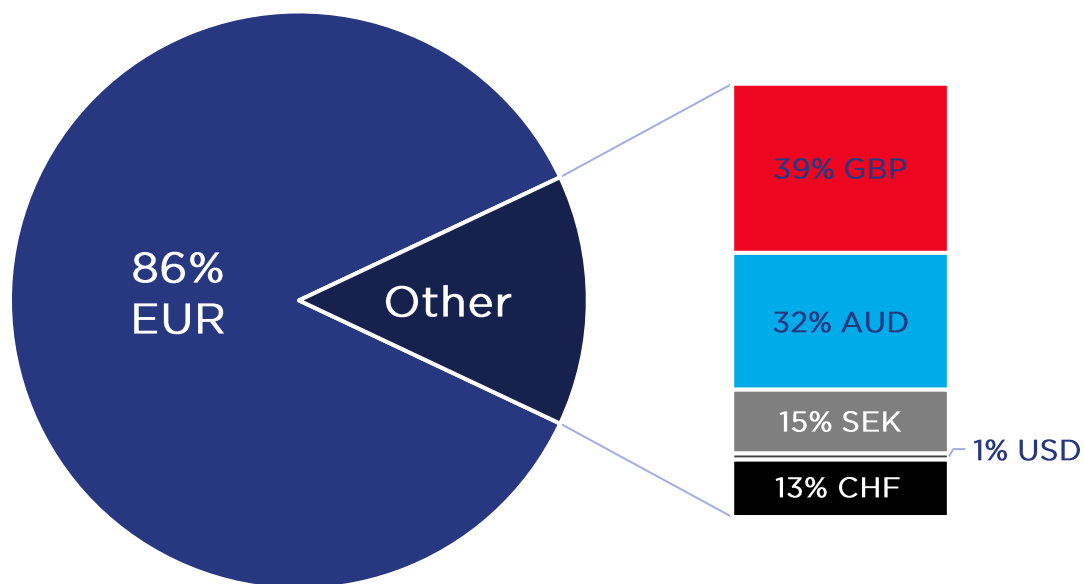
More than €12Bn
of outstanding debt



A diversified currency debt structure

In order to diversify its investor base, optimize funding cost and adjust funding needs by tenors, AFL issues also in others currencies than EUR.

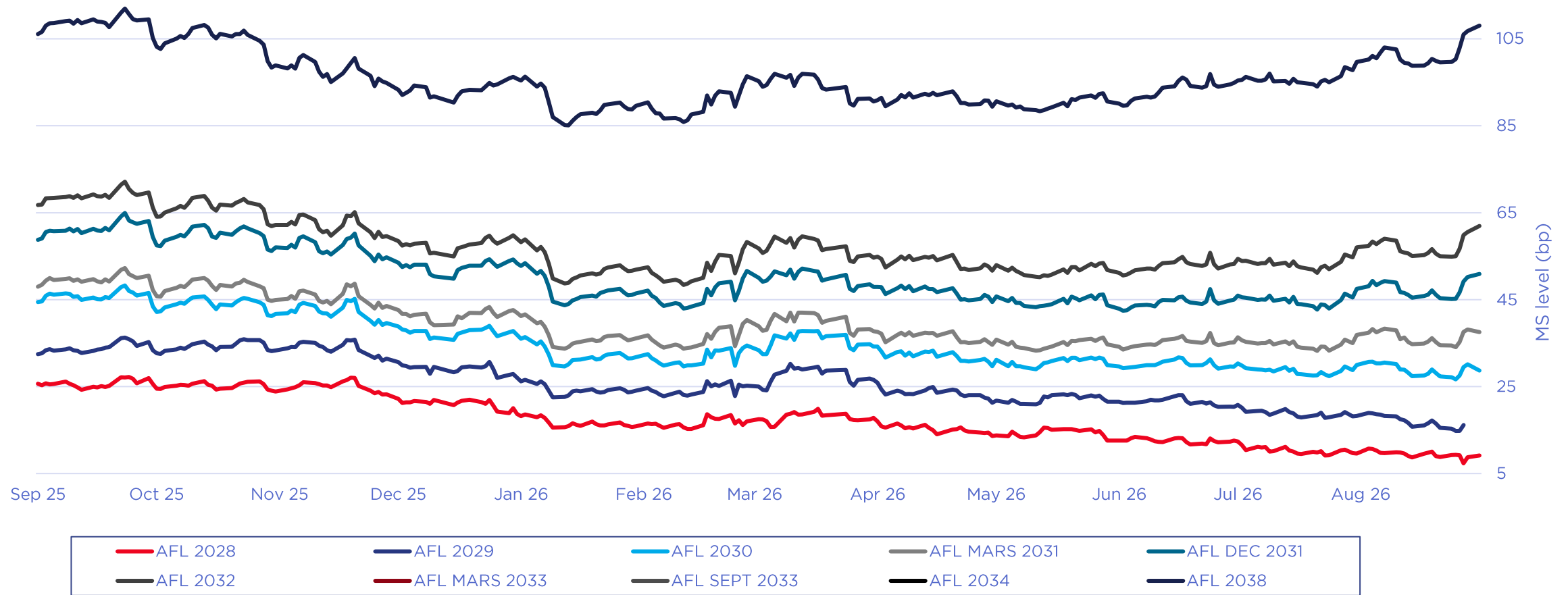
Issuance by currency (as of 30/06/2026)



Benchmarks in currencies are part of the strategy

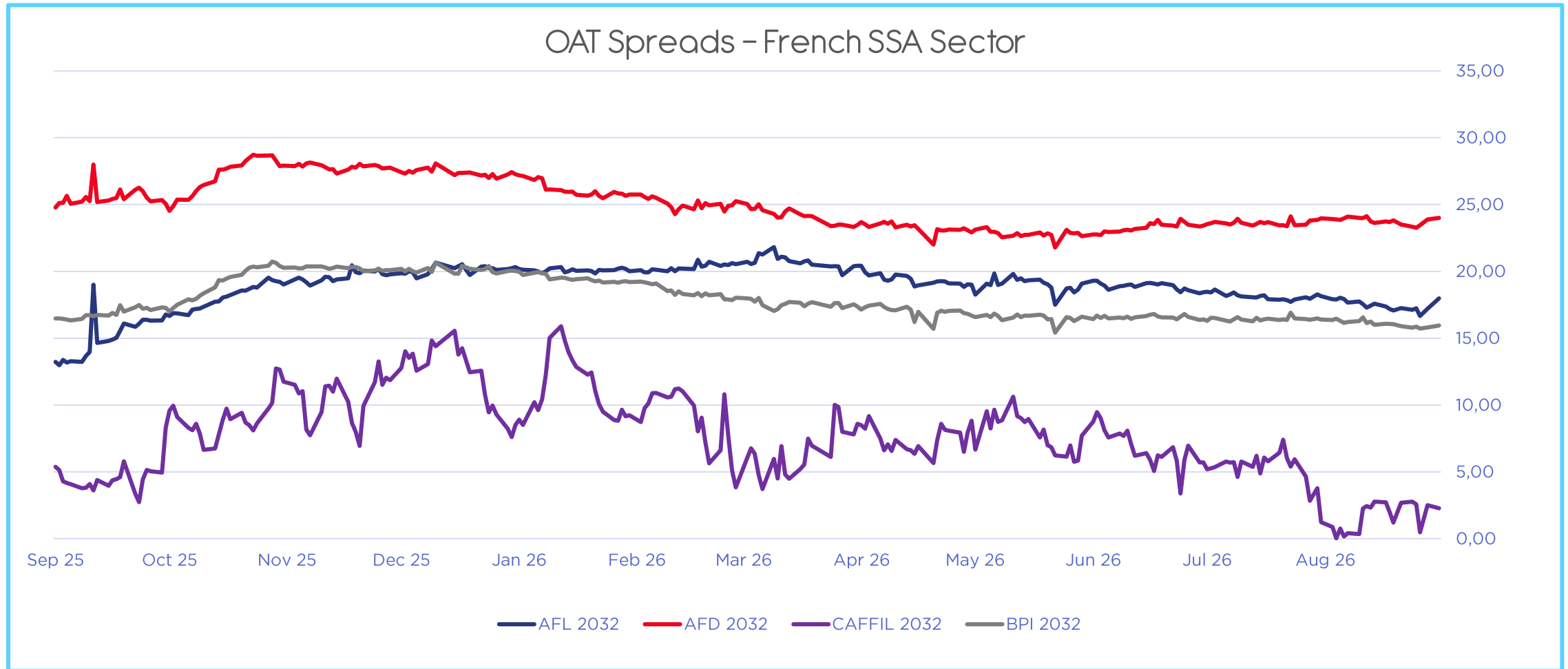
- 2022 – 1st GBP Benchmark
- 2024 – 1st CHF Benchmark
- 2026 – 1st AUD Benchmark (*Kangaroo*)

A consistent debt valuation



Data from Bloomberg

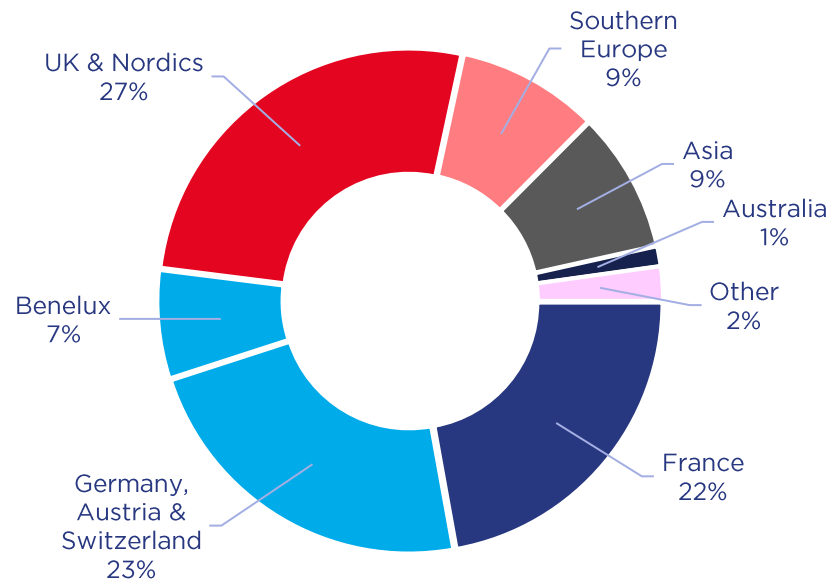
A debt adequately valued in the French SSA sector



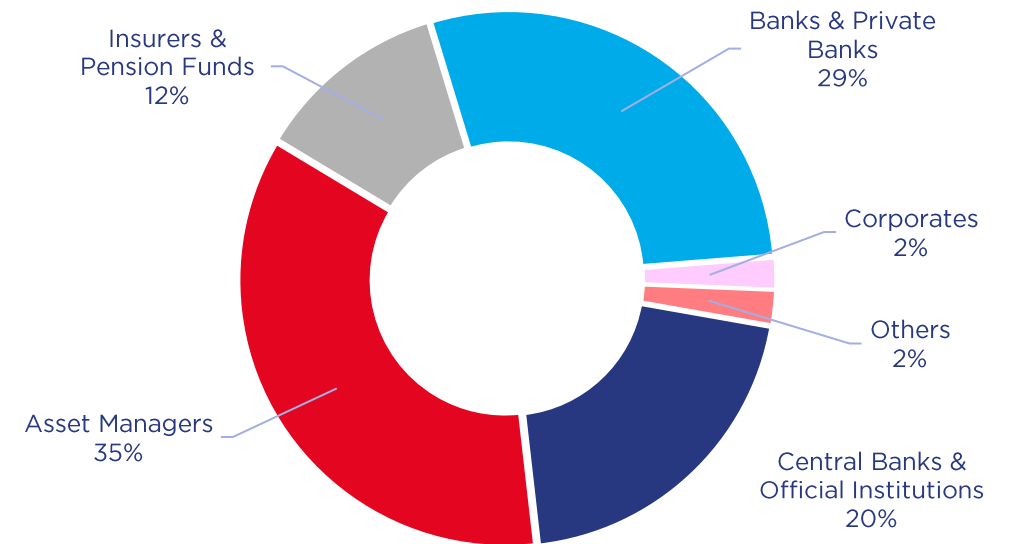
Data from Bloomberg

AFL benefits from a well diversified investor base

Geographical distribution



Distribution by type of investors



*AFL's investor base has been growing over the years.
Since the inaugural transaction around 300 investors have participated in AFL's EUR benchmark transactions.*

Data: as at 30/06/2026

Sustainability Bonds



*Municipality of La Possession (in the
oversea territory of La Reunion)-
Construction of an artistic school*

AFL's commitment

Sustainability embedded in AFL's foundations and missions

Ensuring adequate financing to Local Authorities

AFL plays a critical role in supporting public infrastructure investments as one of the key lenders to the French local government sector (€10.8Bn of loans as of 30/06/2026)

Supporting local authorities in their environmental and social actions

Given the public interest of its mission and its long-term commitments, sustainability is at the very heart of AFL's business model

Robust and transparent operational rules and processes

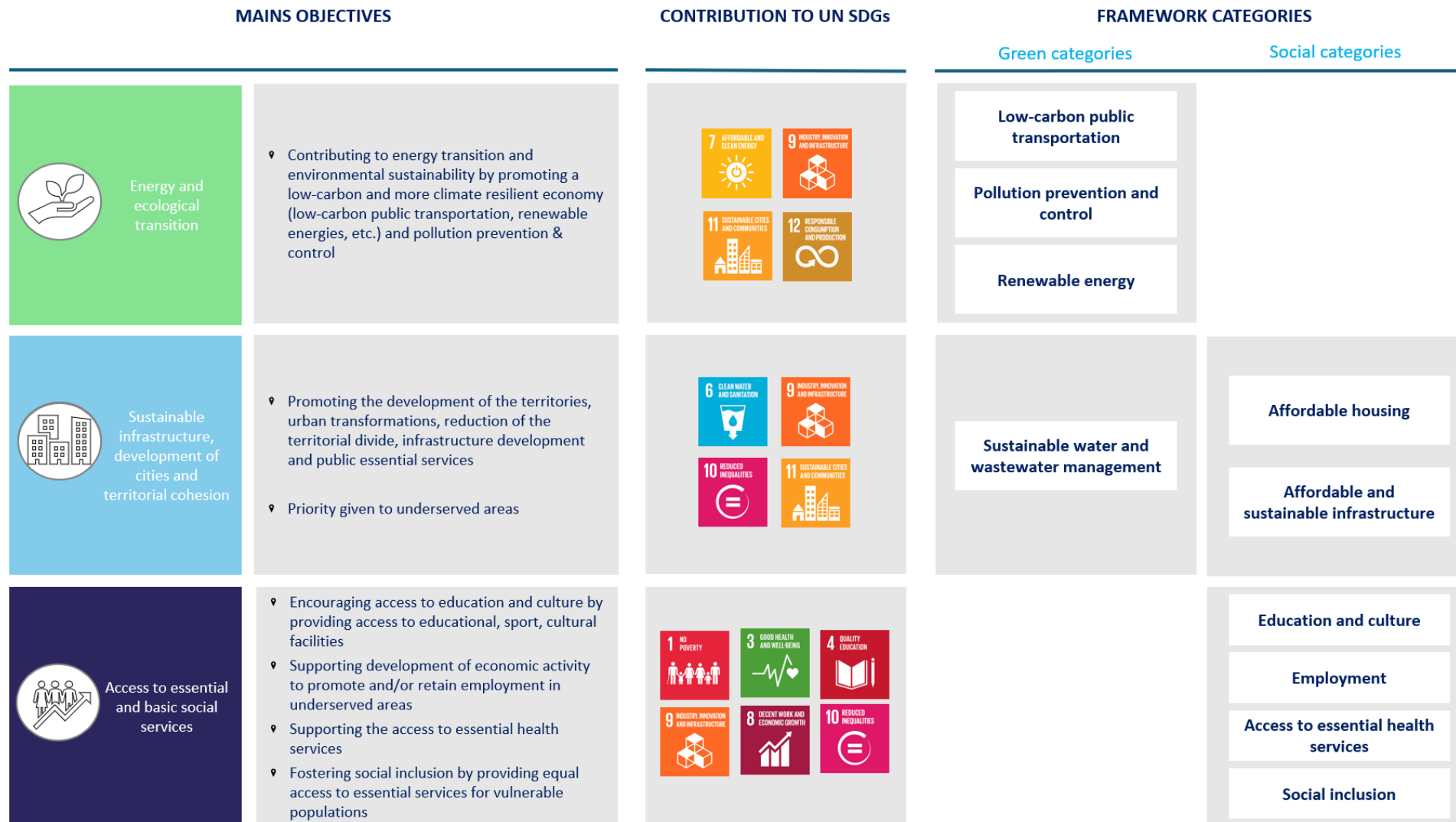
Highest standards of management, a stringent methodology and a dedicated ESG framework

A dedicated governance structure for the Sustainable Bond

A Sustainable Bond Committee, composed from representatives of all critical departments is in charge of all the aspects of the Sustainable bond life cycle.

AFL is committed to the long term and sustainable development of local authorities

Use of Proceeds overview – categories



Interne

Use of Proceeds overview – allocation methodology

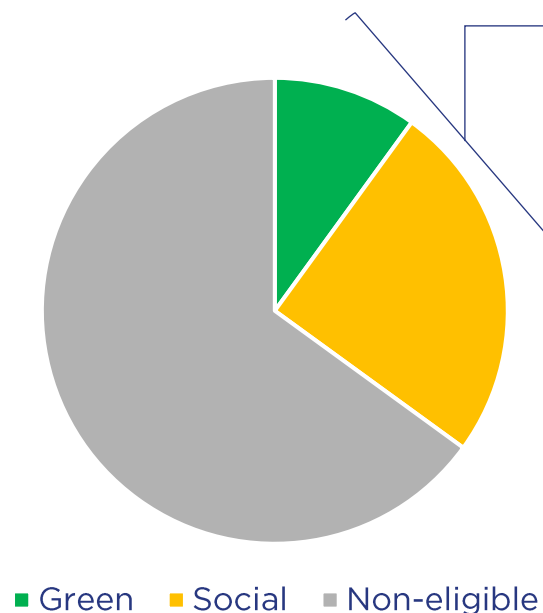
1

- Analyse the budget of local authorities to identify expenditures aligned with the criteria of the Framework

Local authority's annual budget	AFL Sustainable Bond eligibility analysis
Budget line 1	Green
Budget line 2	Non-eligible
Budget line 3	Non-eligible
Budget line 4	Social
Budget line 5	Social

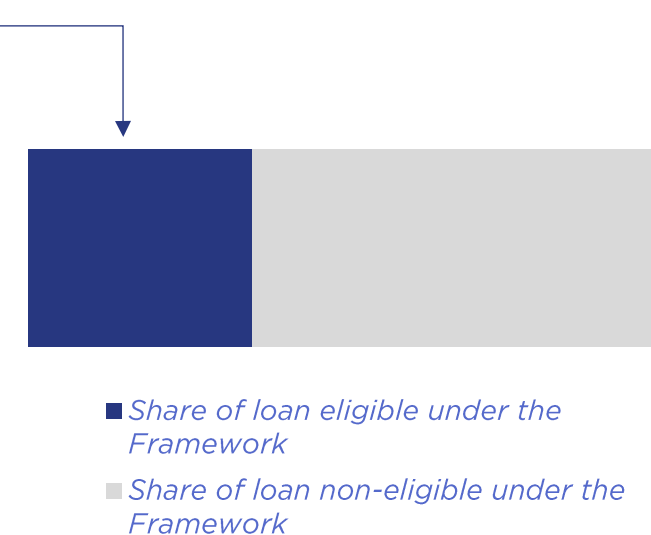
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- Estimate the share of the total budget aligned with the criteria of the Framework*



3

- Apply a corresponding pro-rata to AFL's loan to identify the volume of eligible assets under the Framework



*For some budget lines, a haircut is applied, in accordance with the approach described in the Framework

Use of Proceeds overview – targeting of specific local authorities

For each of the categories included in its Framework, AFL has defined the target and eligible Local Authorities in its Framework. In order to do so, the AFL has defined specific criteria to identify “disadvantaged local authorities” and “local authorities with an imbalance in rental housing supply and demand”:

- **Disadvantaged local authorities** means any local authority that meets certain socio-economic criteria. This analysis is carried out on the basis of public data and statistics.
- **Local authorities with an imbalance in rental housing supply and demand** means a local authority in which access to affordable housing is compromised due to a lack of rental housing. This identification is based on the ABC zoning defined in Article D304-1 of the French Building and Housing Code, which classifies municipalities in the national territory into geographical areas according to the imbalance between housing supply and demand.

Green Categories

Eligible category	Targeted Local Authorities
Low-carbon public transportation	All Local Authorities – For specific expenditure: Disadvantaged Local Authority
Pollution prevention and control	All Local Authorities
Renewable energy	All Local Authorities
Sustainable water and wastewater management	All Local Authorities

Social Categories

Eligible category	Targeted Local Authorities
Education and culture	All Local Authorities
Employment	Disadvantaged Local Authorities
Access to essential health services	All Local Authorities
Social inclusion	All Local Authorities
Affordable housing	All Local Authorities – For specific expenditure: Local Authorities with an imbalance in rental housing supply and demand
Affordable and sustainable infrastructure	Disadvantaged Local Authorities

Positive SPO from EthiFinance



AFL secured a positive Second Party Opinion from EthiFinance for the update of its Framework.

The Second Party Opinion confirmed that:

- The Framework is **coherent with the strategy and sustainable development objectives** of AFL;
- The level of **management of ESG risks from AFL is substantial**;
- The Framework is **aligned with the ICMA Principles*** and market best practices;
- The **impact of financed assets is substantial**.

Impact of financed assets according to EthiFinance



"EthiFinance is an independent European rating, research and advisory group, fully committed to Sustainable Finance. Our group provides investors, banks, insurances, corporates and organisations of all sizes with impactful analysis and solutions to the challenges of financing as well as environmental and societal transformation."

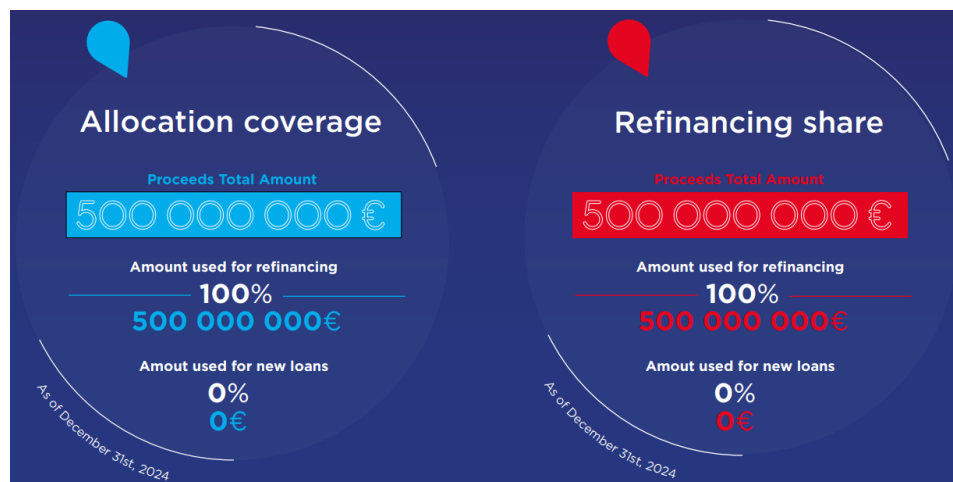
Source: Our Brand - EthiFinance

*Aligned with the Green Bond Principles (2025), the Social Bond Principles (2025), and the Sustainability Bond Guidelines (2021) published by ICMA

Catégories	Objectifs	Impact
1. Low-carbon public transportation	Energy and ecological transition	HIGH
2. Pollution prevention and control		HIGH
3. Renewable energy		HIGH
4. Sustainable water and wastewater management	Sustainable infrastructure, development of cities and territorial cohesion	SUBSTANTIAL
5. Education and culture	Access to essential and basic social services	HIGH
6. Employment		HIGH
7. Access to essential health services		SUBSTANTIAL
8. Social inclusion	Infrastructures durables, développement urbain	HIGH
9. Affordable housing		HIGH
10. Affordable and sustainable infrastructure		SUBSTANTIAL

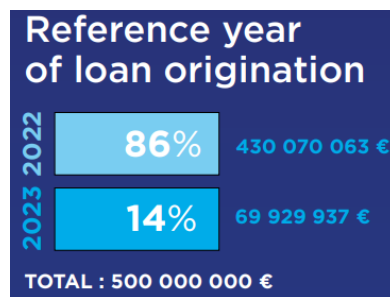
Allocation Reporting of the last sustainable bond issuance*

Coverage and Framework alignment – data as of 31/12/2024



Aligned with issuance announcement, **full allocation at day 1**, maintained as of reporting reference date (31/12/2024).

Aligned with AFL Sustainability Bond Framework, funds fully allocated to **refinance eligible assets** – this also allowed to ensure full allocation at day 1.



Aligned with AFL Sustainability Bond Framework, Funds allocated to refinance eligible assets in a **lookback period of 3 years (max.)** to the issuance year.

Funds distributed per Eligible categories

Framework categories	Allocation (in €)	Share
Access to essential and basic social services	313 444 813	62,7%
Education & Culture	270 418 911	54,1%
Employment	20 693 702	4,1%
Access to essential health services	2 905 133	0,6%
Social inclusion	19 427 066	3,9%
Energy and ecological transition	71 653 686	14,3%
Low-carbon public transportation	44 046 910	8,8%
Pollution Prevention & Control	27 274 545	5,5%
Renewable Energy	332 231	0,1%
Sustainable Infrastructure, development of cities and territorial cohesion	114 901 501	23%
Sustainable water and wastewater management	16 272 813	3,3%
Affordable Housing	50 312 168	10,1%
Affordable and sustainable infrastructure	48 316 520	9,7%
Total	500 000 000	100%

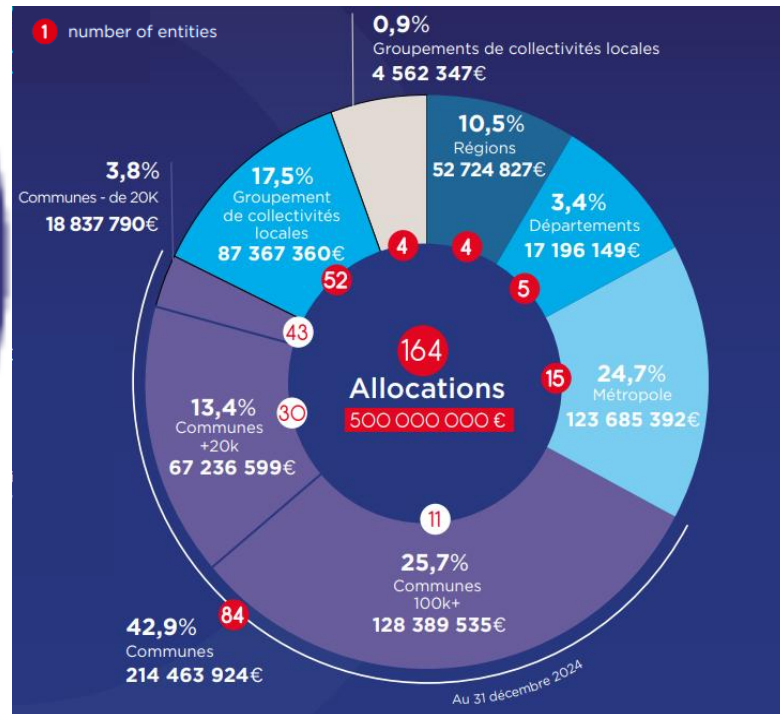
Funds allocated to all the AFL Sustainability Bond Framework categories and subcategories, genuinely representing the typical investment scope of French local governments.

* Issued under the previous sustainable bond framework from 2020

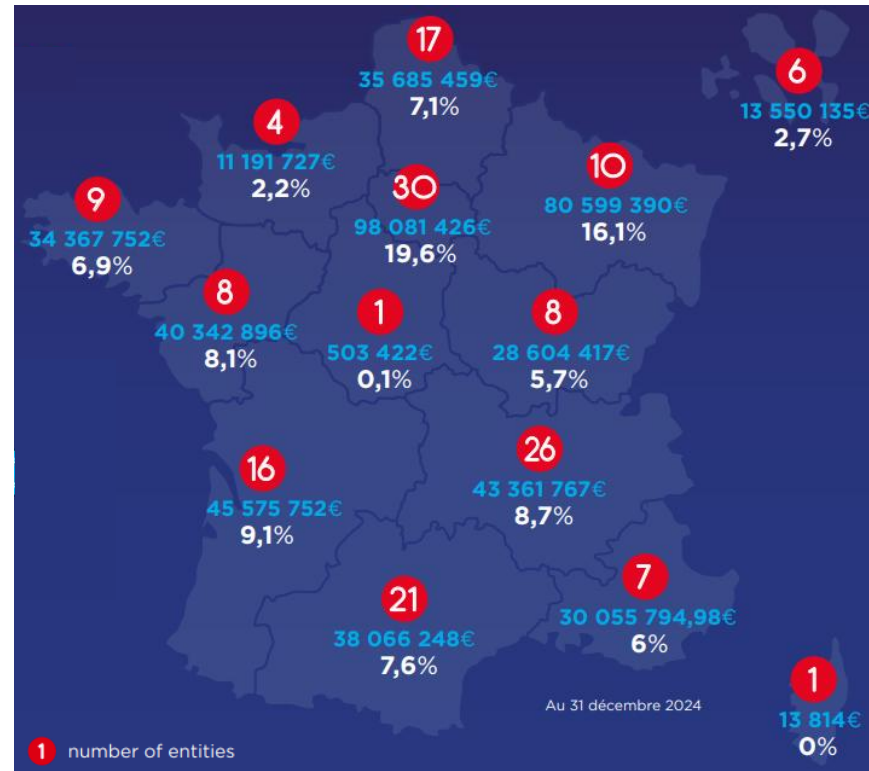
Impact Reporting of the last sustainable bond issuance*

Coverage and Framework alignment – data as of 31/12/2024

Local authorities typologies



Geographical distribution of allocation



Contribution to UN SDG's



* Issued under the previous sustainable bond framework from 2020

Your contacts at AFL



Romain NETTER
Executive Director – Medium and Long-Term Funding



Yves MILLARDET
Chairman of the Executive Board



Pierre-Jean BAGILET
Chief Financial Officer and Member of the Executive board



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AFL – La banque des collectivités



2026 – Semi-annual Report



Appendices

App1 – French environment and datas



2nd European country by population : 69 million (2026 - INSEE)



1st European destination for foreign investment in 2025 (EY, 2026)



EU member since 1957 (founder),
UN Security council member



7th world country in the 2026 Environmental performance Index (Yale University)



Currency : €uro (founder)



GDP Growth : 0.9% (2025 - INSEE)



Consolidated public debt: 119% GDP (Q2-26 - INSEE)

Unemployment rate : 8.3% (Q2-26 - INSEE)



Ratings :
A+ / Stable (Fitch)
Aa3 / Negative (Moody's)
A+ / Stable (S&P)
AA / Negative (DBRS)

App2 – French Local Authorities' competencies



Regions

Main responsibilities:
Economic development, transports and high schools



Departments

Main responsibilities:
Social work, public roads and middle schools



Groupings of local authorities

Tax-raising or non tax-raising groupings.
Main responsibilities: share investments in areas such as **transport, sewerage, waste management, wire...**



Local public entities

Manage public services on behalf of a local authority in areas such as **fire fighting, social support, ...**



Municipalities

General competency at local level (mainly **housing, environment, primary schools...**)

App3 – Conditions of Eligibility

1 Membership regulatory criteria

Debt relief capacity of local authorities (outstanding debt / operating revenues) over the last 3 years (on average) must be lower than :

- 12 years on average for municipalities, groupings and local public institutions.
- 10 years for departments.
- 9 years for regions.

If local authorities cannot fulfill the first criteria, they must satisfy a minimum level of self-financing capacity (3 years avg of operating expenditures + debt capital repayment)/revenues <100%).

Local authorities must ensure that AFL maintains a minimum banking leverage ratio of 1.7% through their direct or indirect participation in the governance of the group AFL.

App4 – Internal Scoring of Local Authorities

2 Scoring for local authorities based on a 3-step methodology :

1

For membership application a financial scoring is realized based on 3 criteria :

- Solvency assessment (55% weight)
- Budget sustainability (25% weight)
- Indebtedness (20%)

A local authority which is scored above 6 is not allowed to join Agence France Locale as a shareholder

2

- For the purpose of loan provision, in addition a socio-economic scoring is performed.

3

- Finally, the scoring is complemented by a qualitative analysis if :

- The financial score is > 5.5
- The requested loan amount is > 70 M€
- The debt capacity is > regulatory thresholds (12 years for municipalities, groupings local authorities and EPL, 9 years for regions, and 10 years for departments)
- The local authority's outstanding debt amount with AFL is > 75% Required Capital

The qualitative analysis includes:

- Governance stability,
- Quality of management,
- Off balance sheet items and financial outlooks
- For municipalities, a climate vulnerability index is also computed.

App5 – Excerpt From The Law On The Creation Of AFL

Article 35 of the French Law no. 2013-672 of 26 July 2013 on the separation and regulation of banking activities , subsequently codified in Article L. 1611-3-2 of the French General Local Authorities Code (CGCT), allowed French local authorities to create a public company in the form of a limited company (société anonyme) governed by Book II of the French Commercial Code, whose corporate mandate is to contribute to their funding through a dedicated subsidiary company:

Article L. 1611-3-2 of the CGCT, as amended by Law No. 2015-991 of 7 August 2015 and further amended by article 67 of Law No. 2019-1461 of 27 December 2019, provides that “Local authorities, their groupings and local public institutions may create a public company in the form of a limited company (société anonyme) governed by Book II of the French Commercial Code in which they hold the totality of the share capital and whose corporate mandate is to contribute to their funding through a dedicated subsidiary company. This company and its subsidiary shall perform their activities exclusively on behalf of local authorities, their groupings and local public institutions. This financing activity shall be carried out by the subsidiary using resources mainly generated by issues of financial instruments, excluding resources received directly from the State or resources guaranteed by the State.

In derogation of the provisions of Articles L. 2252-1 to L. 2252-5, L. 3231-4, L. 3231-5, L. 4253-1, L. 4253-2 and L. 5111-4, local authorities, their groupings and local public institutions are authorised to guarantee all of the subsidiary’s commitments up to the amount of their own outstanding loans with said subsidiary. The conditions for the application of this guarantee are specified in the articles of association of the two companies.”

The Decree n° 2020-556 dated 11 May 2020, incorporated as article D 1611-41 of the CGCT, specifies the requirements that must be satisfied by local authorities, their groupings and local public institutions to become shareholders of said company. It determines the thresholds that may apply to their financial condition and level of indebtedness and which take into account their capacity as shareholders of said company and guarantor of said subsidiary.

App6 – The First Demand Guarantee Mechanism

The Members' Guarantee and the Agence France Locale - Société Territoriale Guarantee are both independent first demand guarantees under Article 2321 of the Civil Code: they benefit holders of all securities issued by, and contracting parties of all acts concluded by, Agence France Locale which expressly provide that such securities or acts benefit from these Guarantees :

"The independent guarantee is the undertaking by which the guarantor is bound by virtue of an obligation entered into by a third party to pay an amount either on-demand or in accordance with agreed terms.

The guarantor is not bound in the event of explicit abusive or fraudulent behaviour by the beneficiary or in the event of the latter colluding with the instructing party. The guarantor may not claim any exception against the guaranteed obligation.

Unless agreed otherwise, this security does not follow the guaranteed obligation."

App7 – Constant Strengthening of AFL's Equity

Share capital 100% held by local authorities

+

Annual profits added to retained earnings

+

Other components

=

Regulatory capital

- Each new local authority becomes a member through an initial capital contribution (ICC), valid for the entire duration of its membership
- The amount of this ICC is calculated based on the local authority's economic size:
 $\text{Max}[kn \cdot 1,1\% \cdot (\text{total outstanding debt}) ; kn' \cdot 0,25\% \cdot (\text{total operating revenues})]$
With $kn = 1,125$ and $kn' = 1,2$
- No member can become a major shareholder (quick and significant capital dilution)

- Pay-out ratio of 5% maximum
- Objective to strengthen the capital base as a priority

App8 – The Budgetary «Golden Rule» for French Local Authorities

In its public report on local government finances published in October 2013*, the Cour des Comptes (National Court of Auditors) highlighted that local authorities “[...] represent in practice a sub-sovereign risk due to the golden rule: they must ensure that they are able to make capital repayments on their loans from their own resources and may only borrow to finance their investment needs. Compliance with this rule is guaranteed by the statutory budgetary audit mechanism involving regional and local Courts of Auditors acting at the behest of the State representative. It notably includes a procedure for rectifying excessive deficits in the accounts”

This rule ensuring balanced budgets is notably codified in Article L.1612-4 of the CGCT:

“The local authority budget is balanced when the operational and investment sections are both balanced and approved, with revenues and expenditures assessed in a faithful manner and when funding from the revenues of the operational section to the investment section, added to this section’s own revenues (excluding proceeds from borrowings) and to depreciation and provisions, provide sufficient resources to cover annual capital repayments falling due during the financial year.”

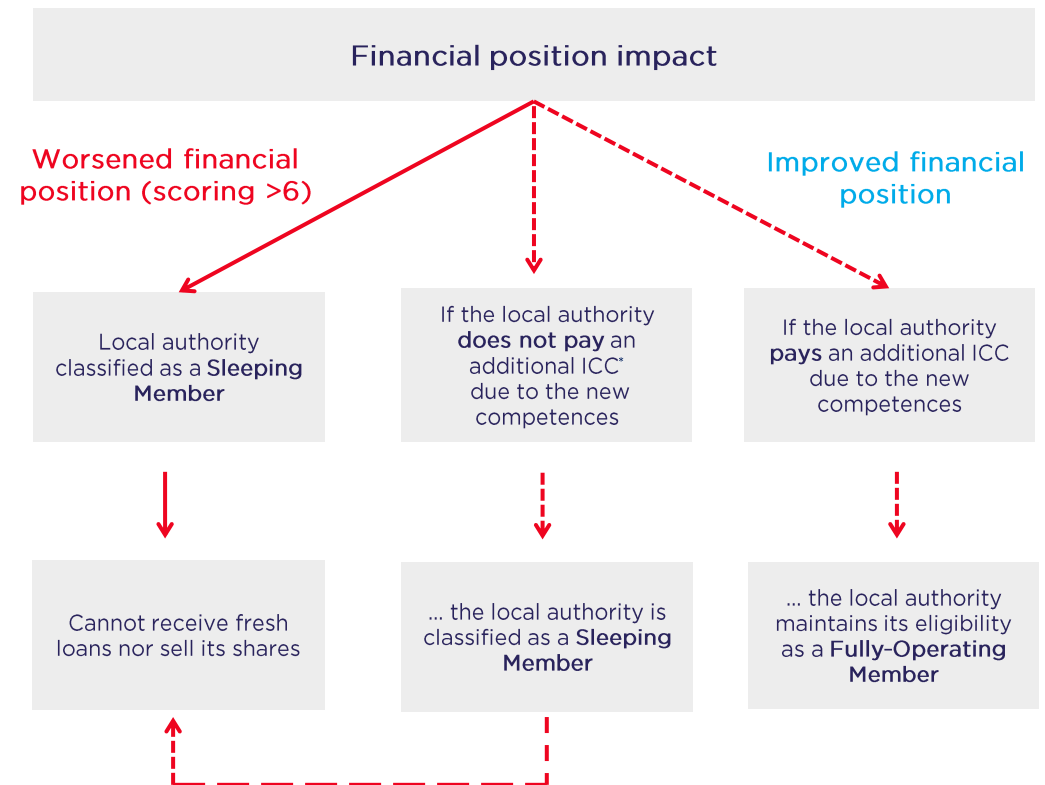
Article L.2331-8 of the CGCT states that proceeds from borrowings represent one of the non-tax revenue items of the investment section in local authority budgets. Borrowings correspond to long-term debts taken out during the period. Borrowings may also only be used for funding investment requirements and must be differentiated from short-term debts, which only cover annual requirements and which are not included in the budget.

App9 – A Strong and Stable Shareholder Base

In case a member requests to leave

- Each shareholder member cannot leave before a minimum 10-year lock-up period;
- Following the 10-year period, no member will be allowed to leave Agence France Locale unless it has fully repaid its loans;
- All members shall remain guarantors of AFL up to the level of their outstanding medium and long term loans with AFL (principal, interest and incidentals) until they have fully repaid their loans;
- The leaving member is requested to find a new shareholder which has been approved by the Board of Directors of AFL - ST to acquire its shares.

In case of changes in the field of competences of a member local authority



*Initial Capital Contribution

App1O – targeting of specific local authorities

Disadvantaged local authorities means any local authority that meets certain criteria described below. This analysis is carried out on the basis of public data and statistics. In the scoreboard, a cross indicates that the criterion is met if the observed value exceeds the national average. This rule applies to all indicators, with the exception of the one concerning "municipalities in rural generation areas (zone de revitalisation rurale)" (ZRR). For the latter, the criterion is validated if the municipality is actually located in such a territory.

Type of local authority	Unemployment rate	Long-term unemployment rate	Poverty rate	% of the population living in Priority neighbourhood for urban policy	Municipalities in rural generation areas (ZRR)	Number of conditions to be considered as disadvantaged
Regions	X	X	X	X		3
Departments	X	X	X	X		3
EPCI	Metropolis	X		X	X	3
	Urban Community	X		X	X	3
	Conurbation authority	X		X	X	3
	Grouping of municipalities	X		X	X	2
Cities	X			X	X	1

Local authorities with an imbalance in rental housing supply and demand means a local authority in which access to affordable housing is compromised due to a lack of rental housing. This identification is based on the ABC zoning defined in Article D304-1 of the French Building and Housing Code, which classifies municipalities in the national territory into geographical areas according to the imbalance between housing supply and demand. The criteria selected according to the type of local authority are detailed below.

More information about ABC zoning here: [Zonage A, B, C](#)

Type of local authority		Criterion
Regions		Non-eligible
Departments		[Share of the population living in zone Abis, A or B1] > [national average]
EPCI	Metropolis	
	Urban Community	
	Conurbation authority	
	Grouping of municipalities	
Cities		Classification Abis, A or B1

App11 – The Company's Mission

“To embody a responsible finance to strengthen the local world's empowerment so as to better deliver the present and future needs of its inhabitants.”

Manifesto from member local authorities

“By creating the first bank that we wholly own and manage, we, the French local authorities, have taken a strong political step toward decentralization. Our institution, Agence France Locale, is not a financial institution like the others. Created by and for local authorities, it acts in a local context to strengthen our freedom, our ability to develop projects and our responsibility as public actors. Its culture of prudence prevents us from the dangers of the complexity and richness of its governance, and from abuses related to conflicts of interest. Its fundamental objective is to offer local authorities access to resources under the best conditions and with complete transparency. The principles of solidarity and equity guide us. Convinced that we will go further together, we wanted an agile institution that would appeal to all authorities, from the largest regions to the smallest towns. We see profit as a means to optimize public spending, not as an end in itself. Through AFL, we support a local environment committed to addressing social, economic and environmental challenges. The AFL strengthens our power to act, to carry out projects locally, for today and tomorrow, for the good of the people who live there. We are proud to have a bank that expresses growth as we see it, ever more responsible and sustainable. We are Agence France Locale.”



Amiens metropolis – Electric bus



October 26

