ANNUAL FINANCIAL REPORT

OF AFL
FOR THE PERIOD FROM
JANUARY 1 TO
31 DECEMBER 2022

EDITORIAL BY THE CHAIRPERSON OF THE MANAGEMENT BOARD

Yves Millardet, Chairperson of the AFL Management Board

"Russia's invasion of Ukraine on February 24, 2022, radically altered the economic and financial environment in Europe and world-wide. In the wake of the Covid-19 pandemic, this war on the EU's doorstep has had many and deep political, social, economic and financial implications.

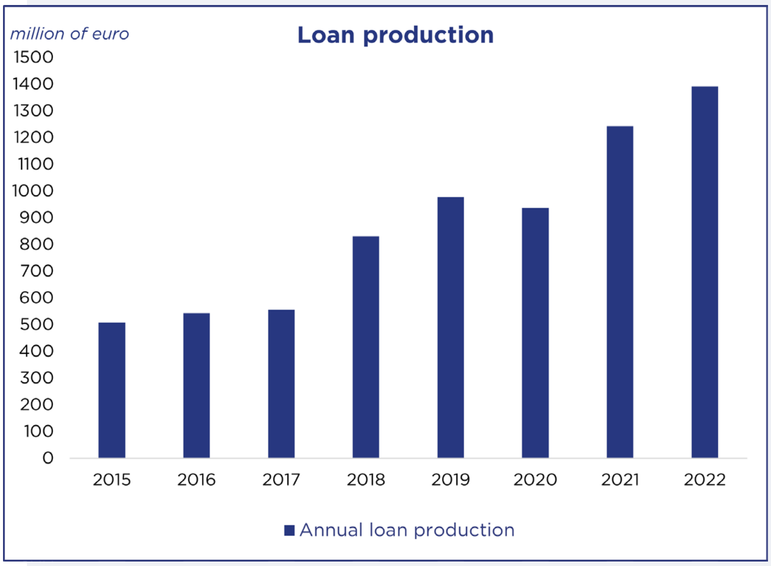
Problems with commodity trading inevitably pushed up prices, particularly energy prices. Also, in response to severe inflationary pressures in most developed economies, particularly in the European Union, central banks applied a hawkish strategy, drastically altering monetary policy.

In these circumstances, French local authorities have to make multiple transitions, including an economic transition to deal with the rise in energy prices and an energy transition to address climate change, as well as demographic, social and digital transitions.

As a vehicle for responsible local authority funding, AFL was able to continue its development by supporting its members in meeting their funding needs, by a further increase in the volume of new lending to its members, making it one of the leading bank lenders in the market. Meanwhile, the number of member local authorities continued its rapid expansion to 599 local authority shareholders, who together represent 23% of local public investment in France."

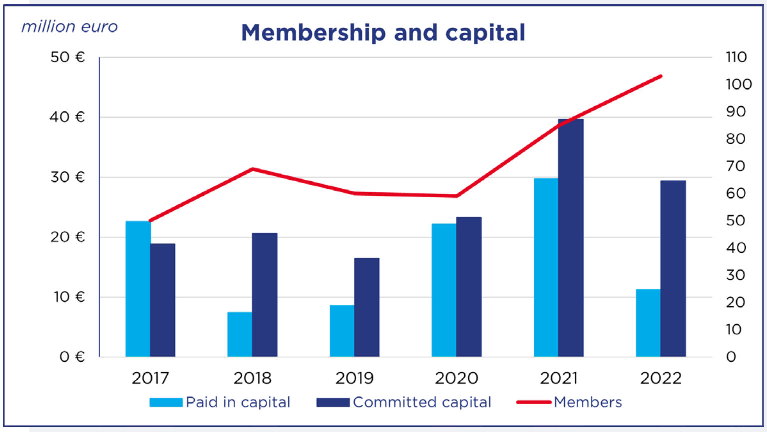
ACTIVITIES IN 2022

LOAN PRODUCTION



AFL's loan production totalled €1,391 million in 2022. Since AFL was founded, it has grown steadily year on year and at 31 December 2022 had total loans signed of more than €6 billion. The growth in loan production is emblematic of AFL's success since its creation.

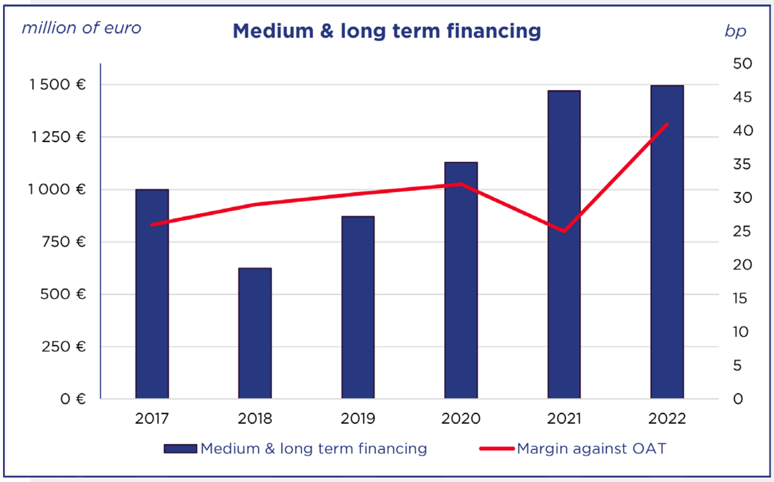
MEMBERSHIPS



In 2022, the number of new member local authorities increased by 103, the first year it has topped 100, to 599. Pledged capital consequently rose by €29.3 million to €272.1 million and paid-up capital by €11.2 million to €217.7 million. At 31 December 2022, five metropolitan regions, 14 metropolises and 12 departments are members of AFL, plus many other municipality groupings and municipalities of all sizes.

In terms of the loan book, AFL's members represented 22.9% of total borrowings by all French local authorities at 31 December 2022.

RESOURCES



In 2022, AFL raised funding on excellent terms thanks to stronger name-recognition for its debt on the euro market and faster reactivity in a market disrupted by geopolitical events and the withdrawal of non-conventional monetary policy measures.

KEY FIGURES

599

member local authorities

€272

million of capital pledged

€7

billion in loans granted

70%

success rate in tenders with member local authorities

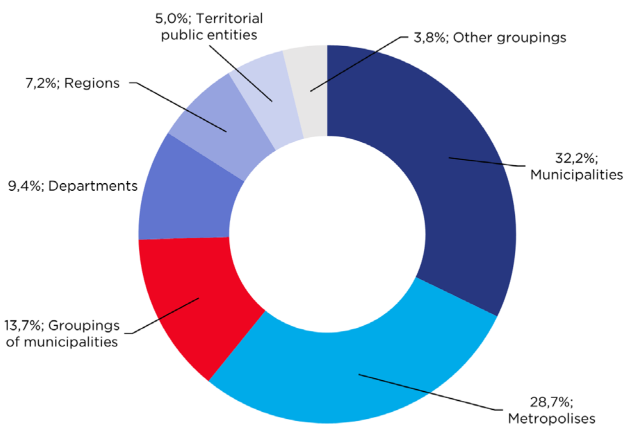
€8,1

billion raised on the markets

STATEMENT OF FINANCIAL POSITION AND NET INCOME

The growth in outstanding loans granted benefits all members of the AFL Group, regardless of their size and category. The smallest financing facility granted by AFL in 2022 amounts to €10,000 while the largest is €45 million.

Distribution of outstanding loans by member category (%)



AFL's capacity to raise market finance is growing year by year thanks to better placement of its debt, drawing on a greater number of – and stronger recognition by – domestic and international investors, as underlined by the success of the public issues in euros, the multiplication of private placements and the diversification into new currencies.

Thus, since 2015, AFL has been able to mobilize **€8.1 billion** from **282 investors** over a wide range of maturities.

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

It has used the system to raise €1 billion on debt markets since 2020, which was then relent to its members to fund investment in three main areas: basic social services, the energy and ecological transition, and sustainable infrastructure, thus directly contributing to meeting the UN sustainable development goals.

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GLOSSARY

ICC	Initial Capital Contribution
ACC	Additional Capital Contribution
ACPR	French Prudential Supervision and Resolution Authority
AFL	Agence France Locale
AFL-ST	Agence France Locale – Société Territoriale
ALM	Asset and Liability Management
AMF	Autorité des Marchés Financiers (French Financial Markets Authority)
ECB	European Central Bank
ARC	Audit and Risk Committee
ICC	Internal Control Committee
CET1	Common Equity Tier One
FGTC	French General Tax Code
GRC	Global Risk Committee
CAVC	Corporate added-value contribution
ALT	Average lifetime
EAPB	European Association of Public Banks
ECP	Euro Commercial Paper – short term corporate securities
EMTN	Euro Medium Term Notes - bonds
EPCI	Établissement public de coopération intercommunale (Groupings of municipalities)
LPE	Local public entity
TPE	Territorial public entities
HQLA	High quality liquid assets
DTA	Deferred tax assets
DTL	Deferred tax liabilities
IFRIC	IFRS Interpretations Committee
IMR	Initial margin requirement
LCR	Liquidity Coverage Ratio
NIM	Net interest margin
NSFR	Net Stable Funding Ratio
OAT	Obligations Assimilables du Trésor (French Treasury bonds)
NBI	Net banking income
GOP	Gross operating income
NI	Net income
RRD	Recovery and Resolution Directive
RWA	Risk weighted assets
SaaS	Software as a Service
NDS	Negotiable debt securities
TL-TRO	Targeted longer-term refinancing operations by the ECB
NPV	Net Present Value

I. The Company's Activity

1. Development strategy and model

Authorized by law no. 2013-672 of July 26, 2013, on the separation and regulation of banking activities and created on October 22, 2013, the Agence France Locale Group ("**AFL Group**") is organized around a dual structure consisting of Agence France Locale - Société Territoriale ("**AFL-ST**", the parent company with the status of financial holding company) and Agence France Locale ("**AFL**", the subsidiary, a specialized credit institution). The Agence France Locale Group is formed by the combination of these two companies. The purpose of its two-tier governance is to separate the operational management, handled by the specialized credit institution (AFL), from the shareholder representation, management of guarantees and the definition of strategic policies, handled by Société Territoriale (AFL-ST). This separation of responsibilities makes it possible to prevent conflicts of interest that may appear in the form of intervention by member local and regional authorities in AFL's day-to-day management activities, to ensure stakeholder accountability for their tasks, and to have adequate control and monitoring mechanisms.

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

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

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

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

1.1 A robust structure

AFL is an investment financing facility for local authorities in which they are the exclusive shareholders through Société Territoriale (AFL-ST), the majority shareholder and over 99.9% owner of AFL.
The optimization of financing costs in the capital markets is based on AFL's high credit rating, which is built on prudent financial policies, the quality of its balance sheet assets and a dual mechanism of explicit and irrevocable first-demand guarantees.

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

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

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

Second, the "**ST Guarantee**" granted by AFL-ST to any financial creditor of AFL, which allows creditor(s) to call on AFL-ST directly as guarantor. The ceiling of the "ST Guarantee" is set by the Board of Directors. It was increased from €5 billion to €10 billion by the Board of Directors on September 28, 2018, then to €15 billion by the Board of Directors on June 13, 2022. It covers all of the commitments of its AFL subsidiary to its beneficiary creditors. As of December 31, 2022, the amount of guaranteed securities issued by AFL, comprising debt issues and financial transactions with counterparties, amounted to €9.5 billion.

This dual mechanism means the beneficiaries of these guarantees[1] can simultaneously (i) call on the local authorities that are Group members as guarantors, and/or (ii) invoke the "ST Guarantee" which has the advantage of simplicity in the form of a single point of contact.

It should also be noted that, in compliance with its provisions of Articles of Association, the "ST Guarantee" may be invoked on the creditors' behalf at the request of AFL under the terms of a protocol between the two companies. The main purpose of this call mechanism is to be able to mobilize guarantees on behalf of creditors to prevent non-compliance with the regulatory ratios or a default event.

1.1 A very cautious liquidity policy

AFL has a liquidity policy with three objectives:

- The construction of a sufficient liquidity reserve to maintain operational activities, in particular lending activities, for a period of twelve months. This reserve is largely made up of liquid assets that can be mobilized for the regulatory liquidity coverage ratio (LCR).
- A funding strategy that encourages a diversity of debt instruments (including benchmark issues in euros traded in regulated markets, including Sustainable Bonds, public issues in foreign currencies, private placements, etc.) as well as the diversity of the investor base, both by type and geographical area;
- AFL closely monitors maturity gaps to reduce the risk of an unfavorable change in the cost of liquidity. It has undertaken to limit the difference in average maturity between its assets and liabilities to 12 months, with the possibility of extending it to 24 months over a maximum period of six months.

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

1.2 A customer-centric model

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

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

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

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

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

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

1.3 Rating of bonds issued by AFL

Since its creation, AFL has benefited from an excellent rating, recognizing the solidity of the model it embodies.

AFL's bond issuance program is equally rated by Moody's and Standard & Poor's.

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

1.4 General ESEF information

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

2. Review of activities over the 2022 financial year and highlights

2.1 Economic and financial environment

Economic and market situation

After 2021 brought a sharp economic rebound from the 2020 Covid-19 crisis, 2022 was dominated by three events: Russia's attempted invasion of Ukraine, strong inflationary pressure across the globe and a drastic change of monetary policy by all the major central banks.

February 24, 2022 marked a watershed in European geopolitics as it had existed since the early 1990s, changing the balance of commodity markets and fuelling a general rise in inflation. This environment brought the announcement of the end of the non-conventional monetary policy measures that had been introduced and strengthened since the great financial crisis of 2008/2009, and a rapid raising of policy rates to forestall the risk of a sharp and uncontrolled price spiral.

Despite the vigorous monetary policy tightening unleashed by central banks, economic forecasts for OECD countries suggest economies are holding up well and employment remains high. According to the latest Eurostat forecasts (February 2023 Interim Economic Forecast), which is full of community-wide economic data, nearly one year on from the outbreak of the Russo-Ukrainian conflict, the European Union's economy began 2023 in better shape than was being predicted as recently as autumn 2022. The Winter 2023 Interim Economic Forecast upgrades the annual growth outlook to 0.8% for the EU as a whole and 0.9% for the euro zone. Both regions now look set to narrowly escape the technical recession that had been forecast for the start of the year. The same forecasts slightly lowered their inflation projections in both 2023 and 2024. From 9.2% in 2022, headline inflation in the EU should drop back to 6.4% in 2023, then 2.8% in 2024. In the euro zone, it should slow from 8.4% in 2022 to 5.6% in 2023, then 2.5% in 2024

Financial position of local authorities

The healthy finances of local authorities at end-2021 was accompanied by increasing diversity in the local world. Local authorities in 2022 had to deal with an environment market by, on the one hand, the consequences of the Russo-Ukrainian war, prompting a deterioration in the economic outlook and high inflation, and, on the other, by reforms to the local authorities themselves such as the increase in the salary levels of regional civil servants and major changes to the structure of local taxes. Against this background, the direction of local authorities' finances depends, first, on the trends in their operating receipts and expenses and, second, on their borrowing costs and constraints on local investment.

At December 31, 2022, despite the challenging environment, the *Situation mensuelle des collectivités locales* (monthly report on local authorities) for end-December 2022 published by the DGFiP[2] found the budget pathway looking generally healthy. Projections suggested operational receipts would rise by 4.3% in real terms in 2022, outstripping real operating expenses (+3.8%). The vigour of operating receipts is mainly explained by the increase in tax receipts (+4.8%). Operating expenses are being driven upward by employee expenses (+4.9%) and purchasing and external expenses (+8%). The result was a 7.7% increase in the savings capacity for local authorities as a whole in 2022. Capital expenditure is set to rise at every tier of local government: +1.3% in regions, +2.8% for departments and +7.1% for the municipal block.

In addition to the good management of local authorities, this resilience is also the result of significant support from the State.

2.1 Loan production

The production of medium- and long-term loans by AFL in 2022 amounted to €1,392 million compared to €1,243 million in 2021 for a total of 317 loan contracts compared to 286 in 2021. This latest 12% rise in loan production volumes year-on-year underlines the continuing steady growth trend driven by a regular influx of new member local authorities joining AFL Group. The average maturity of medium- to long-term loans produced in 2022 was 19.6 years compared to 19 years in 2021, almost unchanged year-on-year. This high average term is notably explained by the increase in the number of inter-municipality bodies (*syndicats*) borrowing from AFL, as they generally make long-term investments. In addition to medium-term loans, €200.8 million in lines of credits were produced, compared with €103.5 million in 2021.

At the end of the financial year, outstanding customer loans, expressed in accordance with French accounting standards, amounted to €5,331 million in loans provided and €810 million in financing commitments, making total commitments of €6,141 million, which also includes credit lines.

The increase in AFL's loan production in 2022 happened against a background of healthy momentum in recourse to borrowing by local authorities, which began in 2020 as part of an increase in investment spending by public authorities in the months following the outbreak of the Covid-19 crisis.

2.2 Membership

- Continuous development

AFL Group had 599 members at December 31, 2022.

[2] Source : https://www.collectivites-locales.gouv.fr/situation-mensuelle-comptable-des-collectivites-locales-la-fin-du-mois-de-decembre-2022

Disclaimer: Provisional data aggregated for all principal budgets of local authorities that does not allow for definitive conclusions on the financial health of local authorities and, importantly, masks disparities between and within each tier of local authorities.

103 new local authorities joined the AFL Group during 2022, including the Nouvelle Aquitaine region and the department of Haute Garonne. At the date of this report, 599 local authorities are shareholders, including 6 regions, 12 departments, 449 municipalities and 132 municipality groupings, including 14 cities, 6 territorial public entities, 5 urban communities, 31 suburban communities, 48 municipality communities and 28 syndicats.

The arrival of new shareholders in 2022 increased capital pledged[3] by €29.3 million, bringing the total to €272.1 million. As of December 31, 2021, the share capital of AFL-ST was increased to €217,658,200 and that of AFL to €207,600,000.

The table below shows the breakdown of AFL-ST's share capital and voting rights by category of local authority as of December 31, 2022 after the 34th capital increase.

Figures in € thousands	Nulmber	Committed capital	Paid in capital	% of capital and voting powers
Region	6	68 187	28 534	13,11%
Department	12	39 059	34 781	15,98%
Municipalities	449	56 814	52 774	24,25%
Groupings	132	108 086	101 569	46,66%
Metropolises	*14*	*73 565*	*70 692*	*32,48%*
Territorial public entities	*6*	*6 077*	*5 467*	*2,51%*
Urban communities	*5*	*3 546*	*3 520*	*1,62%*
Suburban communities	*31*	*10 391*	*8 225*	*3,78%*
Municipality communities	*48*	*2 187*	*1 748*	*0,80%*
Other groupings	*28*	*12 319*	*11 916*	*5,47%*
TOTAL	**599**	**272 145**	**217 658**	**100%**

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

2.3 CSR strategy

AFL is implementing a CSR strategy that is grounded in its corporate purpose, which reflects the aims of its local authority founders and shareholders.

The strategy takes several forms:

The AFL Group has a well developed governance approach based on the two companies that make up the Group: AFL and AFL-ST. AFL Group seeks to apply this governance in a way that puts local authorities at the heart of the bank's strategy, with powers, checks and balances that respect the roles of each partner, in full awareness of the issues of running a specialist credit institution, and best meets the challenges faced by the local public sector.

AFL stands alongside local authorities as they make their transitions by lending the financing they need on the best possible terms. To this end, the AFL issues sustainable bonds on the financial markets. As an integral part of the French local public ecosystem, it conducts and publishes studies on issues related to transition financing.

AFL is aware of the risks that future developments are likely to generate and understands how to manage them. It also seeks to apply responsible practices in day-to-day operations, taking account of their impact for stakeholders and the environment.

2.4 The Company's financial market operations

- The Company's borrowing program

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

AFL's medium- and long-term borrowing program for 2022, approved by the Supervisory Board on December 13, 2021, was set at a maximum of €1.2 billion (unchanged from 2021) plus €300 million allocated to pre-finance the borrowing program for 2022.

- Bond issues

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

For the first time since its launch, AFL held two syndicated issues in the same year, both denominated in euros and totalling €500 million each: a 7-year sustainable bond issue paying 25 basis points over the OAT curve and a 9-year bond paying 53 basis points over the OAT curve. In addition to these two issues the bank held a syndicated issue in pounds sterling, its first ever syndicated issue in a non-euro currency. Besides these, AFL carried out a number of private placements to optimise the maturity profile of its debts and financing costs.

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

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

In addition to AFL's medium- to long-term borrowing program, it was authorized to issue €500 million of commercial paper under its 2022 ECP program, a similar amount to that for 2021.

AFL held several ECP issues in euros and foreign currencies under this program during the period in order to optimize its cash management.

These issues were placed on favourable terms at a rate below the ECB deposit rate.

Average ECP outstandings in 2022 amounted to €252 million.

2.5 Results of the past financial year – Key IFRS figures

NBI for the 2022 financial year amounted to €17,569 thousand compared to €13,960 thousand for the 2021 financial year. This change is explained by the following factors: firstly, the sharp increase in net interest margin, from €12,715 thousand at December 31, 2021 to €15,602 thousand at December 31, 2022; secondly, gains on disposal, up to €1,467 thousand at December 31, 2022 compared to €806 thousand at December 31, 2021; and thirdly, net income from hedge accounting of €367 thousand.

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

General operating expenses for the period were €12,513 thousand as of December 31, 2022 compared to €11,517 thousand for the previous year, restated for the effect of applying the IFRIC[4] decision on software used in SaaS mode. After depreciation and amortization allowances of €866 thousand, compared to €753 thousand at December 31, 2021, gross operating income was €4,190 thousand compared to €1,852 thousand at December 31, 2021.

The cost of risk, based on ex-ante impairment provisions taken against expected losses on financial assets under IFRS 9, increased to €404 thousand compared to €95 thousand for 2021. This change is mainly explained by the increase in outstanding loans and the change in weighting of the macroeconomic scenarios underlying the model for calculating provisions, which factors in the estimated impact of geopolitical developments on AFL's total liabilities. For other financial assets, the amount of impairment increased, albeit modestly, driven by the increase in volumes of securities and deposits made by AFL. Most deposits are at the Banque de France and, because of their very short maturity, rarely suffer impairment. In total, the stock of ex ante provisions increased to €1,275 thousand compared to €871 thousand at December 31, 2021.

[4] IFRS Interpretations Committee: a body that is part of the International Accounting Standard Board (IASB) and is responsible for interpreting International Financial Reporting Standards (IFRS).

For the third consecutive year in 2022 AFL generated positive net income of €2,758 thousand compared to €1,609 thousand for 2021, once restated for application of the IFRIC 2021 decision on the treatment of configuration and customization costs in a SaaS arrangement. This confirms AFL's solid development momentum and its resilience in a troubled economic and financial environment.

3. Significant events since the end of the financial year

3.1 Market operations

AFL’s medium- and long-term borrowing program for 2023, approved by the Supervisory Board on December 5, 2022, was set at a maximum amount of €2 billion, including €500 million allocated to pre-finance the borrowing program for 2023.

Since the beginning of the year, AFL has held several bond issues under the EMTN program including a new €750 million euro-denominated syndicated issue, two taps of the 2025 pounds sterling line, a private placement in US dollars and a 15-year private placement in euros. A total of €1,069 million was raised, at a weighted average margin of 54 basis points over OAT.

The placement of the new €750 million euro-denominated syndicated issue at 7 years was made via a book-building process that raised more than €1.9 billion from more than 60 investors, confirming the attractiveness of AFL's name on the bond market, at a margin of 57 basis points above the OAT curve.

3.2 Increase in share capital

On February 6, 2023 AFL Group launched a 35th capital increase, which closed on March 14, 2023. This new capital increase brought 19 new member authorities into the Group, taking the total number of members to 618 and AFL-ST's share capital to €220,746,500. As a result, AFL's share capital is now 210,600 thousand euros.

Among the new local authorities joining AFL through this capital increase are the City of Quimper, the urban community (*Communauté d’agglomération*) of Quimper Bretagne Occidentale, the urban community of Cotentin, the City of Gentilly and the City of Vandœuvre-lès-Nancy.

3.3 Capital markets

The banking crisis now sweeping the industry seems to be affecting financial institutions that are not rate-hedged and whose liabilities include a major portion of sight deposits. Note that AFL's balance sheet is hedged against interest rate risk and that its liabilities include no sight deposits.

4. Expected situations and future prospects

The AFL is now in its ninth year in business and continues to develop, with new member local authorities joining, a steady, rapid and balanced increase in both loan production and the take-up by its members.

The result has been a rapid increase in the size of AFL's balance sheet, a trend that can reasonably be expected to continue over the next few years. The previously steady trend in membership has entered a new stage since 2020, with more than 100 new members joining in 2022. As a consequence, the year-on-year increase in loans granted to members leads AFL to make increasing calls on the capital markets.

Since 2020, following the law of December 27, 2019 on commitment to local life and proximity in public measures (the Commitment and Proximity Law), which expanded the scope of entities authorized to join the AFL Group, ever more syndicats have been joining the AFL Group each year, which has the effect of increasing demand for long-term loans to finance their infrastructure expenses.

With the gradual introduction of measures to accommodate different types of local public bodies, new local authorities are expected to join the AFL Group, contributing to its continued development.

Also, the strongly resilient financial position of local authorities, following the 2020 Covid crisis, provides a source of security and robustness for AFL as it means local authorities retain considerable scope for borrowing and can maintain a rapid pace of capital expenditure.

II. Balance sheet assets as of December 31, 2022 (IFRS)

As of December 31, 2022, AFL's assets consisted of steadily growing loans to member local authorities, and assets, mainly in the form of securities, held in the Company's liquidity reserve and in Banque de France deposits.

Excerpts of main assets (IFRS)

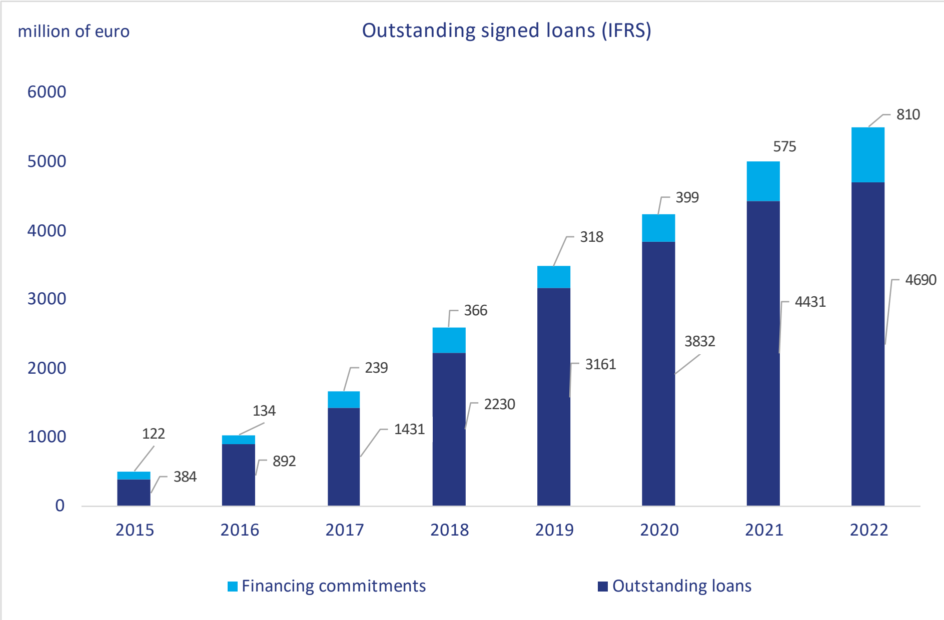
In thousands of euros	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec.31 2019	Dec. 31 2018
Loans and customer transactions	4 690 415	4 431 048	3 831 563	3 160 500	2 229 911
Securities at fair value through other comprehensive in	707 306	721 146	614 697	535 900	502 487
Securities held at amortized cost	256 891	205 979	166 864	135 387	175 152
Loans and receivables due from credit institution	93 151	217 554	196 955	110 632	57 101
Margin calls	177 604	50 195	49 954	79 190	52 841
Cash and central banks	1 134 411	1 175 917	601 746	165 604	121 650
Hedging derivative instruments	912 259	172 891	211 916	130 957	44 661

1. Loans granted to local authorities

The loan portfolio, recognized at amortized cost of the assets on AFL's balance sheet, represents an outstanding amount of €4,690 million at December 31, 2022 compared to €4,431 million at December 31, 2021 after taking into account the impact of changes in interest rates through hedge accounting. This portfolio must be supplemented by loans signed but not disbursed and which appear off-balance sheet, in order to have a full view of AFL's outstanding loans. At December 31, 2022, the amount of financing commitments recorded off-balance sheet amounted to €810 million compared to €575 million at December 31, 2021. Accordingly, at December 31, 2022, total credit commitments to local authorities carried by AFL amounted to €5,501 million compared to €5,006 million at December 31, 2021. This apparently modest increase in outstanding loans compared to actual loan production during 2022 is explained by the impact of increased interest rates on hedge accounting.

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

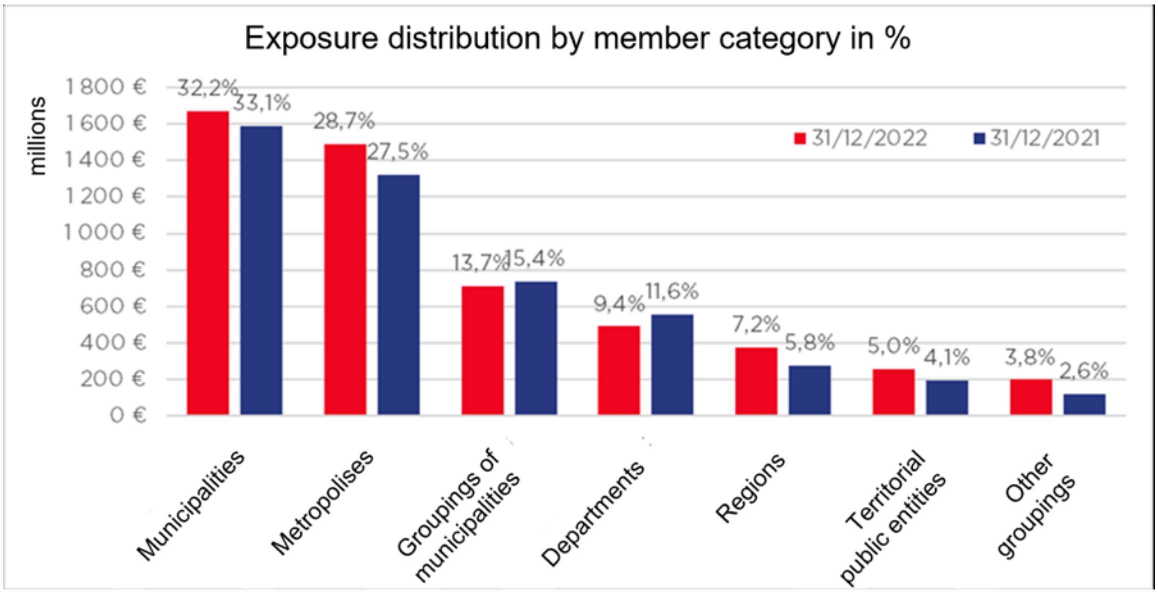
Outstanding loans at December 31, 2022



AFL lends exclusively to French local authorities, groups of local authorities and local public entities that are shareholders of AFL-ST. At December 31, 2022, 79% of the loan portfolio was made up of exposures to the municipal block, a level similar to that at December 31, 2021, of which 42% is to own-tax groups and 29% to metropolitan areas. Exposure to departments amounted to 9.4%, a fall compared to the end of the previous financial year, and 7.2% to the regions, an increase on the year. Exposure to syndicats, eligible for AFL-ST membership since the end of May 2020, continues to grow rapidly, to 3.8% at December 31, 2022, totalling €198.2 million, compared to €122.8 million at December 31, 2021.

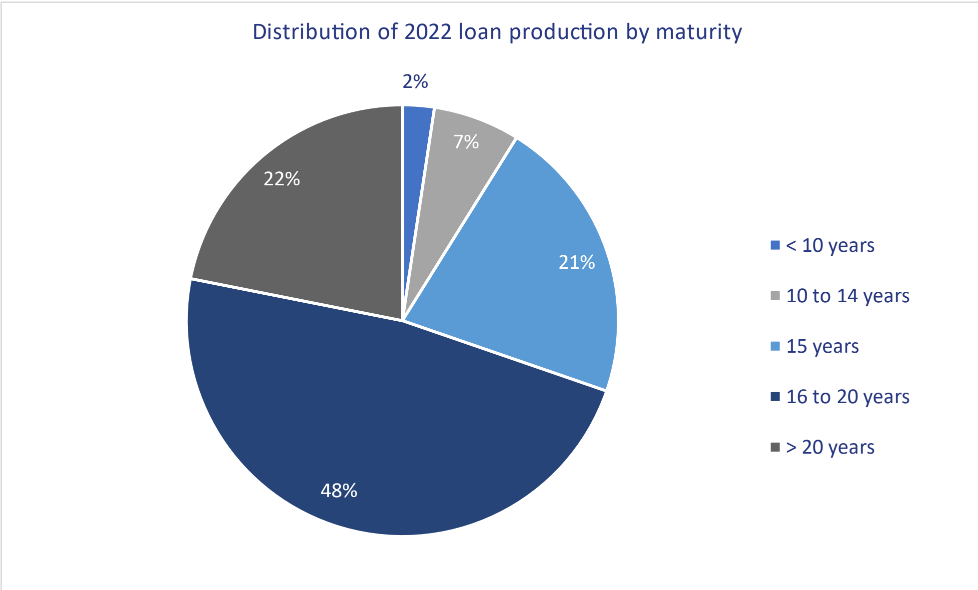
The chart below shows change in exposure by category of local authorities between 2021 and 2022 in millions of euros and percentage.

Exposures by member's type



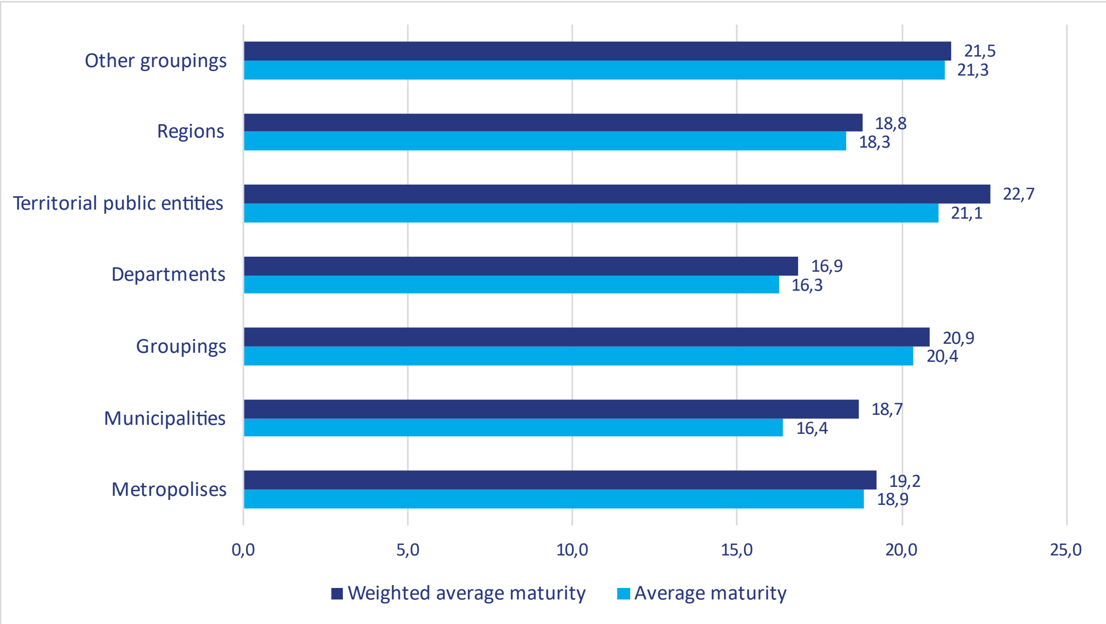
As shown in the chart below, 76% of the loans produced by AFL in 2022 have a maturity of between 10 and 20 years, including 21% at 15 years, compared to 35% in 2021. 2% of production was in loans maturing in less than 10 years, against 3% in 2021, and 22% on loans maturing in over 20 years, against 18% in 2021. This breakdown shows a continuation of the trend, begun in 2020, toward longer average maturity in new loans in 2022.

Breakdown of the production of loans to local authorities by maturity in 2022



The graph below shows, as of December 31, 2022, by category of local authority, the average maturities and volume-weighted average maturities of AFL loans produced in 2022. There is considerable consistency from one category to another, with the exception of syndicats and TPEs whose average loan maturity, weighted or not by volume, is longer than for the other categories.

Average maturity of loan production in 2022 by local authority segment (in years)



2. Liquidity reserve

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

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

As of December 31, 2022, the assets comprising the liquidity reserve amounted to €2,192 million compared to €2,321 million at December 31, 2021. This liquidity reserve is divided into two main segments:

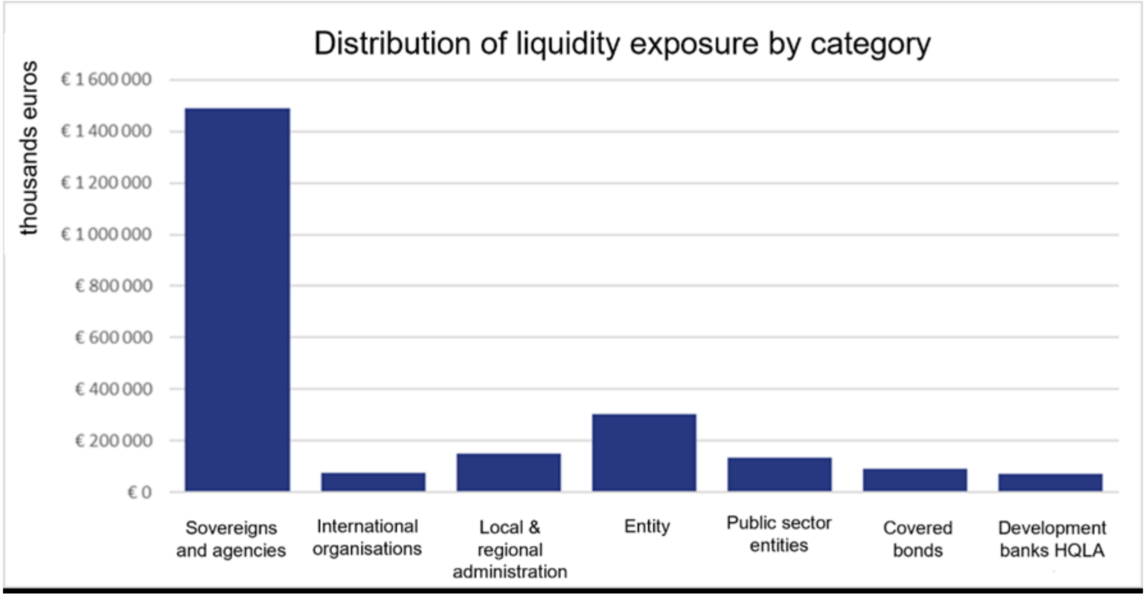
- One segment invested in very short-term instruments, and comprising debt securities, deposits on nostri accounts, term accounts, and deposits with the Banque de France for a total of €1,228 million[5];
- One segment consisting mainly but not exclusively of HQLA-accredited securities, due to their high rating and high degree of liquidity for a total of €927.1 million[6].

[5] €1,134 million of central bank deposits, €271 million of bank deposits less €178 million of margin calls paid
[6]€707 million of securities at fair value through OCI and €257 million of securities at amortized cost

Due to the investments carried out as part of the liquidity reserve, AFL supports a credit risk on the issuers of assets that it acquires or exposures that it takes. However, this credit risk is limited in view of the quality of the counterparties, which all enjoy excellent rating levels from the major rating agencies. As of December 31, 2022, 80% of the liquidity reserve consisted of so-called "HQLA" assets, with a predominance of sovereign and supranational agencies, public agencies and development banks. The remaining 20% mainly represents nostri accounts, term deposits with banks as well as some securities exposures to the banking sector. The securities acquired as part of the liquidity reserve include securities issued or guaranteed by the French State, or States of the European Economic Area or third countries with very high credit ratings, or supranational institutions with high ratings, as well as securities issued by financial institutions, some of which are guaranteed by European States.

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

Breakdown of liquidity reserve exposures by type of counterparty[7]

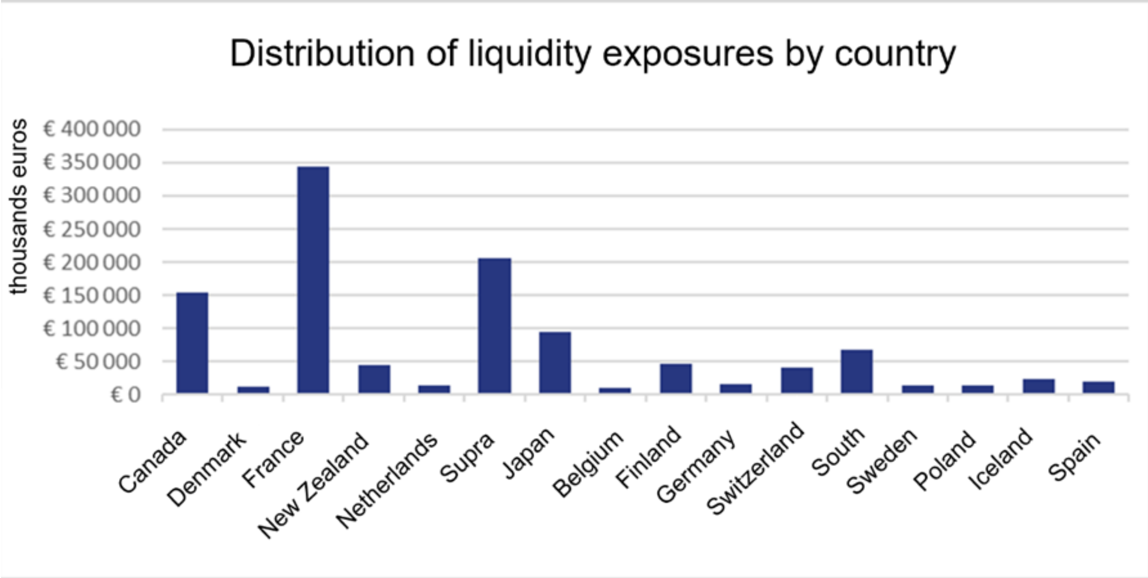


As shown in the graph below, the assets making up the liquidity reserve relate mainly to French issuers but also include European and international issuers. The high proportion for France is explained by deposits with the Banque de France, which represent €1,134 million of the total €2,192 million indicated above.

Aside from deposits at the Banque de France, the liquidity reserve is highly diversified, particularly the securities portfolio, which provides strong resilience in market conditions that are severely disrupted by geopolitics and the tightening of monetary policies.

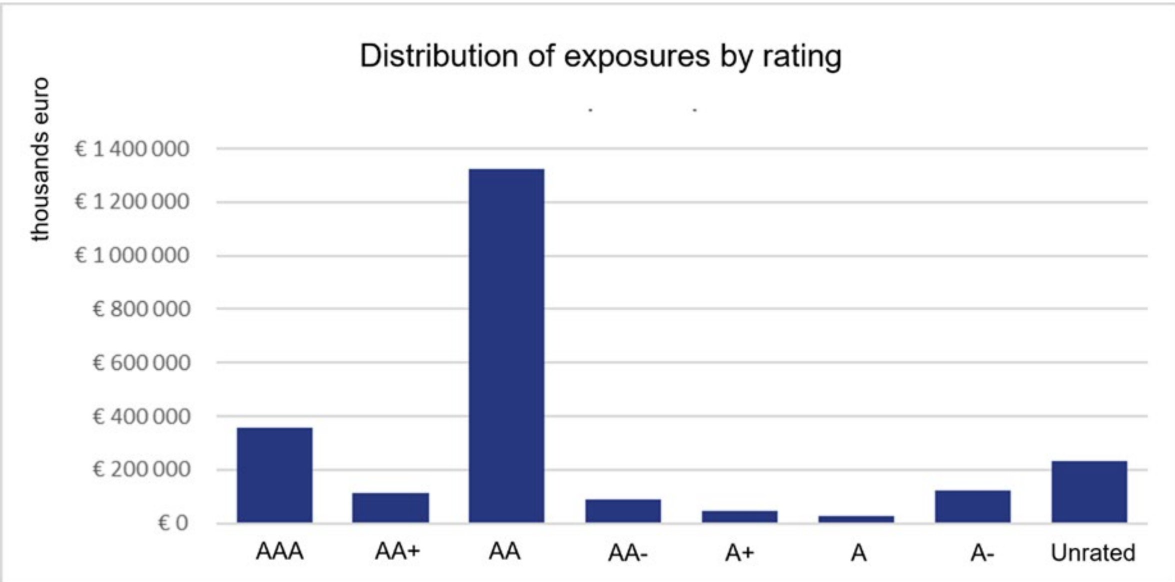
[7] Public developmentcredit institutions (see the European Commission Delegated Act on the Liquidity Coverage Ratio of October 10, 2014[4] and CRR2 published on June 7, 2019) are a category of financial institutions eligible for HQLA classification by virtue of their specific features.

Breakdown of liquidity reserve exposures by country



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

Breakdown of liquidity reserve exposures by rating



3. Margin calls paid

Excluding loans to local authorities and assets in the liquidity reserve, the bulk of the remaining financial assets on AFL's balance sheet comprise margin calls on its interest rate and currency hedging derivatives of €177.6 million against €50.2 million at December 31, 2021. This amount comprises the IMR[8] for clearing interest rate swaps at clearing house LCH Clearnet (AFL clears almost all the interest rate derivatives it contracts), totalling €40 million, and margin calls on cross currency swaps to hedge foreign currency-denominated instruments on AFL's balance sheet, totalling €137.6 million. The increase in margin calls between 2021 and 2022 solely reflects movements in currencies against the euro.

[8] Initial margin requirement

4. Subsidiaries and shareholdings

4.1. Activities of Company subsidiaries and companies under its control

AFL has no subsidiaries or shareholdings in other companies.

4.2. Equity investments and takeovers

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

Nor did AFL control any company as defined by Article L.233-3 of the French Commercial Code at December 31, 2022. Therefore, no treasury shares are held by a controlled company.

4.3. Cross-shareholdings

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

5. Returns on assets

As AFL's net income at December 31, 2022 was positive under both French and IFRS standards, the return on assets was consequently positive. The growth in AFL's banking activities has led to a significant increase in outstanding loans to local authorities and, for the third successive year, interest received net of interest paid covers all of the Company's current operating expenses, depreciation and amortization, resulting in an increase in net income. In addition to these revenues, there are non-recurring revenues, which correspond to capital gains on the disposal of securities and contribute to AFL's profitability.

Return on assets, measured as net interest margin as a proportion of the liquidity reserve and net debt outstanding, was 9.7% at December 31, 2022, compared to 8.1% at December 31, 2021, in an environment of highly volatile interest rates.

III. Balance sheet liabilities and debt management (IFRS)

AFL's liabilities consist mainly of debts incurred in connection with bonds issued since the beginning of AFL's activities that have not yet matured. At the end of 2022, outstanding debt recorded at amortized cost amounted to €6,589 million, compared with €6,572 million at December 31, 2021, after taking into account the effect of the changes in interest rates since the issue dates under hedge accounting rules.

After the three AFL capital increases in 2022, subscribed capital stood at €207.6 million, compared with €196.8 million at December 31, 2021, and IFRS equity capital amounted to €187.3 million, compared with €179.7 million at December 31, 2021.

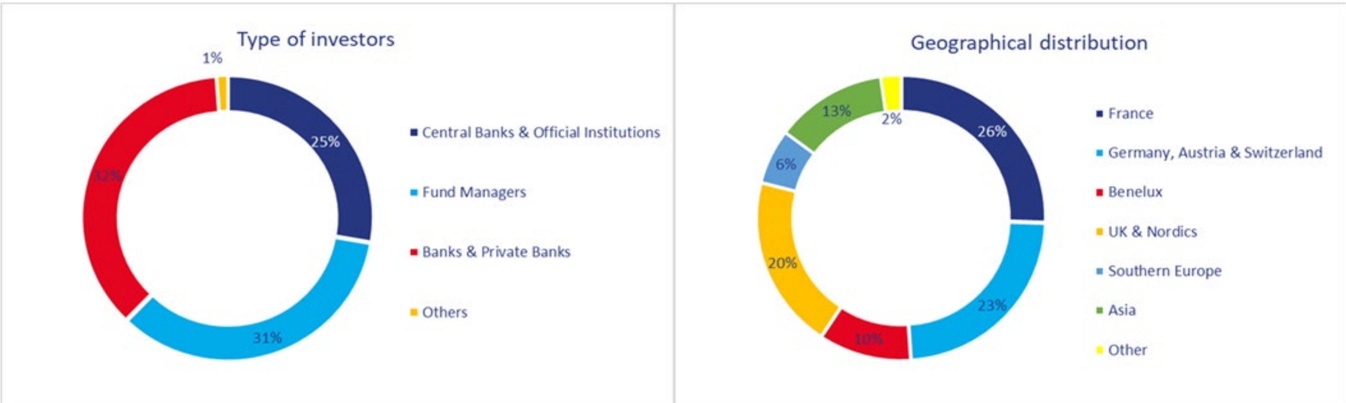
Excerpts of the main liabilities (IFRS)

In thousands of euros	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec.31 2019	Dec. 31 2018
Debt securities issue	6 589 082	6 571 730	5 295 982	4 036 974	2 996 909
Equity	187 333	179 698	149 728	123 854	117 309
Following the decision of IFRIC about software use in Saas mode, equity was modified as at December 31, 2021					

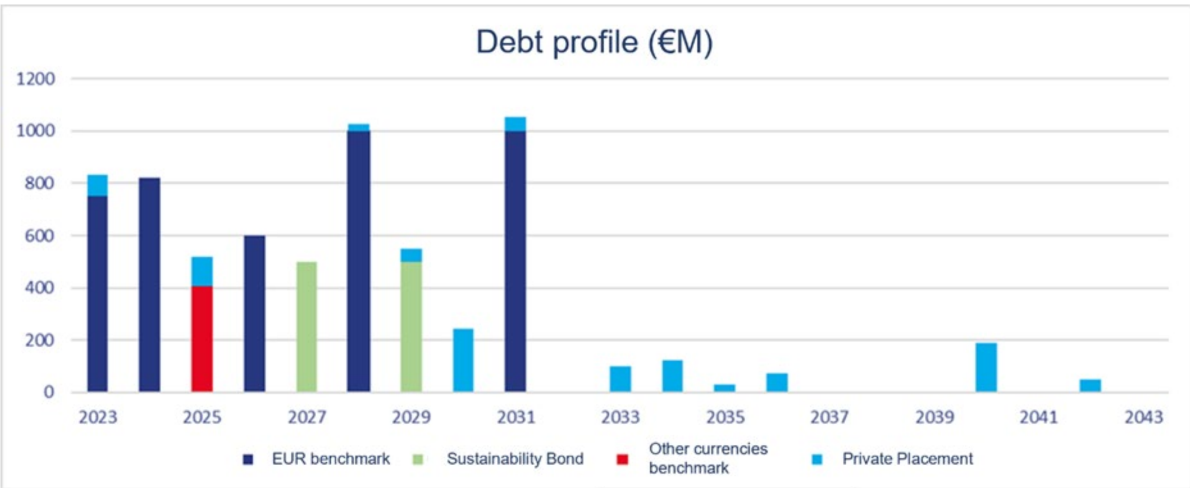
1. Financial debt of AFL

AFL's balance sheet debt portfolio totaled €6,589 million at December 31, 2022 and is made up of bonds issued by AFL to finance its lending growth and its liquidity reserve in line with its financial policies. The portfolio consists of benchmark-sized syndicated issues denominated in euros. AFL has held one new issue of this type each year since its foundation except for 2022 when it held two. Since 2022, it has also held a syndicated issue denominated in pounds sterling, private placements in either euros or foreign currencies, including the US dollar, Australian dollar and Swedish krona. The mix of instruments reflects AFL's issuance strategy, which prioritises benchmark-sized syndicated issues denominated in euros in order to establish its name on the markets and so secure access to the financial resources needed for its development on a sustainable basis, while conducting private placements in euros or foreign currencies, when demand permits. Private placements are sources of finance that offer a very valuable supplement to syndicated issues by further diversifying the placement of AFL debt, usually on optimized cost and maturity terms. The breakdown of the portfolio of public issues denominated in euros is shown in the charts below.

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



At December 31, 2022, the average life to maturity of AFL's debt was 5.35 years, compared with 5.30 years at December 31, 2021. The debt maturity profile is shown in the graph below:



2. Breakdown of accounts payable

The figures presented below refer to the breakdown at the end of the financial year ended December 31, 2022 of the balance of debts to AFL suppliers, in accordance with Article D. 441-4 of the French Commercial Code. Accounts payable are characterized by a settlement period of less than 30 days.

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

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

Total trade payables (including tax in euro)				
Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec.31 2019	Dec. 31 2018
888 766 €	1 043 284 €	1 464 312 €	1 101 026€	490 869€

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

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

Invoices overdue during the financial year						
	Article D.441-6 II : Invoices received having experienced a payment delay during					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total invoices (1 day or more)
(A) Late payment tranches						
Number of invoices concerned	994	37	10	8	19	74
Total amount of invoices concerned excl. tax	7 666 489 €	163 572 €	87 584 €	9 108 €	43 807 €	304 071 €
Percentage of the total amount of purchases excl. tax for the financial year	96,19%	2,05%	1,10%	0,11%	0,55%	3,81%
Percentage of revenue excl. Tax for the financial year	55,23%	1,18%	0,63%	0,07%	0,32%	2,19%
(B) Invoices excluded from (A) relating to disputed or unrecognised debts						
Number of invoices excluded						
Amount of invoices excluded						
(C) Reference payment periods used (contractual or legal period - Article L.441-6 or Article L.443-1 of the French Commercial Code)						
Payment periods used to calculate late payments	Contractual					

3. Margin calls received

Excluding debt instruments, the balance of financial liabilities on AFL's balance sheet consists of margin calls on interest rate hedges that are received from the clearing house, LCH Clearnet. These margin calls received amounted to €102.4 million at December 31, 2022, compared with €5.4 million at December 31, 2021. The change is explained by the sharp rise in interest rates. AFL is structurally a fixed-rate payer and therefore receives margin calls in the event of a rate increase. However, this structural position is limited as AFL's balance sheet includes a set of payer and receiver interest rate hedges that broadly offset each other.

IV. Profit (loss) for the period ended December 31, 2022

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

The annual financial statements were prepared in accordance with French GAAP, unchanged from the previous financial year, and in accordance with the provisions of the general accounting plan for credit institutions. AFL also prepared IFRS financial statements, on a voluntary basis, for the financial year ended December 31, 2022, which are discussed in this report.

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

1. French GAAP financial statements

Key events of the past financial year

2022 marks a further significant increase in AFL's lending business, in accordance with the Company's development trajectory under its 2022-2026 strategic plan. Earnings growth excluding non-recurring items reflects the strong trend in revenue generation momentum from loan production since 2015, when AFL began lending, and is attested to by the regular and continuous increase in the value of loans granted to member local authorities.

The production of medium- and long-term loans by AFL in 2022 amounted to €1,391.5 million compared to €1,243 million a year earlier. Production rose despite the constraints resulting from application of the usury rate (official cap on interest rates on loans) and a sharp rise in interest rates.

At the end of the 2022 financial year, NBI generated by the activity was €13,842 thousand. NBI in 2022 mainly corresponds to a net interest margin of €15,790 thousand, up 24.7% on 2021 (€12,659 thousand), capital gains on the sale of investment securities of €1,467 thousand (€806 thousand in 2021), deriving from management of the liquidity reserve, and provisions for impairment of investment securities of €3,565 thousand (€360 thousand in 2021). The increase in provisions for impairment of investment securities was due to the deterioration in credit margins on investment portfolio securities as a result of the tightening of monetary policy, involving both a surge in key interest rates and the end of asset purchase programs.

Indeed, in accordance with the principle of prudence that governs French accounting standards, impairments on short-term investment securities were recorded in 2022. That said, these provisions cannot be taken as indicators of proven counterparty risk.

The interest margin of €15,790 thousand achieved in 2022 saw a significant change in its composition due to the end of the period of negative interest rates. The sharp rise in the 3-month Euribor against which most of AFL's exposures are swapped automatically drove up interest income on assets, particularly in the loan portfolio where interest income was €31,182 thousand at December 31, 2022, compared to €3,856 thousand at December 31, 2021. Conversely, interest on borrowings after hedging interest were again a net cost in 2022, totalling -€18,033 thousand compared to +€18,909 thousand income at December 31, 2021, when interest rates were negative.

The growth in interest income on the loan portfolio is also partly due to an increase in the total of outstanding loans and positive returns on rate-hedged loans representing equity capital.

Regarding interest income from management of the liquidity reserve, the rise in interest rates and their return to positive territory also led to positive returns on assets in the liquidity reserve of €2,646 thousand, compared to a -€9,834 thousand cost at December 31, 2021.

During the period, management of the liquidity reserve portfolio generated income of €1,467 thousand from the disposal of short-term investment securities, net of €8,617 thousand from cancelling rate-hedging instruments on the securities sold. For comparison, 2021 generated €806 thousand net capital gains on disposal.

For the financial year ended December 31, 2022, general operating expenses came to €12,428 thousand, compared to €11,292 thousand as of December 31, 2021. They include employee benefits expenses of €6,152 thousand, against €5,931 thousand at December 31, 2021, and administrative expenses of €6,276 thousand against €5,360 thousand at December 31, 2021, after re-invoicing between AFL and AFT-ST and deferred charges.

The increase in operating expenses is due to the following items:

- A significant increase in taxes and mandatory contributions from €464 thousand to €1,169 thousand at December 31, 2022, compared with €705 thousand at December 31, 2021. The main factors behind the increase were a €449 thousand contribution to the single resolution fund (SRF) and, to a lesser extent, a €35 thousand increase in the C3S (companies social solidarity contribution).

- Payroll costs rose from €221 thousand to €6,152 thousand at December 31, 2022, compared with €5,931 thousand at December 31, 2021. This development was mainly the result of recruitment and a bonus paid to employees to mitigate the effects of inflation.

- External services increased by €375 thousand to €6,491 thousand at December 31, 2022, compared with €6,116 thousand at December 31, 2021, mainly due to IT costs.

At the end of the financial year, depreciation and amortization was €1,065 thousand compared to €818 thousand at December 31, 2021, an increase of €247 thousand. This trend in depreciation and amortization mainly reflects ongoing investment in IT systems.

Net income at December 31, 2022 was €348 thousand, a reduction from the €2,073 reported in 2021 when securities provisions were just €360 thousand provision compared to €3,565 thousand in 2022.

Revenue generated by AFL's recurring activities increased rapidly and covered all operating expenses, depreciation and amortisation for the third consecutive year. At December 31, 2022, the cost/income ratio, calculated on the basis of AFL's recurring income, was 85.5%, compared with 95.7% at December 31, 2021.

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

Transition from French GAAP to IFRS

Transition from French GAAP to IFRS (in thousands of euros)	31-déc-22
Net profit under French GAAP	**348**
IFRS restatements	
Cancellation of provisions for unrealized losses on investment securities	3 565
IFRS 9 impairment losses	- 404
Hedging inefficiencies of financial instruments	367
Deferred tax adjustments	- 1 029
Other treatments	- 90
Net profit under IFRS	**2 758**

2. IFRS financial statements

Key events of the past financial year

2022 marks a further significant increase in AFL's lending business, in accordance with the Company's development trajectory under its 2022-2026 strategic plan. Earnings growth excluding non-recurring items reflects the strong trend in revenue generation momentum from loan production since 2015, when AFL began lending, and is attested to by the regular and continuous increase in the value of loans granted to member local authorities.

The production of medium- and long-term loans by AFL in 2022 amounted to €1,391.5 million compared to €1,243 million a year earlier. Production rose despite the constraints resulting from application of the usury rate (official cap on interest rates on loans) and a sharp rise in interest rates.

At the end of the 2022 financial year, NBI generated by the activity amounted to €17,569 thousand compared to €13,960 thousand at December 31, 2020. NBI in 2022 mainly corresponds to a net interest margin of €15,602 thousand, up 22.7% on 2021 (€12,715 thousand), capital gains on the disposal of investment securities of €1,467 thousand (€806 thousand in 2021), after elimination of hedging items, and net income from hedge accounting of balance sheet items of €367 thousand (-€631 thousand net loss in 2021).

The interest margin of €15,790 thousand achieved in 2022 saw a significant change in its composition due to the end of negative interest rates. The sharp rise in the 3-month Euribor against which most of AFL's exposures are swapped automatically drove up interest income on assets, particularly in the loan portfolio where interest income was €31,182 thousand at December 31, 2022, compared to €3,856 thousand at December 31, 2021. Conversely, interest on borrowings after hedging interest were again a net cost in 2022, totalling -€18,033 thousand compared to a +€18,909 thousand gain at December 31, 2021, when interest rates were negative.

The growth in interest revenue on the loan portfolio is also explained by an increase in the total of outstanding loans and positive returns on rate-hedged loans backing the equity.

Regarding interest income from management of the liquidity reserve, the rise in interest rates and their return to positive territory also led to positive returns on assets in the liquidity reserve of €2,477 thousand, compared to a -€9,773 thousand cost at December 31, 2021.

During the period, management of the liquidity reserve portfolio generated income of €1,467 thousand from the disposal of short-term investment securities, net of €8,617 thousand from cancelling rate-hedging instruments on the securities sold. For comparison, 2021 generated €806 thousand net capital gains on disposals.

Net income from hedge accounting of €367 thousand represents the sum of fair value differences in hedged items and their hedges. These differences included -€984 thousand from the valuation differential charges on instruments classified as macro-hedges, +€5,455 thousand from the valuation of instruments classified as micro-hedges and -€4,108 thousand to expenses from debts classified as micro-hedges.

There are still unrealised valuation differences between the hedged items and hedging instruments, partly stemming from a market practice that led to the recognition of a valuation asymmetry between the daily collateralized hedging instruments, which are discounted on the basis of the €STER curve, and the hedged items, which are discounted on the basis of the Euribor curve. Under IFRS, this requires the recognition of a hedge inneffectiveness in the income statement. However, it should be noted that this corresponds to latent income.

For the year ended December 31, 2021, general operating expenses came to €12,513 thousand as compared to €11,517 thousand for the previous year, once restated for the effect of applying the IFRIC decision on software used in SaaS mode. They include €6,124 thousand in employee benefits expenses, compared with €5,906 thousand in 2021. General operating expenses also include administrative expenses of €6,389 thousand compared with €5,611 thousand at December 31, 2021, after adjusting for re-invoicing between AFL and AFT-ST and the change in SaaS accounting methods resulting from the IFRIC decision.

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The increase in operating expenses is due to the following:

- A significant increase in taxes and mandatory contributions from €464 thousand to €1,169 thousand at December 31, 2022, compared with €705 thousand at December 31, 2021. The increase reflects a €449 thousand increase in the contribution to the SRF and, to a lesser extent, a €35 thousand increase in the C3S (companies social solidarity contribution).

- 2022 also saw an increase in payroll costs, largely due to new recruitment, and a slight increase in external services costs. However, these increases remain under control.

At the end of the financial year, depreciation and amortization amounted to €866 thousand compared to €753 thousand at December 31, 2020, a decrease of €116 thousand. Depreciation and amortization allowances for the period take into account restatements arising from the IFRIC decision on IT implementation costs which came into force from January 1, 2022. The 2021 figure of €753 thousand for depreciation and amortization retrospectively applies the change in method in order to communicate comparable information. Without this adjustment to provisions it was €971 thousand.

Regulatory impact aside, the change mainly corresponds to continued investment in the credit chain, data pool, third-party database, development of regulatory reporting and the dedicated information system for the market transaction processing chain.

After depreciation and amortization, gross operating income as of December 31, 2022 stood at €4,190 thousand, compared to €1,690 thousand at December 31, 2021, after adjusting for the change in accounting methods.

The cost of risk relating to ex-ante impairments for expected losses on financial assets under IFRS 9 increased by €404 thousand compared to €95 thousand for 2021. This resulted in cumulative IFRS 9 provisions of €1,275 thousand at December 31, 2022 compared to €871 thousand at December 31, 2021, or 1.7 basis points versus 1.2 basis points. Aside from the effect of a larger balance sheet, this increase reflects the deterioration in the economic environment and credit risk in general, even though the loans to local authorities and securities that AFL holds on its books are naturally low risk.

At December 31, 2022, AFL had total deferred tax assets (DTA) of €6,641 thousand, against €5,374 thousand at December 31, 2021. The increase mainly derives from restatements on consolidation of transactions over the period, including €218 thousand for adjustments arising from the IFRIC decision. DTA arising from tax losses carried forward since the creation of the AFL decreased to €4,793 thousand, from €4,944 thousand at December 31, 2021.

AFL ended the 2022 financial year with net income of €2,758 thousand, compared to €1,609 thousand at December 31, 2021, restated for application of IFRIC 2021 on the treatment of configuration and customization costs in SaaS arrangements.

Excluding exceptional items, revenue generated by AFL’s recurring activities increased and covered all operating expenses, depreciation and amortization for the third consecutive year. At December 31, 2022, the cost/income ratio, calculated on the basis of AFL's recurring income, was 85.7%, compared with 95.2% at December 31, 2021.

3. Proposed allocation of profit

It has been proposed that entire net income for the financial year ended December 31, 2022 (annual financial statements prepared in accordance with French standards), which amounted to €348,393, be allocated to retained earnings.

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

No dividends are distributed in respect of the financial year ending December 31, 2022 and none were distributed over the previous three financial years.

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

During the financial year ended December 31, 2022, AFL incurred no expenses as defined by Articles 39-4 and 39-5 of the French General Tax Code.

V. Risk management

1. Risk appetite

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

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

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

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

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

Credit risk on French local authorities

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

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

- Its debt reduction capacity calculated over an average of three years must be less than a threshold of 9 years for the regions and single local authorities, 10 years for the departments, and 12 years for the municipalities and groups.
- If the first criterion fails to meet the decree threshold, recurring cash flow over a three-year average must be less than 100%.

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

The following limits govern the granting of a loan.

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

The outstanding debt granted to a local authority by AFL is limited to an amount that may not exceed 80% of the total outstanding debt of the local authority (except for local authorities for which the amount of debt is less than €10 million) with a decreasing ceiling according to the rating.

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

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

Credit risks related to the liquidity reserve

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

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

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

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

Authorized issuers must have a rating of at least A- on the S&P scale.

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

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

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

This management - although defensive - cannot exclude the default of a counterparty or an issuer.

The hedging of interest rate risks in place leaves AFL exposed to the spread risk of the securities in the reserve, which reflects changes in the credit risk of issuers. This risk is likely to weigh on the bank's regulatory prudential capital through the possible existence of unrealized capital losses.

Liquidity risk

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

- The establishment of a significant liquidity reserve.
  - AFL has a liquidity reserve at its disposal at all times, the size of which represents one year of activity. The tool used to measure this objective is the NCRR (or "Net Cash Requirement Ratio"), which verifies that the reserve of liquid assets is sufficient to meet foreseeable needs over a rolling 12-month horizon. The minimum that AFL intends to achieve is 100%, with a range of 80-125%.
  - In order to secure the repayment of future medium- and long-term issues three months in advance, AFL undertakes to hold an amount of cash in its Banque de France account corresponding to the debt repayments for the period net of certain cash inflows.
  - At the same time, the regulatory LCR ratio must be respected ("Liquidity Coverage Ratio"); this makes it possible to verify that the AFL reserve enables it to meet its 30-day liquidity requirements under stress assumptions. The regulatory requirement is 100%.

- A diversified financing strategy.

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

- Limiting the transformation of the statement of financial position;
  - The statement of financial position includes amortizable loans on its assets side and debts on its liabilities side, in both cases hedged against interest and exchange rates. Unlike the loans on the assets side, the debts on the liabilities side are not amortizable, so AFL is subject to a transformation risk or price risk in liquidity. AFL severely limits its transformation, measured by two ratios:
    - Difference in average life to maturity or “ALT gap” corresponds to the average maturity difference between assets and liabilities and measures the transformation practised by AFL; business will be managed to limit this difference to one year with an additional buffer for limited periods raising the limit to 2 years to absorb any drift in this indicator during the production of end-of-year loans. The gap will return to 12 months by June 30 of the following year.
    - The “Net Stable Funding Ratio” or “NSFR” compares AFL’s stable funding (at more than 12 months) to long-term funding requirements. The regulatory requirement is 100%.

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

Interest rate and foreign exchange risks

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

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

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

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

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

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

Non-financial risks

The non-financial risks to which AFL is exposed consist of operational risks (loss related to a defect in processes, people, systems or external events), non-compliance risk, legal risk and reputational risk.

Due to its public banking model, AFL has a very low appetite for all of these non-financial risks. This very low appetite does not prevent the possible materialization of non-financial risks, which are inseparable from the completion of AFL transactions, particularly in the context of a sharp increase in volumes traded.

To illustrate this appetite for non-financial risks of AFL, the following points will be noted:

AFL has set itself the objective of setting the deductible of its main insurance policies at a percentage of its net banking income, while ensuring coverage of a majority of the types of feared events that could lead to extreme losses, this within the limit of a ceiling.

In accordance with regulations, AFL has set up a system for the systematic analysis of operational incidents which provides for the reporting of significant incidents to the supervisory bodies according to criteria set by them and reviewed every year. The threshold for reporting significant incidents is set at €500 thousand, a level that is more conservative than the minimum level required by the regulations.

Calculated according to the standard regulatory approach, the equity capital requirement for operational risk represents 15% of the average of its last three years' net banking income and amounted to €3,400 thousand at December 31, 2022.

Solvency and leverage ratio floor requirements

In order to have sufficient capitalization, the AFL Group undertakes to comply with a minimum level of equity capital according to its statement of financial position size as well as the level of its risk-weighted assets.

The AFL Group is committed to maintaining a solvency ratio above 12.5%.

As a public development lending institution, AFL undertakes to maintain its leverage ratio (the so-called "leverage ratio of public development lending institutions", which allows for the deduction from the denominator of medium to long-term loans granted to local authorities) at the regulatory floor of 3%.

In addition, AFL imposes a leverage ratio limit according to the traditional formula of 2.25%.

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

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

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

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

1. Strategic risk

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

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

Since February 2022, Russia has been at war with Ukraine. The war has had significant impacts on geopolitics and the economies and internal politics of many countries, including some where AFL operates.

Invested mainly in sovereign debt securities, supranational entities or state agencies with high credit ratings, AFL's liquidity portfolio, which is also diversified, has no exposure to Russian or Ukrainian issuers and exposure of less than €25 million to issuers in countries neighboring Russia or Ukraine. AFL's liquidity position is also satisfactory: the liquidity reserve amounts to more than €2.1 billion, of which €1 billion in deposits only at December 31, 2022, thus enabling it to cover close to 10 months of activity without any call on the market.

In 2022, many countries experienced high inflation linked to the revival of supply chains post-Covid and the Russo-Ukrainian war. To prevent the emergence of wage-price spirals, central banks, including the European Central Bank increased their policy rates and began to withdraw non-conventional monetary policy measures. This context generated a general increase of yield curves. At the same time, a number of measures have been put in place by governments - including France - to protect economic actors, particularly consumers, from the immediate effects of energy price increases. This held back the expected revival in growth and drove up national debt in many states – including France - already impacted by the Covid crisis.

The impacts in terms of risks for AFL are of various kinds:

- The consequence of inflation was to increase operating expenses for economic actors – governments, local authorities and AFL – and impact their financial position and profitability; if a wage price spiral takes hold, inflation could continue to push up costs and impact their financial position and, as far as AFL is concerned, their profitability.

- Due to the residual exposure of its balance sheet to interest rates, the result of AFL benefited from the increase in interest rates observed over the year. If this exposure continues and rates fall it could affect the results of AFL.

- The interest rate movements coupled with rising deficits and public sector debt helped to push up the spreads paid by French sovereign and quasi-sovereign issuers. The gradual cessation of central bank asset buyback programs, in particular that of the European Central Bank could weigh on the spread of sovereign issuers and indirectly on that of the AFL.

- This situation raised the cost of AFL's resources, which depends solely on the financial markets. AFL, whose activity of granting medium- long-term loans to local and regional authorities depends on its ability to raise finance on capital markets, could be severely affected by any situation that increases the costs of medium- long-term loans to members, thereby eroding its competitive position and, in all likelihood, affecting its financial positions and the results of its business.
- If spreads continue to widen, it is likely to increase the unrealized losses in the portfolio and weigh on AFL’s prudential capital.
- Due to its significant level of debt, credit rating agency Standard & Poor's put France rating on negative watch. A downgrade cannot be ruled out, which could weaken AFL's credit rating and raise the costs of accessing resources.

It is currently difficult to forecast how this situation will develop.

In 2022, AFL's cost of risk, taking into account the deterioration of the environment, was €404 thousand, up on 2021, for cumulative provisions of €1,276 thousand on total loan outstandings and represents 1.7 basis points of exposure. Given the strong uncertainties related to the war in Ukraine, AFL’s cost of risk - while remaining limited due to the quality of the issuer’s exposures - could increase in 2023 as it is calculated on the basis of a model incorporating forecasts on the macroeconomic outlook.

As regards the financial position of local and regional authorities, early indicators released by the Ministry of Finance show that the local public sector accounts will be in good overall shape in 2022. That said, the picture seems to be mixed between and within different segments of local authorities. In terms of the outlook for financial year 2023, the budgetary constraints linked to the rise in the index that sets compensation for public officials based on inflation will persist but will be offset - at least partially - by the dynamism of some direct and indirect tax revenues indexed to the same inflation (record increase in property tax bases and rising VAT revenues).

Many unknowns remain for 2023, particularly regarding the expected budgetary contribution by local and regional authorities who are called on to help restore France's public finances. The 2023-2027 public finance programming bill presented in the autumn of 2022 and not yet adopted includes a drive to control the operating expenses of local and regional authorities by capping them at inflation -0.5%, although no penalties are specified for breaching the cap. Finally, a conference on public finances was announced by the Minister of Economy and Finance, to be held in May 2023. This conference will review public spending (central government, social security and local authorities) and identify the savings to be made to keep public finances on track.

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

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

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

Although AFL was created by law and satisfies a strong and consistent demand in recent years by a significant number of local authorities, the development of AFL's activities depends on interest in the model used by AFL for local authorities. In 2022, AFL accounted for a market share estimated at 51% of its members' financing needs.

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

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

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

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

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

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

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

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

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

- Disposal of activities - allows resolution authorities to sell under normal conditions either the institution itself or all or part of its activity, without the consent of the shareholders and without complying with the procedural requirements that would apply in normal times;
- Bridge institutions - allows resolution authorities to transfer all or part of the institution's activities to the "bridge institution" (an entity under public control);
- Separation of assets - allows resolution authorities to transfer impaired or toxic assets to a structure that can manage and, ultimately, restore them; and
- Bail-in - allows resolution authorities to write down certain subordinated and non-subordinated debt (including principal and interest on the notes) of a defaulting institution and/or convert them into equity securities, the latter may then also be subject to other reduction or impairment measures. The resolution authority must apply the impairment and conversion powers first to Common Equity Tier 1 (CET1) instruments, then to Additional Tier 1 equity capital instruments, and finally to Tier 2 instruments and other subordinated receivables to the extent necessary. If, and only if, the total reduction thus made is less than the amount sought, the resolution authority will reduce the unsubordinated debt of the institution (including the principal and interest on the Notes) by the necessary proportion.

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

The Agence France Locale Group has already imposed an internal solvency ratio limit of 12.5% since its creation.

On December 21, 2021, the ACPR notified the Agence France Locale Group of its obligation to hold equity capital enabling it to comply with a total prudential capital requirement of 9.25% including:

- A minimum capital requirement of 8%; and
- An additional equity capital requirement (Pillar 2) of 1.25%.

In addition, the AFL Group is required in principle to hold equity capital enabling it to comply with the capital conservation buffer requirement set at 2.5%.

The countercyclical buffer rate currently applicable to French exposures is 0%. On April 7, 2022, the HCSF decided to raise the countercyclical buffer rate to 0.5%. Banks will have to comply with the new requirement from April 7, 2023.

Due in particular to its risk profile and its activity, the liquidation strategy has been selected as the resolution strategy for the Group. The MREL requirement is therefore set at 11.75%, limited to the loss-absorbency requirement calculated as the sum of capital requirements. At December 31, 2022, prudential capital stood at €185.7 million. Given the credit quality of the assets carried by the Agence France Locale Group, the solvency ratio was 15.57% on a consolidated basis.

The powers granted to the resolution authorities, or non-compliance by AFL with the minimum requirements for capital and eligible liabilities, could influence the way it is managed as well as its financial position and its business plan.

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

2. Financial risks

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

- Liquidity price risk: this is the risk of a deterioration in the refinancing conditions of certain assets that could generate a loss in net banking income due to a maturity mismatch between the assets refinanced and the liabilities; this mismatch most commonly occurs with assets whose maturity is longer than the liabilities.
  At December 31, 2022, the ALT gap between AFL's assets and liabilities was 1.27 years and the NSFR ratio was 144%;

- Financing risk: this is the risk that AFL will be unable to raise the necessary liquidity to meet its commitments and the financing needs related to its development
  As of December 31, 2022, AFL had a liquidity reserve of €2,192 million, enabling it to meet its cash flow requirements for more than 10 months[9]. The regulatory 30-day liquidity ratio (LCR) stood at 500%;

- Illiquidity risk: this is the risk of a disruption in short-term cash flow, related in particular to the risk that AFL may be unable to sell an asset on a market without loss.
  At December 31, 2022, on the portfolio of financial assets at fair value through other comprehensive income alone, the net carrying amount of which was €707 million, the impact of gains and losses recognized directly in equity amounted to -€1,546 thousand net of deferred tax assets and liabilities.

Note that AFL's liabilities do not consist of sight deposits but of market finance.

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

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

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

Interest rate risk

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

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

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

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

At December 31, 2022, the interest rate hedging strategy resulted in an outstanding notional amount of swaps of €12.9 billion. The amount of margin calls paid net of margin calls received on interest rate derivatives was €62.4 million.

Nevertheless, there remains an exposure to interest rate risk that may result in particular from (i) the use of a portion of AFL's equity capital in loans granted to local authorities, which may be either rate-hedged or unhedged, or (ii) certain short-term positions and (iii) the indexation gap between certain assets - in particular AFL deposits at the Banque de France with overnight interest, which at December 31 amounted to €1,135 million - and the bank's liabilities.

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

At December 31, 2022, the sensitivity of the net present value (NPV) of AFL's equity capital was +0.00% assuming a parallel shift of more than +100 basis points and +0.20% assuming a shift of +200 basis points in the yield curve.

Rate scenario	31/12/2022	31/12/2021	Limit
+ 200 bps	0,20%	4,40%	15,00%
+ 100 bps	0,00%	2,19%	15,00%
- 100 bps	0,23%	2,18%	15,00%
- 100 bps (floor)	0,23%	0,13%	15,00%
- 200 bps	0,73%	-4,33%	15,00%
- 200 bps (floor)	0,73%	0,13%	15,00%

AFL implemented scenarios for calculating the sensitivity of the net present value (NPV) of its equity capital to assumptions of interest rate risk in the banking book (IRRBB). The table below shows NPV sensitivity to the various scenarios at December 31, 2022.

Rate scenario	31/12/2022	31/12/2021	Limit
Parallel shock up + 200 bps	0,20%	4,40%	15,00%
Parallel shock down - 200 bps	0,73%	-4,33%	15,00%
Short rates shock up	4,12%	6,08%	15,00%
Short rates shock down	-4,24%	-6,27%	15,00%
Steepener shock	-4,28%	-4,30%	15,00%
Flattener shock	4,40%	5,06%	15,00%

During 2022, the sensitivity of AFL's net present value to various scenarios of interest rate changes remained less than 15% of equity capital.

Due to the rate-sensitivity of the IFRS value of AFL's exposures, a decrease in long-term yields could impair AFL's solvency ratio.

Foreign exchange risk

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

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

At December 31, 2022, the notional outstanding amount of currency swaps stood at €1.18 billion. The hedges implemented introduce a liquidity risk, based on margin calls sensitive to changes in currency rates, as well as a credit risk on the swap counterparty banks. The amount of margin calls paid net of margin calls received on these hedging instruments was €137.3 million at December 31, 2022.

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

The credit risk of its borrowers

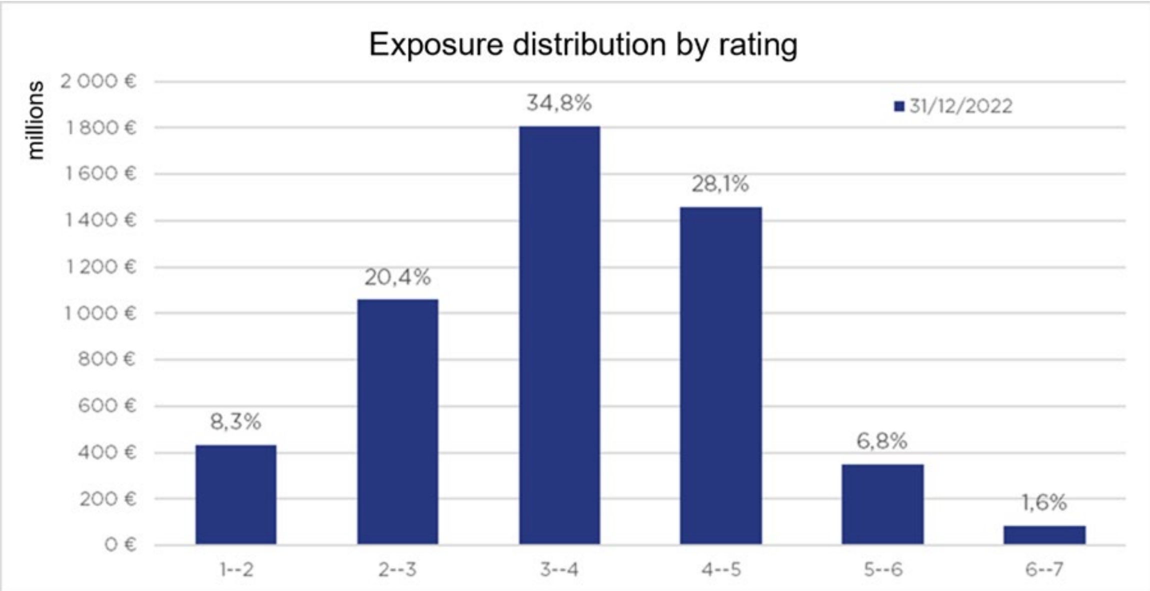
Pursuant to Article L.1611-3-2 of the French General Local and Regional Authorities Code, AFL carries out its activities for the exclusive benefit of the local authorities that are shareholders of AFL's parent company and guarantors of the debt securities issued by AFL up to the amount of their respective medium- to long-term loans outstanding (the member authorities). As of December 31, 2022, total credit commitments to local authorities by AFL amounted to €5,192 million.

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

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

At December 31, 2022, this portfolio was more than 29% exposed to local authorities with ratings between 1 and 2.99. The five largest exposures represent 16% of the portfolio. The first exposure represents 3.45% of the portfolio and the fifth 2.96%. At December 31, 2022, the average rating of loans granted by AFL to its members, weighted by outstanding amounts, was 3.58 on a scale of 1 to 7, with 1 representing the best rating and 7 the lowest. This rating has improved over one year following consolidation of end-2021 financial data from local authorities, at pre-Covid-19 levels.

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



Local authorities, whether current or future members, are considered as having a very limited risk profile due to the institutional rules governing their operations, which are similar for all categories of local authority member, and consequently the loans granted by AFL have this same profile. Nevertheless, a default by a member on its obligations to AFL or on its obligations under the Member Guarantee cannot be ruled out.

As of December 31, 2022, AFL's outstanding doubtful receivables amounted to €3.9 million, i.e. 0.08% of AFL's loan portfolio. This level has remained stable.

	31/12/2022				30/09/2022				31/12/2021			
IFRS 9 Stages	Discounted EL	Exp.% of EL	Part of EL	Exp. IFRS 9	Discounted EL	Exp.% of EL	Part of EL	Exp. IFRS 9	Discounted EL	Exp.% of EL	Part of EL	Exp. IFRS 9
Stage 1	€ 1 092 32	0,01%	85,30%	€ 7 327 315 725	€ 1 237 669	0,02%	88,67%	€ 6 601 976 332	€ 856 098	0,01%	97,75%	€ 7 221 667 311
Stage 2	€ 186 676	0,30%	14,58%	€ 62 272 156	€ 156 494	0,24%	11,21%	€ 64 619 025	€ 18 112	0,10%	2,07%	€ 18 962 442
Stage 3	€ 1 616	0,04%	0,13%	€ 3 964 411	€ 1 612	0,05%	0,12%	€ 3 544 926	€ 1 562	0,04%	0,18%	€ 3 981 080
	€ 1 280 612			€ 7 393 552 292	€ 1 395 776			€ 6 670 140 283	€ 875 771			€ 7 244 610 833

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

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

The credit risk of its counterparties

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

The ratings of AFL's exposures are of very high quality, with over 80% of exposures rated equal to or greater than Aa2 on Moody's scale at December 31, 2022. The weighted average risk of this portfolio is 4.8%.

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

D. Financial risk due to the effects of climate change

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

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

3. Non-financial risks

AFL is exposed to non-financial risks

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

Because of its model, AFL has a limited number of people working for it: 42 employees, including 34 on temporary contracts, 34 on permanent contracts and 5 work-study students at December 31, 2022, and one non-employee representative. The loss of one or more key persons, whether due to outside solicitation or temporary or permanent unavailability (accident, sickness) is therefore likely to have a material impact on its activity or to jeopardize its continuity.

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

The amount of equity capital requirements for operational risks amounted to €3.4 million at December 31, 2021 for the AFL Group.

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

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

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

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

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

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

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

AFL has not been the subject of any litigation with any of its counterparties during the financial year ended December 31, 2022. Nevertheless, it cannot be ruled out that litigation may arise in the context of its activities, in particular with a local authority member, which would damage AFL's reputation and could result in a loss of value for AFL.

3. Prudential ratios and equity

Capital requirements

AFL is monitored for consumption of equity at consolidated level. The AFL Group has already imposed an internal solvency ratio limit of 12.5% since its creation.

On December 22, 2022, the ACPR notified the AFL Group of its obligation to hold equity capital enabling it to comply with a total prudential capital requirement of 9.25% including:

- A minimum capital requirement of 8%; and
- An additional equity capital requirement (Pillar 2) of 1.25%.

In addition, the AFL Group is required in principle to hold equity capital enabling it to comply with the capital conservation buffer requirement set at 2.5%, a situation that may be re-examined in light of the crisis. Lastly, on January 6, 2022, the High Council for Financial Stability decided to maintain the level of countercyclical capital buffer applicable to French exposures at 0%, unchanged since April 2, 2020. This rate will increase to 0.5% on April 7, 2023 and will rise to 1% on January 2, 2024. AFL has the capital to absorb these increases.

MREL:

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

Methods of calculating capital ratios

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

At its meeting of March 11, 2021, the ACPR's College of supervisors recognized AFL's status as a public development lending institution.

Prudential ratios and equity capital at December 31, 2022

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

At December 31, 2022, prudential capital stood at €185.7 million. Given the credit quality of the assets carried by the AFL Group, the solvency ratio was 15.57% on a consolidated basis.

At December 31, 2022, the AFL Group's leverage ratio was 7.81% according to the method applicable to public development banks, well above the 3% threshold required by regulations. It amounts to 2.47% according to the method applicable to all lending institutions.

4. Risk management and internal control system

4.1 General principles

1.1. Definition and objectives

The internal control system is a framework deployed by the AFL-ST Board of Directors, the AFL Supervisory Board, the AFL Management Board and the AFL Group staff intended to enable AFL to control the various risks to which it is exposed through its activities and to verify their compliance with the regulations governing them.

With resources adapted to the size and nature of its activities, it is organized in accordance with legal and regulatory requirements as well as to be adapted to the AFL model.

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

1.2. Applicable legal and regulatory context

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

1.3. Group organization and responsibilities

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

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

The structure of the Agence France Locale Group means that the vast majority of processes are housed at AFL and the vast majority of risks are borne by AFL. As a result, risk monitoring is consolidated.

In June 2015, an agreement was signed between AFL-ST and the AFL lending institution, delegating to the latter the internal control missions within the scope of the AFL Group. Under this agreement, internal control missions are performed by AFL's Commitments and Risks Department on behalf of the Group.

The AFL-ST Board of Directors is the supervisory body of AFL-ST; its work is supported by an Audit and Risk Committee and an Appointments, Compensation and Corporate Governance Committee under its responsibility.

1.4. Governance

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

The Supervisory Board

The AFL Supervisory Board - in particular:

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

In accordance with the Decree of January 6, 2021 on the fight against money laundering and the financing of terrorism, the Supervisory Board of AFL regularly reviews the AML-CFT policy, the governance and the systems and procedures put in place to comply with regulatory provisions and corrective measures to remedy significant incidents or deficiencies.

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

The Management Board

The AFL Management Board is responsible for the consistency and efficiency of the overall internal control system.

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

In particular, the Management Board ensures that sufficient resources are allocated to the Internal Audit function to conduct a complete cycle of investigations of all activities for the number of financial years planned.

It is the responsibility of the Management Board to ensure the dissemination and promotion of the risk culture within AFL, which includes:

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

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

The Commitments and Risks Department

Responsibility for the Risk management function, the Compliance Audit function, the Internal Audit function and the second-level Permanent Control function is carried by the Commitments and Risks Director, a member of the Management Board and effective manager of the AFL Group. Operationally, the internal control system is placed under her responsibility. As from December 2022, responsibility for Internal Audit is transferred to the Chairman of the Management Board.

The Commitments and Risks Director has been a member of the Management Board since the creation of AFL. This choice is the result of the initial desire to place risk management at the heart of the bank. Thus positioned, the Commitments and Risk management Department has the authority, significant status and sufficient independence to question decisions affecting AFL's risk exposure.

In the performance of her duties, she relies on various managers who come under her line management

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

In accordance with the Decree of November 3, 2014:

- The Commitments and Risks Director does not carry out any commercial, financial or accounting transactions.
- As head of the Risk management function, in the event of a change in risks, the Commitments and Risks Director can report directly to the Supervisory Board and the Audit and Risk Committee without reporting to the Management Board.
- As Head of the Compliance Function, she also reports directly to the Supervisory Board and the Board of Directors.
- As Head of the Internal Audit function, the Commitments & Risks Director reports on the conclusions of her assignments to the Management Board, the Supervisory Board and the Board of Directors of AFL-ST; in addition, she may directly, and on her own initiative, inform the Supervisory Board and the Board of Directors of any failure to implement the corrective measures taken following the recommendations of the periodic control. As from December 2022, responsibility for Internal Audit is transferred to the Chairman of the Management Board

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

Internal committees

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

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

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

- The Credit Committee meets at least monthly to decide on the granting of a loan to a customer member and to approve the risk class;
- The Provisions Committee and Provisions Expert Committee meet on a quarterly basis. The Provisions Committee validates the amount to be provisioned and its adequacy with AFL's risk

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

These committees are chaired by the Chairperson of the Management Board or a member of the Management Board. They are governed by internal regulations.

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

2. Internal control functions

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

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

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

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

2.1. The Risk management function

Objectives

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

Scope

The Risk management function:

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

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

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

Organization

Responsibility for the Risk management function is borne by the Head of Commitments and Risks.

The Risk management function is carried out for financial risks by the Prudential and Financial Risks Department, which includes the Prudential and Risk Director and an employee.

The Risk management function for non-financial risks is performed by the Non-financial Risks - Compliance Department, which includes the Director of Non-financial Risks - Compliance - who is also responsible for information systems security - and an employee.

The Risk management function is in charge of the system independently of operational staff. It provides guidance, supervision and general monitoring. It relies on the compliance function on the risk of non-compliance and operational departments to identify, analyze and monitor the risks that it supervises on a consolidated basis.

Related resources

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

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

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

Risk management activities in2022

In 2022, the Global Risk Committee held four meetings to monitor AFL's risk position.

The main issues addressed by the risk management department were:

- ongoing automation of reporting,
- update of the global risk map,
- update of emergency procedures,
- further work on management of information system risks and IT security.

2.2. The Compliance function

Objectives

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

Scope

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

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

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

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

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

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

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

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

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

Organization

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

Related resources

As part of its various missions, the Compliance function relies on:

- External reference texts (legal provisions, regulations, standards, opinions of the authorities) monitored as part of its watch;

- Internal reference texts (policies, procedures, accounting schemes, etc.);
- a permanent control system.

Activities of the Compliance Function in 2022

In 2022, the Compliance function continued to consolidate AFL's non-compliance risk management system.

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

- The system for combating money laundering and the financing of terrorism and compliance with embargoes - in a context of significant regulatory changes;
- The system for the prevention of insider trading;
- The system for managing conflicts of interest;
- The regulatory watch system.

2.3. Permanent operational and accounting control system

Permanent accounting control

The accounting structure aims to verify the quality of accounting, financial and management standards information, whether intended for the Management Board, the Supervisory Board, the Board of Directors or the ACPR or appears in the documents intended for publication.

The organization put in place must guarantee the existence of a set of procedures, called an audit trail, which makes it possible:

- to reconstruct the transactions in chronological order;
- to justify any information by an original document from which it must be possible to go back uninterruptedly to the summary document and vice versa;
- explain the change in balances from one reporting period to another by keeping track of the movements that affected the accounting items.

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

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

i. Organization of the accounting system

The Accounting Department comes under the Finance Department. In 2022, it comprises 3 FTEs.

ii. Permanent accounting controls (levels 1 and 2)

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

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

On a daily basis:

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

- Banking flows from market activities are also checked daily with account holders; bank reconciliations are formalized daily.

On a monthly basis:

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

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

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

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

In detail, it involves:

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

Permanent operational control

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

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

Permanent control is based on:

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

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

the AFL procedures, which are subject to an appropriate formalization and validation process;

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

Organization

Second-level permanent operational and accounting control missions are managed by the Non-financial Risks - Compliance Director.

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

The Non-financial Risks - Compliance Department has one employee, in addition to the Non-financial Risks - Compliance Director. Missions relating to accounting control are carried out by an external service provider reporting to the Commitments and Risks Director.

Permanent control activities in 2022

In 2022, the permanent control system was strengthened. The corpus governing AFL's activities (policies, procedures, operating methods) was maintained. The first-level control system was extended (functional extension, automation). Lastly, the Permanent Control Plan approved by the Internal Control Committee was implemented exhaustively, enabling all AFL processes to be examined in accordance with procedures adapted to the perceived risk.

2.4. The Internal Audit function

Objectives

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

The Internal Audit function independently reviews and provides objective assurance of the compliance of all AFL activities, including outsourced activities, with AFL policies and procedures and with external requirements.

It assesses whether the institution's internal control system is effective and efficient, and assesses in particular:

- the adequacy of the institution's governance framework;
- whether existing policies and procedures are adequate and comply with legal and regulatory requirements as well as the institution's risk appetite and risk strategy;
- the compliance of the procedures with the applicable legislation and regulations and with the decisions of the Management Board, the Supervisory Board and the Board of Directors;
- whether the procedures are implemented appropriately and effectively;

- the adequacy, quality and effectiveness of the controls carried out and the reports submitted by the operational units of the first line of defense and the risk management and compliance functions;
- the integrity of the processes guaranteeing the reliability of the AFL methods and techniques as well as the quality and use of the qualitative risk detection and assessment tools and the risk mitigation measures adopted.

The Internal Audit function develops its own risk assessment, independently of the Risk management and Compliance functions, which will be used to determine its audit plan.

The Internal Audit function monitors its recommendations in order to verify that they are implemented within a reasonable timeframe, the implementation of which is the responsibility of AFL's executives and management.

Scope

The Internal Audit function works according to a multi-year audit plan following a risk-based approach broken down into an annual plan which makes it possible to integrate cyclical elements where necessary.

The internal audit plan covers all of the Company's processes. The internal audit function uses this plan to carry out targeted audits of the systems.

The plan is rolled out over three years depending on the areas and underlying risks.

Organization

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

As a result, the Internal Audit function is completely independent of the other functions within the scope of the system.

The outsourcing process, the choice of service provider and the outsourcing contract provide that the qualifications of the people in charge of the assignments are adequate and that the resources allocated to the function, as well as the audit tools and methods risk analysis, are adapted to the size and business model of AFL as well as the nature, scale and complexity of risks, activities, risk culture and risk appetite. In selecting the service provider, it will be verified that the service provider complies with national or international professional audit standards.

Activities of the internal audit function in 2022

In 2022, four internal audit missions were carried out according to the three-year audit plan validated in December 2020 by the AFL Supervisory Board and the AFL-ST Board of Directors.

All recommendations issued by the internal audit were monitored throughout 2022. Two monitoring reports were produced at the end of June and end of December 2022.

The conclusions of these missions and the review of the follow-up to the recommendations were presented to the Management Board, the Supervisory Board of AFL and the Board of Directors of AFL-ST.

VI. AFL Research and Development activity

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

VII. Data on share capital and shares

1. Shareholding structure and changes thereto during the financial year

At December 31, 2021, AFL's share capital totaled €196,800,000, divided into 1,968,000 shares with a nominal value of €100 each, of the same category, fully subscribed and paid up. AFL's share capital consists entirely of registered shares. Each share held entitles the holder to a vote at the General Meetings. AFL neither issued nor authorized the issue of any preferred shares during the financial year ended December 31, 2022.

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

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

AFL-ST has the exclusive control of AFL, and was the only organization to subscribe to AFL's share capital increases during the 2022 financial year, thus continuing to accomplish its corporate purpose which consists in being a shareholder of AFL.

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

	December 31, 2021			December 31, 2022		
	Amount of subscribed capital (in euros)	Number of voting rights / shares held	%	Amount of subscribed capital (in euros)	Number of voting rights / shares held	%
AFL-ST	168,399,900	1,683,999	99.9999%	207,599,900	2,075,999	99.9999%
Lyon Metropolitan Area	100	1	0.0001%	100	1	0.0001%
Total	**168,400,000**	**1,684,000**	**100%**	207,600,000	2,076,000	**100%**

2. Employee share ownership

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

Consequently:

- No share purchase or option operations reserved for employees were carried out in the Company during the year ended December 31, 2022;
- No share purchase or option operations reserved for employees, as described in Articles L.225-177 to L.225-186 and L.225-197-1 to L.225-197-3 of the French

Commercial Code, were carried out in Group companies during the year ended December 31, 2022.

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

3. Company share buybacks

During the financial year ended December 31, 2022, AFL made no transactions in its own shares. Furthermore, the Company did not hold any of its own shares as at December 31, 2022.

4. Transactions on AFL securities by its officers

AFL was not informed of any acquisition, sale, subscription or exchange of AFL shares by Board directors or persons having close personal ties with any of them during the financial year ended December 31, 2022.

5. Stock market situation of AFL

As at December 31, 2022, the 2,076,000 shares with a nominal value of €100 each were not tradable on a regulated market.

VIII. Other Key Performance Indicators

Financial information appears elsewhere in the document

1. Environment

- Digitization of business processes

AFL seeks to deploy a lightweight operating model. In 2022, AFL continued to develop information systems to digitize its processes.

- Taking account of environmental issues in the organization of work.

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

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

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

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

Actions to reduce the environmental impact carried out in 2022	
Reduction of environmental impact and greenhouse gas emissions Under its government-mandated energy saving plan	AFL has undertaking multiple projects to cut energy consumption at its premises: - 5 extra days remote working this winter for all employees. - Launch of a plan to swap multi-screen workstations for bigger single screens that use less power; - Cutting off hot water in restrooms; - Regulating the temperature of on-site heating.
Encouragement of soft mobility	Redesign of the Soft Mobility Package, with a digital solution to make it more user friendly
Business travel	Tighter sustainability criteria in the policy for claiming expenses
Social dialogue	Creation of working groups with volunteer employees to examine quality of life at work issues

	Year 2021	Year 2022

Paper consumption	Estimated at around **256** kg based on the number of sheets printed by AFL during the financial year. **152.5** kg of paper/cardboard recycled on AFL premises	Estimated at around **254** kg based on the number of sheets printed by AFL during the financial year. **274** kg of paper/cardboard recycled on AFL premises

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

2. Employees

Total workforce - AFL Group:

- Within AFL-ST

As of December 31, 2022, AFL-ST had two non-salaried corporate officers, plus the Development Director who joined on October 15, 2021, on secondment to AFL-ST from their regional government,

- Within AFL

Breakdown of employees by geographical area

Year 2022	Headquarters (Lyon)	Other
Workforce	44	0

Breakdown of employees by status	
Non-salaried Board director	1
Salaried Board director	3
Senior executive who is not a Board director	2
Manager	32
Technician	1
Apprentice	5

Breakdown of employees by age

Workforce	Year 2021	Year 2022
Up to 24 years	8	8
25-29 years	8	8
30-34 years	4	7
35-39 years	4	5
40-44 years	2	2
45-49 years	5	4
50-54 years	2	3

55-59 years	5	5
More than 60 years	2	2

Recruitment:

Employee movement

Workforce	Year 2021	Year 2022
Permanent contracts	+2	+4/-2
Fixed-term contracts	0	+3
Professional training contracts	+3/-2	+4/-5
Apprenticeship contracts	+3/-3	+2/-1

Working hours

At December 31, 2022, 32 employees, i.e. **72%** of the total workforce, are subject to the day fixed rate and enjoy autonomy during the daily attendance time slot, in compliance with the legal guarantees provided in terms of daily and weekly rest and paid leave. Employees on a fixed-day plan benefit from days of rest, the number of which is established in accordance with the Collective Agreement.

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

Work organization

	Year 2022
Part-time employees	0
Employees benefiting from remote working	36
"*Forfait jours*" flexible working scheme	32
35 hours scheme	6

- ## Gender equality

As of December 31, 2022, AFL had 36 employees excluding subsidized contracts and apprenticeships, representing 12 women and 24 men registered in the socio-professional category of autonomous managers.

Due to its workforce, AFL is not subject in 2022 to the legal obligation to calculate and publish the gender equality index.

To encourage gender equality at work, in addition to the legal mechanisms, AFL developed various means enabling women and men to organize themselves in their professional activity (charter on the right to disconnect, digital collaborative tools, individual dashboard on collaboration time produced by O365, flexible working hours linked to the status of autonomous manager, remote working charter).

For example, all employees eligible for the AFL workforce as of December 31, 2022 have signed the remote working charter.

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

Breakdown of employees by gender

Workforce present	2019	2020	2021	2022
Men	22	23	28	30
Women	13	13	12	14

Total	35	36	40	44

Gender equality	Year 2021	Year 2022
% of women among managers	31%	31%

Number of permanent hires	Women	Men
2017 - 2021	10	10
2022	2	2
TOTAL	12	12

- ## Well-being of employees

Remote working system

In 2022, 100% of eligible employees requested and obtained a remote working agreement.

- ## Training

Training	Total (in days)	Per employee
Year 2022	24	0.75

Access to training (as a% of the workforce)	Women	Men
Year 2022	42%	57%

Access to training (in hours)	Women	Men
Year 2022	75.5	92.5

- ## Employment and integration of people with disabilities

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

Years	2021	2022
ESAT amount*	€2,373.39	/
AGEFIPH amount	€2,537.00	/**

** Employment assistance establishment and service*

*** Declaration in June 2023*

- Promotions

Number of promotions or internal transfers	Change in Hierarchical level		Change in Conventional classification	
	Women	Men	Women	Men
Year 2022	1	2	1	0

- Professional integration of young people

AFL signed three professional training contracts and two apprenticeship contracts and took on three interns in the 2022 financial year.

Compensation

	12/31/2021	12/31/2022
Compensation and its evolution Payroll (excluding apprentices and interns) Individual variable compensation is capped at 15% of the gross annual fixed salary.	€3,191,286	€3,473,149
Overtime paid	€0	€0
Total amount of social security contributions	€2,012,205	€2,771,221

Post-employment benefits

Based on salary data from the financial year ended December 31, 2022, the commitment (actuarial liability) at the valuation date was €124,000.

Post-employment benefits	
Year 2022	0

Absenteeism

Year 2022	1.02%

Stoppages	Year 2022	
Work accident	0	
Commuting accident	0	
Diseases	15	(15 sick leaves, total 198 days)

Occupational illnesses	0

March 27, 2023

Yves Millardet,
Chairman of the Management Board of Agence France Locale

APPENDIX 1
TABLE OF RESULTS FOR THE PAST FIVE FINANCIAL YEARS

(ARTICLE R. 225-102 OF THE FRENCH COMMERCIAL CODE)

Separate financial statements at December 31:

NATURE OF INDICATORS	2022	2021	2020	2019	2018
I. - Financial position at the end of the year :					
a) Share capital in thousands of euros	207 600	196 800	168 400	146 800	138 700
b) Number of shares issued	2 076 000	1 968 000	1 684 000	1 468 000	1 387 000
c) Number of bonds convertible into shares					
II. - Total income from actual operations (in thousands of euros) :					
a) Revenue excluding tax.	13 842	12 029	10 913	10 647	9 542
b) Earnings before tax, depreciation, amortization and provisions	6 147	4 002	4 256	1 373	798
c) Income taxes	-	- 1	- 2		
d) Earnings after tax, depreciation, amortization and provisions	348	2 073	2 887	- 1 713	- 1 878
e) Amount of earnings distributed					
III. - Income form operations reduced to a single share:					
a) Earnings after tax, but before depreciation, amortization and provisions	2	2	2	1	0
b) Earnings after tax, depreciation, amortization and provisions	0	1	2	- 1	- 1
c) Dividend paid for each share					
IV. - Staff :					
a) Number of employees	34	31	30	27	27
b) Total payroll (in thousands of euros)	4 117	3 868	3 206	2 991	2 970
c) Amount paid in respect of social benefits (social security, charities, etc) (in thousands of euros)	2 036	2 063	1 812	1 741	1 588

Appendix 2
Supervisory Board's report on corporate governance

*AGENCE FRANCE LOCALE

Société anonyme (French public limited company) with a Management Board and Supervisory Board; share capital: €210,600,000

Registered office: 112 rue Garibaldi, 69006 Lyon

Lyon Trade Register: 799 379 649

Dear Shareholders,

As Chairman, I have the honor of presenting, on behalf of the Supervisory Board, the Corporate Governance Report for 2022, which has been approved at the Supervisory Board meeting held on March 27, 2023, following the favorable opinion of the Company's Appointments, Compensation and Corporate Governance Committee (the ***ACCGC***) on February 23, 2023.

This report includes the information required under Articles L. 225-68, 6, L.225-37, L.225-37-4, and L.22-10-20 of the French Commercial Code, Article L.511-100 of the French Monetary and Financial Code and the terms of the AFEP-MEDEF Corporate Governance Code - which Agence France Locale voluntarily follows.

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GLOSSARY

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

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

AFEP-MEDEF	Association Française des Entreprises Privées and the Mouvement des Entreprises de France
AFL or the Company	Agence France Locale
AFL-ST or the Société Territoriale	Agence France Locale – Société Territoriale
AGM	Annual General Meeting of Shareholders of AFL
ARC	Audit and Risk Committee
ACCGC	Appointments, Compensation and Corporate Governance Committee
AFEP-MEDEF Code	The code published by the AFEP-MEDEF on corporate governance of listed companies, as revised in January 2020
Executive officers	In public limited companies with management and supervisory board, the chairperson and members of the management board
Non-executive officers	In public limited companies with management and supervisory board, the chairperson of the supervisory board
Corporate officers	All executive and non-executive officers in the company
AFL Group or Agence France Locale Group	The group composed of AFL and its parent company AFL-ST
Non-executive directors	In public limited companies with management and supervisory board, the members of the supervisory board
CSR	Corporate social responsibility

1. Declaration of compliance with the Code of Corporate Governance

In accordance with Articles L.22-10-10 4 of the French Commercial Code and 27.1 of the AFEP-MEDEF Corporate Governance Code, the Company declares that it voluntarily accepts, applies and adopts the recommendations issued by AFEP-MEDEF in its code as its corporate governance reference framework. The rules of procedure of the Company's Supervisory Board incorporate the main provisions of said code[10].

Nonetheless, to account for its specific characteristics, AFL has made the following governance choices:

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

  AFL does not apply Articles 20 and 23 of the AFEP-MEDEF Code: accordingly, the corporate officers and members of the Company's Supervisory Board hold no shares in AFL or AFL-ST. This stems from the structure of the AFL Group: the shareholders of the two companies consist, directly or indirectly, solely of organisations specified in Article 1611-3-2 of the French General Local and Regional Authorities Code.
- Representation of Company employees on the Supervisory Board (Article 8 of the AFEP-MEDEF Code).

  AFL has opted not to apply Article 8 of the AFEP-MEDEF Code: because of its lightweight economic model, particularly its low headcount of around thirty permanent employees, its Articles of Association do not provide for the appointment of employee representatives to the Supervisory Board[11].

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

In accordance with Article L.511-100 of the French Monetary and Financial Code and Article 10 of the AFEP-MEDEF Code, it is the responsibility of the ACCGC to periodically, at least once a year, review the following:

(i) composition and working of the Supervisory Board;

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

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

The members of the Supervisory Board were invited to participate in the review of the collective working of the Board and the individual contribution of the members, via a self-assessment questionnaire drafted by the ACCGC. Feedback from the questionnaire's results was analysed at the ACCGC meeting of November 14, 2022. On this basis, the ACCGC proposed areas for improvement aimed at changing the functioning of the Board and its committees. These were subsequently discussed and approved at the Supervisory Board meeting of December 5, 2022.

In summary, this review process shows:

- An excellent Board culture and strong improvement in the quality of discussions and presentations, following the previous action plan;

[10] The AFEP-MEDEF Code and the rules of procedure of the Supervisory Board can be consulted at the registered office of the Company.

[11] Nor does the Company fall within the scope of Article L.225-79-2 of the French Commercial Code.

- Some areas for improvement including the physical organization of meetings, the need to develop opportunities for discussion between members of the AFL Group's Boards, and to continue extending strategic dialogue, particularly on CSR issues.

3. Composition and functioning of the management bodies

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

3.1. The Supervisory Board

3.1.1. Composition

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

(a) (a) the Chairperson of the Board of Directors of AFL-ST;

(b) the Vice-Chairperson of the Board of Directors of AFL-ST;
(c) the Chief Executive Officer of AFL-ST;
(d) one expert with in-depth knowledge of the problems related to the finances of local and regional authorities; and
(e) at least four (4) members with acknowledged professional skills in financial, accounting, management, control or risk matters who serve on independent public or private bodies. Under the Articles of Association:
  - These members are considered independent and must have the requisite financial or managerial qualities; it is the duty of the AFL-ST Board of Directors, on recommendation of the AST-ST ACCGC, to propose their appointment; and
  - the number of members fulfilling the requirements of paragraph (e) must always exceed the number of members of the Supervisory Board appointed to represent the local and regional authorities in paragraphs (a), (b), (c) and (d) above.

These rules underpin the independence of the members of AFL's Supervisory Board, a key element in guaranteeing the managerial autonomy of AFL with respect to AFL-ST[12].

The Articles of Association also stipulate an age limit: when the number of Supervisory Board members over the age of 70 represents more than one-third of the Board, the oldest member is automatically deemed to have resigned.

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

Composition of the Supervisory Board as at December 31, 2022:
13 members. As stated above, no member of the Board holds shares in the Company – see section 1 of this Report.

[12] See 3.1.4 of this Report.

Mr. Sacha Briand - Chairman of the Supervisory Board

DOB: December 11, 1969

French nationality

Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the Supervisory Board

1st appointment: Coopted by the Supervisory Board on September 28, 2020

Renewals: AGM of May 6, 2021

Expiry of term of office: AGM 2025

Offices and positions held within the Group since its incorporation

- Since September 28, 2020: Vice-Chairperson of the Board of Directors of AFL-ST
- 2017-2020: Permanent representative of the Toulouse Metropolitan Area on the Board of Directors of ST

Offices and positions held outside the Group

Offices currently held	*Offices whose terms have expired in the last five years*
▪ Since 2005: lawyer at the Toulouse Bar ▪ Since 2020: - Member of the Board of Directors of the SEM of MINT - Chairperson of EPFL du Grand Toulouse - Member of the SDEHG inter-municipality council • Since 2014: - Member of the SM Tisséo Collectivité Inter-municipality Committee - Member of the Board of Directors of SPL Tisséo Ingénierie - Member of the Board of Directors of EPIC Tisséo Voyageurs - Member of the SM DECOSET Inter-municipality Committee	• 2017-2020: Member of the Board of Directors of SPL ZeFil • 2016 - 2020: Non-voting member of the Supervisory Board of SA ATB (Blagnac airport)

Other areas of expertise and experience

- Since 2014:
  - Deputy Mayor of the City of Toulouse
  - Vice-Chairperson of the Toulouse Metropolitan Area
  - Regional Councillor of the Occitanie Region
- 1995 - 2013: Municipal Councillor of the city of Blagnac
- 1998 - 2004: Chief Executive Officer of Services of the Muretain Municipality Communities
- 1995 - 2004: Chief Executive Officer of Services for the Municipality of Muret
- 1993-1995: Public organization management consultant, JPA Consultants

<table>
<tr><th colspan="3">Ms. Pia Imbs Vice-Chairwoman of the Supervisory Board</th></tr>
<tr><td rowspan="7">DOB: March 14, 1960

French nationality

Professional address: 112 rue Garibaldi, 69006 Lyon

Member and Vice-Chairperson of the Supervisory Board

1st appointment: AGM May 6, 2021
Expiry of term of office: AGM 2025</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ Since March 29, 2020: Chairperson of the Board of Directors of AFL-ST</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ Since 2022:
o Member of the Board of Directors of the Association Nationale des Pôles d'Equilibre Territoriaux et Ruraux et des Pays (ANPP – Territoires de projet)
▪ Since 2021:
- Vice-President of GIP Grand Est Europe
▪ Since 2020:
- Vice-President of Mission Opérationnel Transfrontalière (MOT)
- Director of Compagnie des Transports Strasbourgeois (CTS)
- Director of Société d'Aménagement de d'Equipement de la Région de Strasbourg (SERS)
- Director of Strasbourg Entzheim International Airport
- Vice-Chairperson of the Syndicat des Eaux et de l'Assainissement d'Alsace-Moselle
- Vice-Chairperson of Syndicat Mixte Bruche-Mossig
- Member of the Agence de développement et d'urbanisme de l'agglomération strasbourgoise (ADEUS)
- President of the Schéma de Cohérence Territoriale de la Région de Strasbourg (SCOTERS)
▪ Since 2019:
- Vice-Chairperson of the Board of Directors of the Association Mouvement pour l'Alsace
- Member of the Centre d'information sur les institutions Européennes and the Euro Institution (CIIE)
▪ Since 2014:
- Chairperson of the Management Committee of the Holtzheim Ephad
- Director of the Association d'aide et de service à la personne du Bas-Rhin (ABRAPA)
▪ Since 2008:
- Head of the CSR Chair and Human Resources Master at EM Strasbourg business school
▪ Since 1994:
o Senior Lecturer in HDR in Management Sciences at EM Strasbourg</td><td>Offices whose terms have expired in the last five years
▪ None</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">▪ Since 2020:
- Chairperson of the Strasbourg Eurometropolis
▪ Since 2014:
- Mayor of the municipality of Holtzheim</td></tr>
</table>

<table>
<tr><th colspan="3">Mr. Rollon Mouchel-Blaisot - Member of the Supervisory Board</th></tr>
<tr><td rowspan="6">DOB: June 19, 1959

French nationality

Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the Supervisory Board

Member of the ARCGC

1st Appointment: In the Articles of Association of December 17, 2013

Renewals: AGMs of May 5, 2017, and May 6, 2021

Expiry of term of office: AGM 2025</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ Until May 24, 2017, Chairperson of the Board of Directors of AFL-ST</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
- Head of the Action Cœur de Ville-Agence Nationale de Cohésion des Territoires (ANCT) program</td><td>Offices whose terms have expired in the last five years
2010-2017: Director General of Services of the French Mayors’ Association</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">▪ 2008-2010: Prefect, Senior director of French Southern and Antarctic Territories
▪ 2005-2008: Sub-Prefect of the Saint-Germain-en-Laye arrondissement
▪ 2003-2005: Secretary General for regional affairs at the Prefecture of the Limousin region
▪ 2001-2003: Sub-Prefect of the Libourne district
▪ 1997-2000: Consul General of France to Melbourne
▪ 1995-1997: Chief of Staff to the Minister of Foreign Affairs
▪ 1994-1995: Sub-Prefect, director of Staff to the Prefect of Hautes-Alpes and the Prefect of Maine-et-Loire, then to the Prefect of Rhône-Alpes, assigned to the Défense Sud-Est Zone
▪ 1986-1988: Parliamentary relations adviser to the Office of the Secretary of State, Youth and Sports</td></tr>
</table>

<table>
<tr><th colspan="3">Mr. Olivier Landel - Member of the Supervisory Board</th></tr>
<tr><td rowspan="6">DOB: January 9, 1963
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the ARCGC
Member of the Strategy Committee
Member of the ARC

1st appointment: In the Articles of Association of December 17, 2013
Renewals: AGMs of May 5, 2017, and May 6, 2021
Expiry of term of office: AGM 2025</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ AFL-ST Chief Executive Officer</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
- Since 2015: Delegate General of France Urbaine</td><td>Offices whose terms have expired in the last five years
▪ None</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">▪ 2002-2015: General Delegate of the Association of Urban Communities of France (ACUF), which became Urban France in 2016
▪ 2010-2015: General Delegate of the Study Association for the Local Authorities Funding Agency
▪ 2009-2013: Guest speaker, Master's Program in Territorial Development and Urban Strategies (STU), Sciences-Po Formation
▪ 2009-2013: Chairperson of the Association of Auditors of IHEDATE
▪ 2001-2002: Senior Manager, Intercommunity, Management, Finance, Business Intelligence, Ernst & Young
▪ 1996-2001: Organizational, finance and local authority management consulting, Puyo Consultants/Objectif M+
▪ 1994-1996: Accounting, finance, local authorities and IT consulting, Olivier Landel Conseil/Objectif M14
▪ 1991-1994: Deployment of financial management software for local authorities, GFI solution (formerly SINORG)
▪ 1986-1991: Foreign Services of the Treasury, Accounting for local authorities, Trésor Public (French public revenue office)</td></tr>
</table>

<table>
<tr><th>Mr. François Drouin - Member of the Supervisory Board</th></tr>
</table>

<table>
<tr><td rowspan="6">DOB: August 7, 1951
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the Supervisory Board
Member and Chairperson of the ARC

1st appointment: In the Articles of Association of December 17, 2013
Renewals: AGMs of May 5, 2017, and May 6, 2021
Expiry of term of office: AGM 2025</td><td colspan="2">*Offices and positions held within the Group since its incorporation*</td></tr>
<tr><td colspan="2">▪ *None*</td></tr>
<tr><td colspan="2">*Offices and positions held outside the Group*</td></tr>
<tr><td>*Offices currently held*
▪ Chairperson of ETI Finances (SAS)
▪ Chairperson of the Supervisory Board of Gagéo (SAS)
▪ Chairperson of ICF SAS
▪ Chairperson of IFIMM SAS
▪ Treasurer of the French Institute of International Relations (IFRI)
▪ Director of IFRI foundation
▪ Director of the Valentin Haüy Foundation</td><td>*Offices whose terms have expired in the last five years*
▪ Director of the Fondation Notre-Dame
▪ Director of the Collège des Bernardins SA
▪ Director of MS BEAUTiLAB SA (company incorporated under Swiss law)
▪ President, Autoroutes et Tunnel du Mont Blanc SA
▪ Chairperson of the Supervisory Board of GEIE du Tunnel du Mont Blanc
▪ Vice-Chairperson of the Board of Directors of BPI France
▪ Member of the Supervisory Board of WeLikeStartup Partners SAS</td></tr>
<tr><td colspan="2">*Other areas of expertise and experience*</td></tr>
<tr><td colspan="2">▪ 2013-2017: President, Autoroutes et Tunnel du Mont Blanc (ATBM)
▪ 2013-2017: Chairperson of the Société française du tunnel routier du Fréjus
▪ 2007-2013: Chairperson & CEO, Oséo
▪ 2003-2007: Chairperson of the Management Board, Crédit Foncier de France
▪ 1991-2003: Chairperson of the Management Board, Caisse d'épargne de Midi-Pyrénées
▪ 1989-1992: Chairperson of the Management Board, Société régionale de financement (Sorefi), Caisses d'épargne de Midi-Pyrénées
▪ 1986-1989: Regional director, CDC et Crédit local de France pour la Bourgogne
▪ 1985-1986: Regional director, CDC pour la Haute-Normandie
▪ 1980-1985: Head of the territorial district of Valenciennes for the departmental office of infrastructure for the North, and the regional navigation division of the Nord-Pas-de-Calais region.</td></tr>
</table>

Ms. Victoire Aubry-Berrurier - Member of the Supervisory Board

DOB: June 5, 1966

French nationality

Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the Supervisory Board

Member of the ARC

1st appointment: In the Articles of Association of December 17, 2013

Renewals: AGMs of May 5, 2017, and May 6, 2021

Expiry of term of office: AGM 2025

Offices and positions held within the Group since its incorporation

- *None*

Offices and positions held outside the Group

Offices currently held	*Offices whose terms have expired in the last five years*
- Member of the Executive Committee of Icade in charge of finance, IT, Digital, legal affairs and the work environment - Director of Icade Management - Director of BPI Participations and BPI Investissements and Member of the Audit Committee (representing Caisse des Dépôts et Consignations) - Member of the Board of Directors of OPPCI ICADE HEALTHCARE EUROPE - Member of the Board of Directors of ICADE Santé SA	▪ *None*

Other areas of expertise and experience

Market finance, M&A, strong experience in financial management of listed companies (communication, closures, strategy, etc.) legal expertise in real estate and corporate / governance, taxation, Audit, CI, Risks, Project management

- Since 2015: Member of the Executive Committee of Icade in charge of finance, IT, Digital, legal affairs and the work environment
- 2012-2015: Member of the Executive Committee in charge of Finance, Legal Affairs and IT, Compagnie des Alpes
- 2006-2012: Director of Steering and Performance, CNP Assurances
- 2002-2006: Head of Strategic Monitoring of Competing Financial Activities, Caisse des Dépôts et Consignations
- 1990-2001: Trader on the credit market, then supervisor of risks and earnings on complex products, management supervisor of US investment banking activities, CDC Ixis

<table>
<tr><th colspan="3">Mr. Nicolas Fourt - Member of the Supervisory Board</th></tr>
<tr><td rowspan="6">DOB: September 22, 1958
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the Supervisory Board
Member of the Strategy Committee

1st Appointment: In the Articles of Association of December 17, 2013
Renewals: AGMs of May 5, 2017, and May 6, 2021
Expiry of term of office: AGM 2025</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ None</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ Deputy Chief Executive Officer and director of Sienna Private Credit SAS (formerly Acofi Gestion SA)
▪ Chief Executive Officer, Member of the Management Board, 2A SAS
▪ Director of Acofi SAS
▪ Director of Denis Friedman Productions SA
▪ Chairperson of NF Conseil SAS
▪ Director of CDC Croissance SA</td><td>Offices whose terms have expired in the last five years
▪ 2017 - June 2020: Member of the Supervisory Board of Qivalio (formerly Spread Research - ESMA regulated rating agency)</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">▪ 2013-2021: Asset management (Acofi Gestion and CDC Croissance) - AMF regulation
▪ 2017-2020: Financial and non-financial rating, Qivalio - ESMA regulation
▪ 2009-2013: Consulting services for companies and local authorities, Alfafinance; AMF regulation
▪ 1986-2008: Fixed income and equity financial markets (CDC then Ixis then Natixis) - ACPR regulation</td></tr>
</table>

<table>
<tr><th colspan="3">Mr. Lars Andersson - Member of the Supervisory Board</th></tr>
<tr><td rowspan="6">DOB: March 27, 1952
Swedish nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the Supervisory Board
Member and Chairperson of the Strategy Committee

1st appointment: In the Articles of Association of December 17, 2013
Renewals: AGMs of May 5, 2017, and May 6, 2021
Expiry of term of office: AGM 2025</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ None</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ Since 2021: Senior Advisor at the Global Fund for Cities Development (FMDV)
▪ Since 2009: Founder and Chairperson AB Marten Andersson Productions (AB MA Productions)</td><td>Offices whose terms have expired in the last five years
▪ 2018-2022: Member of the City Finance Lab Committee
▪ 2013-2020: Director at the Global Fund for Cities Development (FMDV)</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">▪ 2007-2009: Chairperson & CEO of Bankhälsan i Stockholm AB, Hälsostrategen I Stockholm AB, and Galleriva AB
▪ 2001-2007: Communications officer, Strategic adviser to the Chairperson, and financing expert for the local and regional authorities, Svensk Exportkredit (Swedish export credit company)
▪ 1986-2001: Chairperson & CEO of the Kommuninvest Group
▪ 1986-1986: Administrative director of the Örebro Regional Theater
▪ 1984-1986: Chief Accountant and Financial Officer for the City of Karlstad
▪ 1976-1984: Chief Financial Officer for the City of Laxa</td></tr>
</table>

<table>
<tr><th colspan="3">Ms. Sophie L’Hélias - Member of the Supervisory Board</th></tr>
<tr><td rowspan="7">DOB: December 30, 1963
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the Supervisory Board
Member and Chairperson of the ACCGC

1st appointment: AGM of February 4, 2021
Expiry of term of office: AGM 2025</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ None</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ Since December 2022: Member of the Board of Directors of IWG Plc
▪ Since 2021:
- Independent director of Herbalife Nutrition Ltd.
- Member of the International Strategy Board of Equanim
- Member of the Board of Directors of the European Corporate Governance Institute (ECGI)
- Member of the High Committee of Corporate Governance (HCGE)
▪ Since 2020: Independent consultant at ImpactXXchange SAS
▪ Since 2018:
- Member of the Board of Directors of SICAV Échiquier Positive Impact
- Independent director and member of the Governance, Strategy and CSR Committees of Africa50 Infrastructure fund
▪ Since 2015: Fellow, The Conference Board, ESG Center
▪ Since 2000: Founder and Chairperson of LeaderXXchange</td><td>Offices whose terms have expired in the last five years
▪ January 2022-November 2022: Chairperson of the Board of Directors of SUEZ SA
▪ 2015-2022: Member of the Advisory and Editorial Board of the Hawkamah Institute for Corporate Governance
▪ 2016 – March 2021: Independent director, member of the Audit and Compensation Committee, and member of the Social, Nomination and Governance Committee of Kering SA
▪ 2019-2021: Member of the MEDEF Governance Committee
▪ 2017-2018: Advisor, UN Global Compact SDG leadership Blueprint, New York</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">▪ Co-founder, International Corporate Governance Network (ICGN)
▪ 1994-2001: CEO, Franklin Global Investors (FGIS)
▪ Former Member of the Paris and New-York Bar</td></tr>
</table>

<table>
<tr><th colspan="3">Ms. Delphine Cervelle - Member of the Supervisory Board</th></tr>
<tr><td rowspan="6">DOB: June 16, 1976
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the Supervisory Board
Member of the Strategy Committee

1st Appointment: Coopted by the Supervisory Board on March 28, 2022
Expiry of term of office: AGM 2025</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ None</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ Since November 2021: Member and Co-Founder of the “Sense of Public Service” think tank
▪ Since August 2021: Member of the Expert Committee for the Local and Regional Authorities Legal Week, Lexis Nexis
▪ Since April 2018: Regional Delegate, Association of Territorial Administrators of France (AATF)</td><td>Offices whose terms have expired in the last five years
▪ April 2017-October 2020: External Rapporteur to the Court of Auditors</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">Business and financial management of the administration, management of accounts and public institutions, public policy evaluation, steering major partnership projects, economic development.
▪ Since November 2020: General Manager- Services, City of Saint-Ouen-sur-Seine
▪ April 2017-October 2020: External Rapporteur to the Court of Auditors
▪ March 2016-April 2017: Chief of Staff, Secretariat of State for Local and Regional Authorities
▪ May 2015-February 2016: Sub-Prefect, Chief of Staff, Cher prefecture
▪ September 2010-2015: Deputy General Manager - Solidarity, City of Aubervilliers
▪ September 2005 – December 2011: Senior Lecturer in Law and Management for Local and Regional Government, Sciences Po Paris
▪ January 2015-April 2015: Planning Officer, Ile de France region
▪ September 2006-September 2010: Head of the health and social services department, Ile de France region
▪ November 2003-August 2004: Head of financial research into social housing, City of Paris
▪ January 2002-November 2002: Head of corporate real estate and ICT</td></tr>
</table>

<table>
<tr><th colspan="3">Ms. Marie Lemarie - Member of the Supervisory Board</th></tr>
<tr><td rowspan="6">DOB: January 4, 1972
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the Supervisory Board
Member of the Audit and Risk Committee

1st Appointment: Appointed by the Supervisory Board on September 28, 2022
Expiry of term of office: AGM 2025</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ None</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ Since 2018: Chief Executive Officer of Scor Ireland
▪ Since 2012: Member of the Board of Directors and Audit Committee, Eiffage</td><td>Offices whose terms have expired in the last five years
▪ March 2012-June 2018: Director at various entities of the Groupama Group:
Assu-Vie
Fonciere Parisienne
Confintex 6
Gan Assurances
Gan Patrimoine
Gan Prevoyance
Groupama Asset Management
Groupama Biztosito (Hungary)
Groupama Immobilier
▪ Groupama Assicurazioni (Italy) 2015-2018: Director, Association Française des Gestionnaires Actif-passif (AFGAP)</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">▪ March 2012-June 2018: Chief Investment Officer and head of financial transactions, Groupama SA
▪ February 2003-February 2012: Chief Investment Officer, Aviva France and Europe
▪ 1999-2003: Head of Diversified Management, State Street Banque
▪ 1996-1998: Economist, Rexecode</td></tr>
</table>

<table>
<tr><th colspan="2">Ms. Sophie Souliac - Member of the Supervisory Board</th></tr>
<tr><td rowspan="3">DOB: April 30, 1970
French nationality
Professional address: 112 rue</td><td>Offices and positions held within the Group since its incorporation</td></tr>
<tr><td>▪ None</td></tr>
<tr><td>Offices and positions held outside the Group</td></tr>
</table>

<table>
<tr>
<td rowspan="3">Garibaldi, 69006 Lyon

Member of the Supervisory Board
Member of the ARCGC

1st Appointment: AGM December 5, 2022
Expiry of term of office: AGM 2026</td>
<td>Offices currently held
▪ Since 2017: Chief Executive Officer of Hiram Finance France</td>
<td>Offices whose terms have expired in the last five years
▪ None</td>
</tr>
<tr>
<td colspan="2">Other areas of expertise and experience</td>
</tr>
<tr>
<td colspan="2">▪ 2009-2017: Consultant Manager, Hiram Finance
▪ 2012-2016: Director, Conservatoire de Musique, Asnières sur Seine
▪ July 2007-April 2009: Chief Executive Officer, Natixis Alternative Investments Limited UK
▪ September 2002-September 2007: Co-CEO of structured products on alternative management funds, IXIS Corporate & Investment Bank
▪ 2000-2002: Risk Manager, IXIS Corporate & Investment Bank
▪ 1995-2000: Risk Controller, Caisse des Dépôts et Consignations</td>
</tr>
</table>

<table>
<tr><th colspan="3">Mr. Julien Denormandie - Member of the Supervisory Board</th></tr>
<tr><td rowspan="6">DOB: August 14, 1980
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

Member of the Supervisory Board
Member of the Strategy Committee

1st Appointment: AGM December 5, 2022
Expiry of term of office: AGM 2026</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ None</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ Since September 2022: Chief Impact Officier, SWEEP
▪ Chairperson, HMAGi SASU
▪ Director, Fleximmo
▪ Chairperson, Institute for Sustainable Finance</td><td>Offices whose terms have expired in the last five years
▪ July 2020-May 2022: Minister of Agriculture and Food
▪ October 2018-July 2020: Minister for the City and Housing
▪ June 2017-October 2018: Secretary of State for Territorial Cohesion
▪ April 2016-May 2017: Deputy General Secretary, En Marche</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">▪ 2014-2016: Deputy Chief of Staff, Ministry of Economy
▪ 2012-2014: Advisor, Ministry of Economy and Finance and Ministry of Foreign Trade
▪ 2010- May 2012: Bureau Chief, Treasury Department, Turkey, Balkans, CIS and Middle East Office
▪ 2008-2010: Economic advisor: French Embassy in Egypt
▪ 2004-2008: Deputy Bureau Chief: Ministry of Economy and Finance, Treasury Department, CIS and Middle East project finance Office</td></tr>
</table>

- **Changes in the composition of the Supervisory Board and the specialized committees during the 2022 financial year:**

	Departures	Appointments - Cooptions
Supervisory Board	Supervisory Board meeting of June 13, 2022: -Carol Sirou (resigned for personal reasons)	Supervisory Board meeting of March 28, 2022: - Delphine Cervelle coopted Supervisory Board meeting of September 28, 2022: - Marie Lemarié coopted AGM December 5, 2022: Appointment of Sophie Souliac and Julien Denormandie
ARC	Supervisory Board meeting of June 13, 2022: - - Carol Sirou	Supervisory Board meeting of September 28, 2022: Marie Lemarié
ACCGC	Supervisory Board meeting of June 13, 2022: - Carol Sirou	Supervisory Board meeting of December 5, 2022: - Sophie Souliac
Strategic Committee		Supervisory Board meeting of March 28, 2022: - Delphine Cervelle - Supervisory Board meeting of December 5, 2022: - Julien Denormandie

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

Pursuant to the laws in force, appointment of Supervisory Board members is the responsibility of the Ordinary General Meeting of Shareholders.

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

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

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

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

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

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

The Company's ACCGC meeting of November 14, 2022 confirmed that all the members of the Supervisory Board have key areas of expertise with regard to the Company's activity, which enable it, as well as the AFL Group, to develop under the aegis of a high-quality Board.

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

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

- Training of Board members

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

- Conflicts of interest:

The Code of Ethics for the members of the Supervisory Board[13] details all of the rights and obligations incumbent upon the members of the Supervisory Board, both collectively and individually, particularly with regard to the management of conflicts of interest and the duty to alert in the event of wrongdoing.

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

If potential conflicts of interest arise, the member of the Board or Committee concerned shall take all appropriate measures to deal with the situation of conflict. Specifically, they shall recuse themselves from any discussions and decision-making on the issue in question. In order to reaffirm the importance of addressing potential conflicts of interest within the AFL Group and following the publication of the Decree of February 25, 2021 amending the Decree of November 3, 2014 on internal control in credit institutions, the Supervisory Board of the Company and the Board of Directors of AFL-ST, at its meeting on March 28, 2022, on the favorable opinion of the ACCGC of the two companies, adopted a Conflict of Interest Management Policy.

During the 2022 financial year, no member of the Supervisory Board noted the occurrence of a potential conflict of interest as regards the exercise of his or her office at AFL, which the Company's ACCGC duly noted on February 23, 2023.

3.1.4. Independence of the members of the Supervisory Board

[13] Approved by the Supervisory Board on September 21, 2017, updated on June 30, 2020 and annexed to the Rules of Procedure of the Supervisory Board.

The independence of the members of the AFL Supervisory Board is guaranteed by application of the the independence criteria in both the AFEP-MEDEF Code (Article 9.5)[14] and AFL's Articles of Association.

Under Article of Association 15.1, members representing AFL-ST or drawn from local or regional authorities do not qualify as independent with regard to their involvement in the governance of the parent company and the capital links between the local authority from which they come and the AFL Group.

The following are excluded from the classification of independent members, specifically for the AFL Group (and in addition to the criteria set out in the AFEP-MEDEF Code):

- Any elected official or employee of a local authority shareholder of the AFL Group, regardless of their percentage stake (Article 2.3 of the rules of procedure of the Supervisory Board);
- Supervisory Board member(s) appointed as experts with in-depth knowledge of local authority finance issues (Articles of Association 15.1.2 and 15.3).

AFL's Articles of Association (Article 15.1.4) require that the number of members of the Supervisory Board appointed for their professional financial and management skills (see 3.1.1 above) must always exceed the number of members of the Supervisory Board appointed to represent the local and regional authorities.

Also, in accordance with Article 9.3 of the AFEP-MEDEF Code, at least a third of directors must be independent (within the meaning of the independence criteria set out in the AFEP-MEDEF Code).[15]

Also, under the rules of procedure of the Supervisory Board and the AFEP-MEDEF Code, directors lose their independent status after 12 years' service on the Board (the loss of independent member status applies only at the end of the term of office during which the 12-year point was passed).

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

The table below summarizes the independence criteria of the members of the Supervisory Board, as established by the ACCGC. At December 31, 2022, 8 of the Supervisory Board's 13 members were independent, i.e. 61.54%.

[14] See Appendix of this Report.
[15] As AFL is controlled, within the meaning of Article L.233-3 of the French Commercial Code, by AFL-ST

Criteria[16]	Criterion 1 – AFEP-MEDEF Code Salaried Board director/Executive officer/director of the company or its parent company or the consolidated company in the five years preceding their appointment	Criterion 2 – AFEP-MEDEF Code Cross-directorships	Criterion 3 – AFEP-MEDEF Code Significant business relationships	Criterion 4 – Family ties	Criterion 5 – AFEP-MEDEF Code Statutory Auditors	Criterion 6 – AFEP-MEDEF Code Term of office exceeding 12 years	Criterion 7 – AFEP-MEDEF Code Non-executive director status	Criterion 8 – AFEP-MEDEF Code Status of major shareholder	Criterion specific to the AFL Group: Elected official or employee of a local authority shareholder of the AFL Group[17]	Criterion specific to the AFL Group: Expert with in-depth knowledge of the problems related to the finances of local and regional authorities [18]
Sacha Briand *Non-independent*	X Sacha Briand is also Vice-Chairperson of the Board of Directors of AFL-ST	X see previous column	✓	✓	✓	✓	✓	X (i) Vice-Chairperson of the Toulouse Metropolitan Area, (ii) Deputy Mayor of the city of Toulouse, (iii) Regional Councillor for the Occitanie Region, and (iv) Member of the Inter-municipality Committee of SM Tisséo Collectivity, shareholders in AFL-ST.	X	X
Pia Imbs *Non-independent*	X Pia Imbs is also Chairperson of the Board of Directors of AFL-ST	X see previous column	✓	✓	✓	✓	✓	X Chairperson of the Eurometropolis of Strasbourg, a shareholder of AFL-ST.	X	X

[16] ✓ = independence criterion met and X = independence criterion not met

Rollon Mouchel-Blaisot *Non-independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓	X
Olivier Landel *Non-independent*	X Olivier Landel holds the position of Chief Executive Officer of AFL-ST	X see previous column	✓	✓	✓	✓	✓	✓	✓	X
Delphine Cervelle *Non-independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓	X
Lars Andersson *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Victoire Aubry *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
François Drouin *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nicolas Fourt *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sophie L'Hélias *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Marie Lemarié *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sophie Souliac *Independent*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Julien Denormandie	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

[17] Article 2.3(e) of the rules of procedure of the Supervisory Board

[18] *Articles of Association 15.1.2(d) and 15.1.3*

Independent										

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

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

Agence France Locale has set targets to ensure a balance between men and women on its Supervisory Board, voluntarily applying the rules for having 40% representation of women on the Supervisory Board in Article L.225-69-1, 1 of the French Commercial Code and Article 7 of the AFEP-MEDEF Code, (even though the Company does not fall within the scope of these texts).

At the end of financial year 2022, the Supervisory Board was composed of six women and seven men, i.e. a proportion of 46.15/53.85%, a clear increase compared on the previous year when it was 40/60%).

The specialized committees also meet the target for gender balance.

The ACCGC and the Supervisory Board have also reaffirmed the diversity policy for the management bodies, committing to having at least one member of each gender on the Company's Management Board. At December 31, 2022, the Management Board achieved gender equality with two men and two women members.

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

- Overview of the duties of the Supervisory Board:

The Supervisory Board exercises permanent control over the management of the Company by the Management Board. At any time of the year, it shall perform the checks and controls it deems appropriate and may be given such documents as it deems necessary for the accomplishment of its mission. The work of the Supervisory Board is governed by its rules of procedure.

The following decisions can only be taken by the Management Board with the prior authorization of the Supervisory Board (Article of Association 15.8):

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

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

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

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

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

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

- proposed dividend distributions and similar transactions.

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

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

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

Depending on the issues included on the agenda, the Chairperson of the Supervisory Board may decide, on a proposal from a member of the Supervisory Board, to invite any person he or she considers useful, whether or not the said person is an employee of the Company, to present information or contribute to the discussions leading up to the deliberations. The Statutory Auditors are invited to all meetings of the Supervisory Boards during which the annual or half-year financial statements are reviewed.

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

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

Supervisory Board members may attend meetings by video-conference or appoint another Supervisory Board member as proxy to represent them, except for Supervisory Board meetings called to approve the annual financial statements.

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

Members of the Supervisory Board may only be represented by proxy at a limited number of meetings, set in 4.1.1 of this Report. Above this number, their attendance by proxy no longer counts for the purpose of allocating compensation.

Each Supervisory Board member must be provided with any documents they deem useful or necessary for the performance of their duties. The obligation to obtain information incumbent on Supervisory Board members means they also have the right to obtain the information requested.

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

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

In addition to the points and decisions pertaining to its legal prerogatives, especially as regards the review of the annual and half-year financial statements, the Supervisory Board discussed all of the major actions undertaken in 2022, both internally (organization, compensation, objectives, etc.) and externally (bond issue ceilings, financial policies, etc.).

The Supervisory Board met four times in 2022 and approved the following matters, among others:

- Strategy:
  - AFL trajectory 2030;
  - Membership development strategy;
  - Communication strategy, including the 2023-2026 communications plan;
  - CSR strategy, including setting out the CSR trajectory and the Climate and Sustainable Finance 2023 roadmap;

- Budget and financial and commercial outlook:
  - Approval of the business plan;
  - Review of the projected budget outturn for the past financial year and approval of the budget for the upcoming financial year;
  - Opinion on the draft annual review of the *k*-factor to be put to the AFL-ST Board of Directors;

- Review of financial policies:

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

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

▪ Review of compensation policies:
  - Amount of fixed and variable compensation granted to members of the Management Board for the 2021 financial year;
  - Compensation packages allocated to employees, specifically those classed as “risk-takers”, for the 2021 financial year;
  - Compensation policy for the 2022 financial year, including the professional and equal pay policy;
  - Establishment of quantitative and/or qualitative annual targets to be taken into account when determining 2022 variable compensation;
  - Policy on gender equality;
  - Breakdown of the total amount of compensation allocated at the AGM to the members of the Supervisory Board for the financial year ended December 31, 2021 and opinion on the principle of compensation allocation for the 2022 financial year;

▪ Review of regulated agreements:
  - Annual review of regulated (i.e. related-party) agreements previously entered into which continued to be executed during the 2022 financial year;
  - Review of the employment contract of Ms. Laurence Leydier, Head of Membership and Credit, newly appointed to the Management Board;

▪ Review of internal control and risk monitoring:
  - Work and outcomes of internal control and risk monitoring
  - Risk mapping and risk appetite;
  - Price of products and services referred to in Article L.511-94 of the French Monetary and Financial Code:
  - Policy on outsourcing, including review of steps taken to control outsourced activities;
  - Procedure for significant incidents;
  - Liquidity position;

- Internal Control Charter;
- Annual Report on Internal Control (ARIC);
- Annual Report on Internal Control for AML-CFT;
- Recovery Plan (RP);
- Contingency and Business Continuity Plan (CBCP);
- Cyber-security and cyber-resilience;

▪ Regular controls:
  - Biannual reports (including recommendations, implementation of remedial measures, and follow-up of their implementation);
  - Approval of the periodic audit plan for the 2023 financial year;

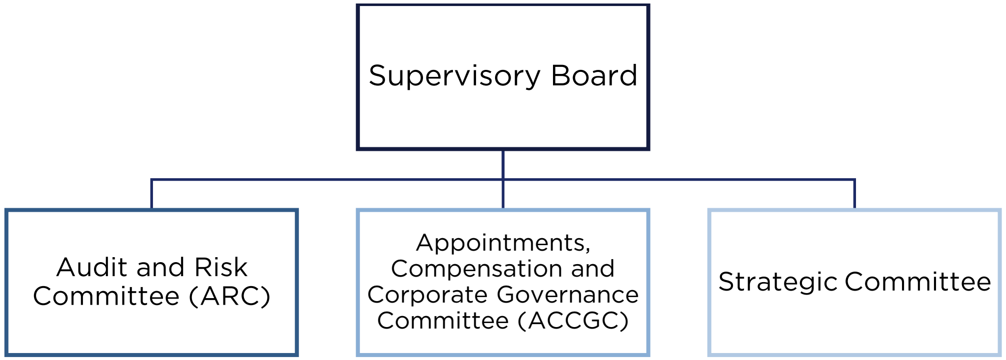
▪ Governance:
  - Work on the composition of the Supervisory Board, including the process of identification, appointment and on-boarding of new members, and the introduction of non-voting members;
  - Opinion on an inflation compensation scheme for AFL employees and executives;
  - Evaluation of the collective functioning of the Supervisory Board and its committees, as well as the experience and skills of the members of the Supervisory Board, on an individual basis;
  - Review of gender representation on the Company's Supervisory Board;
  - Review of the diversity policy within the governing bodies;
  - Approval of this Corporate Governance Report.

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

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

3.2.The specialized committees of the Supervisory Board

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



The Committees provide in-depth analysis and consideration prior to the discussions of the Supervisory Board and help prepare its decisions. They have no decision-making powers and their opinions, proposals or recommendations are not binding on the Supervisory Board which remains the ultimate decision-maker.

3.2.1. The Audit and Risk Committee

a) Composition of the Audit and Risk Committee

At December 31, 2022, the Audit and Risk Committee has four members: Ms. Victoire Aubry, Mr. Olivier Landel, Ms. Marie Lemarié, and its Chairman Mr. François Drouin.

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

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

The main mission of the Audit and Risk Committee is:

(i) to oversee the preparation and dissemination process for accounting and financial information, assess the relevance and permanence of the accounting policies and principles adopted for the preparation of the annual and interim financial statements;

(ii) to verify the effectiveness of the internal control and risk management procedures;

(iii) to ensure by any means the quality of the financial, accounting or risk management information provided to the Supervisory Board; and

(iv) to give the committee its assessment of the work performed by the Statutory Auditors and its opinion on the renewal of their terms of office.

The rules of procedure of the Supervisory Board precisely define its operations and its tasks.

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

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

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

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

During the 2022 financial year, the Audit and Risk Committee met four times. Its work addressed all the points falling within its competence before submission to the Supervisory Board.

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

a) Composition

At December 31, 2022, the ACCGC has four members, Mr. Rollon Mouchel-Blaisot, Mr. Olivier Landel, Ms. Sophie Souliac and its Chairwoman Ms. Sophie L'Hélias.

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

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

The ACCGC's primary mission is:

(i) to examine any candidacy for the position of Supervisory Board member and the composition of the Board and its committees;
(ii) to make recommendations on the appointment or succession of executive directors;
(iii) to ensure compliance with the rules of governance and the proper functioning of the corporate bodies, in particular by conducting an annual review of the functioning of the Supervisory Board and its Committees, and proposing any areas for improvement;
(iv) to assess the collective competence, and ensure the experience and individual skills of the members of the Supervisory Board, guaranteeing the collective functioning of the Board, and discuss annually the qualification of "independent" member; and

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

The rules of procedure of the Supervisory Board precisely define the functioning and missions of the ACCGC.

In order to carry out its mission, the ACCGC has at its disposal all the resources made available to it under the rules of procedure of the Supervisory Board.

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

In 2022, the ACCGC met four times. Its work notably addressed all the points falling within its competence before submission to the Supervisory Board.

Specifically, in 2022 the ACCGC specified the following procedure for selecting future members of the Supervisory Board: 1) development of a matrix of key skills useful to work of the Board and the development of AFL's strategy, 2) shortlisting of potential candidates, 3) interviews, then 4) recommendation after in-depth study of the candidate including the fit & proper criteria of the Prudential Control and Resolution Authority (ACPR). Members of the Supervisory Board appointed in 2022 were selected according to this procedure after interviews with the Chairwoman of ACCGC, the Chairman of the Supervisory Board and the Chairman of the Committee they were to join. Finally, the skills matrix is used to create a pool of potential candidates as part of the Supervisory Board's succession plan.

Also, AFL's Management Board submitted its succession plan to the Chairman of the Supervisory Board and the Chairwoman of the ACCGC.

3.2.3. The Strategy Committee

a) Composition

At December 31, 2022, the Strategy Committee has five members, Mr. Olivier Landel, Mr. Nicolas Fourt, Ms. Delphine Cervelle, Mr. Julien Denormandie and its Chairman Mr. Lars Andersson.

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

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

The Strategy Committee meets as many times as its members deem necessary, and at least once before each quarterly meeting of the Supervisory Board.

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

– major strategic directions;
– development, communications and CSR policy;
– major projects and planned financing and refinancing programs.

The Strategic Committee also reviews draft strategic agreements and partnerships and any other significant projects.The decision as to which projects are significant is the responsibility of the Chairman of the Strategic Committee, based particularly on the size of the commitments involved.

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

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

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

During the 2022 financial year, the Strategy Committee met four times. Its work notably addressed all the points falling within its competence before submission to the Supervisory Board. It also held several informal meetings to prepare and then review the strategy seminar. This was held on April 4, 2022, and brought together the members of the AFL Supervisory Board and the AFL-ST Board of Directors.

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

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

The Strategy Committee focuses its agenda on themes it identifies as the key strategic challenges for the AFL Group. In the past financial year these were:

- CSR strategy;
- The AFL trajectory 2030;

3.2.4. Members' attendance at Supervisory Board and Specialized committee meetings: participation in meetings of the members of the Supervisory Board and its specialized committees in the course of the 2022 financial year

All the Supervisory Board and Committee meetings met the quorum and majority requirements of the Articles of Association, on first call.

	Supervisory Board		ARC		ACCGC		Strategic Committee		
Attendance in 2022	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	*Individual attendance rate*
S. Briand	4	4	-	-	-	-	-	-	*100%*
P. Imbs	4	3 (including 2 by proxy)	-	-	-	-	-	-	*75%*
R. Mouchel-Blaisot	4	4	-	-	4	4	-	-	*100%*
O. Landel	4	4	4	4	4	4	4	4	*100%*
L.Andersson	4	4	-	-	-	-	4	4	*100%*
V. Aubry-Berrurier	4	4	4	4 (including 1 by proxy)	-	-	-	-	*100%*
F. Drouin	4	4	4	4	-	-	-	-	*100%*
N. Fourt	4	3	-	-	-	-	4	4	*87.5%*
S. L'Hélias	4	4	-	-	4	4	-	-	*100%*
C. Sirou*	1*	1	2	1	1*	1	-	-	*75%*
D. Cervelle**	4	3	-	-	-	-	3**	3	*85.7%*
M.Lemarie ***	1****	0	1***	1	-	-	-	-	*50%*
Average attendance rate	85%		90%		100%		100%		

The attendance rate remains high in 2022, testifying to the commitment of Supervisory Board members. The table below presents attendance of the members of the Board and Specialized Committees at meetings, based on the attendance sheets signed at the meeting entrance.

* Resignation recorded by the Supervisory Board on June 13, 2022.

** Coopted by the Supervisory Board on March 28, 2022.

***Coopted by the Supervisory Board on September 28, 2022.

Ms. Sophie Souliac and Mr. Julien Denormandie were only appointed members of the Supervisory Board on December 5, 2022 (not including that meeting) and therefore were not called to any meetings of Company's corporate bodies in the past financial year.

3.3.The Management Board

a) Composition

Members of the Management Board are appointed by the Supervisory Board on recommendation of the Company's ACCGC. On March 26, 2020, the Supervisory Board approved the renewal of the terms of office of Mr. Yves Millardet, Mr. Thiébaut Julin and Ms. Ariane Chazel, members of the Management Board for a period of six (6) years.

The AFL Management Board was expanded with the appointment of Ms Laurence Leydier by the Supervisory Board on September 28, 2022.

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

Composition of the Management Board at the date of this Report:

<table>
<tr><th colspan="3">Yves Millardet, Chairman of the Management Board</th></tr>
<tr><td rowspan="6">DOB: August 24, 1964
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

1st Appointment: Supervisory Board meeting of December 17, 2013
Renewals: Supervisory Board meeting of March 26, 2020
Expiry of term of office: AGM 2026</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ Since June 5, 2014: Deputy Chief Executive Officer of AFL-ST</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ Since 2021:
– Manager of SCI 3 plage
– Manager of SCI 13 Koz-Ker
▪ Since 2020: Permanent representative of AFL, member of the Bureau of the Board of Directors of the OCBF</td><td>Offices whose terms have expired in the last five years
▪ None</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">▪ 2022: Approval of the 4 training modules on information systems security (ISS) designed by the ANSSI training centre (CFSSI) - MOOC SecNumacadémie
▪ 2007-2013:
– Senior Banker, Natixis
▪ 2001-2007:
– Senior Banker, ABN AMRO
▪ 1996-2001:
– Originator, Caisse des Dépôts et Consignations
▪ 1993-1996:
– Consultant, FCL Group
▪ 1989-1992:
– Consultant, Cailliau Dedouit & Associés</td></tr>
</table>

<table>
<tr><th colspan="2">Laurence Leydier - Member of the Management Board</th></tr>
<tr><td rowspan="6">DOB: May 13, 1974
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

1st appointment: Supervisory Board meeting of September 28, 2022
Expiry of term of office: AGM 2028</td><td>Offices and positions held within the Group since its incorporation</td></tr>
<tr><td>▪ Since October 2022: Head of membership and lending at AFL
▪ 2021-October 2022: Deputy Head of membership and lending at AFL
▪ 2014-2021: Head of local authority relations in AFL's membership and lending department</td></tr>
<tr><td>Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ None

Offices whose terms have expired in the last five years
▪ None</td></tr>
<tr><td>Other areas of expertise and experience</td></tr>
<tr><td>▪ 2011-2014:
– Head of South-East Region Trading Room, Crédit Agricole CIB
– Sponsor of Regional Authorities – CACIB relations, Crédit Agricole CIB
▪ 2004-2011: Trader, interest rate and currency derivatives, Crédit Agricole CIB
▪ 1997-2004: Trader, SGCIB</td></tr>
</table>

<table>
<tr><th colspan="2">Thiébaut Julin – Member of the Management Board</th></tr>
<tr><td rowspan="6">DOB: September 16, 1961
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

1st appointment: Supervisory Board meeting of March 25, 2014
Renewals: Supervisory Board meeting of March 26, 2020
Expiry of term of office: AGM 2026</td><td>Offices and positions held within the Group since its incorporation</td></tr>
<tr><td>▪ Chief Executive Officer and Chief Financial Officer of AFL</td></tr>
<tr><td>Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ None

Offices whose terms have expired in the last five years
▪ None</td></tr>
<tr><td>Other areas of expertise and experience</td></tr>
<tr><td>▪ 2005-2014:
– Senior Banker, Natixis
▪ 1988-2005:
– Head of Resources, African Development Bank
▪ 1992-1997:
– Manager, Daiwa</td></tr>
</table>

<table>
<tr><th colspan="3">Ariane Chazel - Member of the Management Board</th></tr>
<tr><td rowspan="6">DOB: March 16, 1970
French nationality
Professional address: 112 rue Garibaldi, 69006 Lyon

1st Appointment: Supervisory Board meeting of June 5, 2014
Renewals: Supervisory Board meeting of March 26, 2020
Expiry of term of office: AGM 2026</td><td colspan="2">Offices and positions held within the Group since its incorporation</td></tr>
<tr><td colspan="2">▪ Head of Commitments and Risks, Climate and Sustainable Finance at AFL</td></tr>
<tr><td colspan="2">Offices and positions held outside the Group</td></tr>
<tr><td>Offices currently held
▪ Since December 2022: Treasurer of the OCBF
▪ Since July 2022: Member of the Board of Directors of the X alumni association
▪ Since 2021: Member of the Board of Directors of the X-finance association
▪ Since 2020: Alternate permanent representative of AFL, member of the Bureau of the Board of Directors of the OCBF</td><td>Offices whose terms have expired in the last five years
▪ 2019-2021: Chairwoman of the Board of Directors of the f-Finance association</td></tr>
<tr><td colspan="2">Other areas of expertise and experience</td></tr>
<tr><td colspan="2">▪ 2022: Approval of the 4 training modules on information systems security (ISS) designed by the ANSSI training centre (CFSSI) – MOOC SecNumacadémie
▪ 2013-2014:
– Head of Valuation of Rare Resources, BGC, Natixis
▪ 2009-2013:
– CIB strategy, Natixis
▪ 2002-2009:
– Fund structuring, Natixis
▪ 1997-2001:
– Financial engineering, Groupe La Poste</td></tr>
</table>

b) Powers of the Management Board

The members of the Management Board collectively manage the Company.

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

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

4. Compensation

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

4.1. Members of the Supervisory Board and the Specialized committees

4.1.1. Compensation payment principles and terms

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

The AFL General Meeting of Shareholders of May 5, 2022 set the annual maximum total amount of compensation to be distributed among the members of the Supervisory Board at €220,000 (two hundred and twenty thousand euros) for the 2022 financial year.

The rules applicable to the allocation of the compensation to the members of the Supervisory Board are defined in Article 12 of the Supervisory Board's rules of procedure.

In consideration of the specific nature of their functions on the Supervisory Board, the following members of the Board receive different compensation:

- The Chairperson of the Supervisory Board;
- The Chairpersons of the Specialized committees of the Supervisory Board;
  The members of the Board who are also members of a Specialized committee.

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

- At two meetings of the Supervisory Board, or
- At two Committee meetings, or
- At one Supervisory Board meeting and one Committee meeting, with the exception of the sessions regarding the review of the annual financial statements.

Beyond that, proxy attendance by members of the Supervisory Board, while legally valid for the calculation of the quorum and majority, does not count towards the allocation of compensation.

Notwithstanding the foregoing, in view of the legal regime governing incompatibilities applicable to holders of national or local elective offices, compensation may under no circumstances be awarded to members of the Supervisory Board who also hold national elective offices. Therefore, neither Sacha Briand nor Pia Imbs receives compensation for the performance of their mandates on the AFL Supervisory Board.

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

Since Olivier Landel, in his capacity as Chief Executive Officer of AFL-ST, receives a gross annual compensation of €50,000 pursuant to his contract of appointment, he does not receive compensation for his duties on the Supervisory Board of the Company.

No variable compensation or benefits in kind were paid to Olivier Landel for his duties at the AFL Group during the 2022 financial year.

The allocation of the total annual amount of the compensation allocated to members of the Supervisory Board shall be set in accordance with the following procedures:

(i) For the Chairperson of the Supervisory Board:
- A fixed portion of an amount of €10,000 p.a., except in the event of excessive absenteeism, to which is added;
- A variable portion capped at €20,000 p.a. (attributed based on attendance).

In 2022, as in previous years, Mr. Sacha Briand received no compensation for his office as Chairman of the Supervisory Board due to incompatibilities of status.

The following compensation is calculated pro rata to the duration of the term of office for the 2022 financial year:

(ii) For the Chairpersons of the Audit and Risk Committee, the Appointments, Compensation and Corporate Governance Committee and the Strategy Committee:
- A fixed portion of an amount of €5,000 p.a., except in the event of excessive absenteeism, plus:
- A variable portion capped at €20,000 p.a. (attributed based on attendance).

(iii) For the members of the Supervisory Board and the members of the specialized committees:
- A fixed portion of an amount of €5,000, except in the event of excessive absenteeism, to which is added;
- A variable portion capped at €10,000 p.a., except in the event of excessive absenteeism, plus:
- An additional maximum of €5,000 p.a. for the members of the specialized committees, based on their actual participation.

Furthermore, the Company has not granted any retirement commitments or other life annuity benefits to the members of the Supervisory Board, and has not entered into any agreement providing compensation for Supervisory Board members whose terms of office are ending, for any reason whatsoever.

4.1.2. Amount of compensation allocated

In accordance with the provisions of Article L.225-83 of the French Commercial Code, the Supervisory Board approved on March 27, 2023, the following compensation allocated to the members of the Supervisory Board, within the limit of the total amount of €220,000 approved by the General Meeting of Shareholders of May 5, 2021.

Ms. Sophie Souliac and Mr. Julien Denormandie were only appointed members of the Supervisory Board on December 5, 2022 (not including that meeting) and therefore were not called to any meetings of Company's corporate bodies in the past financial year and received no compensation (formerly attendance fees) in respect of 2022.

Members of the Supervisory Board	Amount (€)			
	2022 fixed (in €)	2022 variable (in €)	2022 Total (in €)	2021 Total – paid in 2022 (in €)
S. Briand - Chairman of the Supervisory Board	-	-	-	-
P. Imbs – Vice-Chairwoman of the Supervisory Board	-	-	-	-
L.Andersson - Chairman of the Strategy Committee	5,000	20,000	25,000	25,000
V. Aubry - Member of the ARC	5,000	10,000 + 5,000 for membership of a specialized committee	20,000	20,000
F. Drouin - Chairman of the ARC	5,000	20,000	25,000	25,000
N. Fourt - Member of the Strategy Committee	5,000	10,000 + 5,000 for membership in a Specialized committee	20,000	20,000
O. Landel - Member of the ARC, the ACCGC and the Strategic Committee	-	-	-	-
S. L'Hélias– Chairwoman of the ACCGC	5,000	20,000	25,000	18,335
R. Mouchel Blaisot - Member of the ACCGC	5,000	10,000 + 5,000 for membership of a specialized committee	20,000	20,000
C. Sirou - Member of the ARC and ACCGC (until 06/13/2022)	2,500 (5,000 x1/2)	10,000 (10,000 x1/2 + 5,000 x1/2 as a member of the ARC + 5,000 x1/2 as a member of ACCGC	12,500	21,667
D. Cervelle –Member of the Strategy Committee (since 03/28/2022)	-	-	-	-
Mr Lemarié – Member of the ARC (since 09/28/2022)	1.250 (5,000 x 1.4)	3.750 (10,000 x 1/4 + 5,000 x 1/4 for membership in a Specialized committee	5,000	-

Total	33,750	118,750	152,500	150,002[19]

[19] Based on the members of the Supervisory Board serving during the financial year.

4.2. Management Board

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

On March 26, 2020, the Supervisory Board approved the renewal of the terms of office of the members of the Management Board for a period of six (6) years. The renewed terms of office of members will end, in accordance with the provisions of the Articles of Association, at the end of the Ordinary General Meeting called to approve the financial statements for the 2025 financial year and held in 2026. The term of office of Laurence Leydier, appointed by the Supervisory Board on September 28, 2022, will end at the end of the meeting of the Ordinary General Meeting called to approve the accounts for the financial year 2027 and held in 2028.

	Yves Millardet, Chairperson of the Management Board Date of start of term of office: January 6, 2014 Term of office ends: General Meeting in 2026 to approve the financial statements for the 2025 financial year	
Employment contract	No	Yves Millardet performs his duties under a mandate contract whose terms were approved by the ACCGC and the Supervisory Board of the Company.
Supplementary pension plan	Yes	Yves Millardet's retirement plan is modeled on the plan applicable to the Company's employees (see discussion below).
Compensation or benefits that are or may be due as a result of termination or change of duties	No	Yves Millardet's mandate contract does not provide for such compensation.
Compensation relating to a non-competition clause	Yes	Yves Millardet's mandate contract contains a non-competition clause applicable for a period of 12 months from the effective termination of duties (see discussion below).

	Thiébaut Julin, Member of the Management Board – Chief Financial Officer Date of start of term of office: March 25, 2014 Term of office ends: General Meeting in 2026 to approve the financial statements for the 2025 financial year	
Employment contract	Yes	Thiébaut Julin holds the position of Chief Financial Officer, in accordance with the terms of an employment contract entered into with the Company. Thiébaut Julin serves as an unpaid member of the Management Board. Thiébaut Julin's position as a member of the Management Board is governed by the sections of the Articles of Association relating to the functioning and powers of the Management Board.
Supplementary pension plan	No	As an employee of the Company, Thiébaut Julin has the pension plan applicable to all employees of the Company.
Compensation or benefits that are or may be due as a result of termination or change of duties	No	No benefits or compensation of this type are mentioned in the provisions of the Articles of Association, or are provided by decision of the Supervisory Board, which is competent to rule on the components of compensation of the members of the Management Board with regard to the termination of the duties of a member of the Management Board of the Company.
Compensation relating to a non-competition clause	No	Thiébaut Julin is not subject to any non-competition clause, pursuant to his employment contract, the provisions of the Articles of Association applicable to the duties of a member of the Management Board or a subsequent decision to that effect by the Supervisory Board.

	Ariane Chazel, Member of the Management Board - Head of Commitments and Risks, Climate and Sustainable Finance Date of start of term of office: June 5, 2014 Term of office ends: General Meeting in 2026 to approve the financial statements for the 2025 financial year	
Employment contract	Yes	Ariane Chazel serves as Head of Commitments and Risks, Climate and Sustainable Finance, in accordance with the terms of an employment contract with the Company. Ariane Chazel serves as an unpaid member of the Management Board. Ariane Chazel's duties as a member of the Management Board are governed by the statutory rules relating to the functioning and powers of the Management Board.
Supplementary pension plan	No	As an employee of the Company, Ariane Chazel has the pension plan applicable to all employees of the Company.
Compensation or benefits that are or may be due as a result of termination or change of duties	No	No benefits or compensation of this type are mentioned in the provisions of the Articles of Association, or are provided by decision of the Supervisory Board, which is competent to rule on the components of compensation of the members of the Management Board with regard to the termination of the duties of a member of the Management Board of the Company.
Compensation relating to a non-competition clause	No	Ariane Chazel is not subject to any non-competition clause, pursuant to her employment contract, the provisions of the Articles of Association applicable to the duties of a member of the Management Board or a subsequent decision to that effect by the Supervisory Board.

	Ms. Laurence Leydier, Member of the Management Board - Head of memberships and lending Date of start of term of office: September 28, 2022 Term of office ends: General Meeting in 2028 to approve the financial statements for the 2027 financial year	
Employment contract	Yes	Laurence Leydier serves as Chief Financial Officer under the terms of an employment contract entered into with the Company. Laurence Leydier serves as an unpaid member of the Management Board. Laurence Leydier's position as a member of the Management Board is governed by the sections of the Articles of Association relating to the functioning and powers of the Management Board.
Supplementary pension plan	No	As an employee of the Company, Laurence Leydier has the pension plan applicable to all employees of the Company.
Compensation or benefits that are or may be due as a result of termination or change of duties	No	No benefits or compensation of this type are mentioned in the provisions of the Articles of Association, or are provided by decision of the Supervisory Board, which is competent to rule on the components of compensation of the members of the Management Board with regard to the termination of the duties of a member of the Management Board of the Company.
Compensation relating to a non-competition clause	No	Laurence Leydier is not subject to any non-competition clause, pursuant to his employment contract, the provisions of the Articles of Association applicable to the duties of a member of the Management Board or a subsequent decision to that effect by the Supervisory Board.

4.2.1. Compensation payment principles and terms

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

With the exception of the Chairperson of the Management Board, with whom there is a contract of appointment to corporate mandate, Management Board members perform their functions on the basis of employment contracts. These agreements are regulated and therefore must be strictly reviewed each year by the Supervisory Board and General Meeting[20].
Compensation paid to members of the Management Board is governed by the compensation policy in the same way as all other Company employees

The variable compensation of each member of the Management Board is defined on the basis of collective targets and individual targets approved at the start of each financial year by the Supervisory Board on recommendation of the ACCGC, and included in the Company's compensation policy. The ACCGC and Supervisory Board, at their meetings of, February 23 and March 27, 2023, respectively, assessed the extent to which the Management Board had met its targets in the past year and approved their variable portion of compensation, accordingly.

The criteria for allocating the variable compensation of the members of the Management Board for the 2022 financial year just ended and the 2023 financial year in progress are appended to this report.

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

- <u>Yves Millardet</u>

Under his contract of appointment effective January 6, 2014, as member and Chairman of the Management Board, Yves Millardet's compensation is determined by reference to market practice for the role of Chairperson of the Management Board.

This compensation is paid on the basis of his corporate role in the Company and is broken down into a fixed portion (85% of the benchmark compensation) and a variable portion equal to a maximum of 15% of the benchmark compensation(reviewed annually by the Supervisory Board. The benchmark amount for the 2022 financial year is €345,217). The vesting of the variable portion will be linked to the partial or total achievement of one or more qualitative and/or quantitative annual targets, which the Supervisory Board must define each year, after consultation with the ACCGC.

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

The pension scheme applicable to Yves Millardet is modelled on the one provided for all the company's employees (i.e. contribution to the Agirc/Arrco schemes calculated on the basis of gross annual compensation). As such, he has no supplemental retirement scheme.

In the event of the termination of his duties as Board director, Yves Millardet will receive a financial contribution under the non-competition clause that was inserted into his contract of appointment in June 2015.

[20] See section 6 of this Report. The easing of the procedures governing regulated agreements now in force does not apply in these cases.

The idea to include the non-competition clause was adopted after it was found that Yves Millardet did not benefit from any form of protection of any kind that was linked to his status as a non-employee (stock options, special pension schemes, etc.).

The wording of this non-competition clause was presented to the ACCGC for an opinion, then for approval by the Supervisory Board. Both the Committee and the Supervisory Board expressed their support for the clause.

The non-competition clause adopted is as follows:

"In exchange for this non-competition obligation, Yves Millardet will receive, from the date of his effective termination and during the period of application of this clause, a financial contribution paid monthly on a monthly basis corresponding to the gross monthly compensation paid to him during the twelve (12) months preceding the date on which he effectively ceased to hold office."

– Thiébaut Julin

Thiébaut Julin serves as an unpaid member of the Management Board of AFL. After approval by the ACCGC, the Supervisory Board, on March 25, 2014, decided in favor of compensation for the technical duties of AFL's Chief Financial Officer, under an employment contract entered into with the Company.

The compensation of Thiébaut Julin is set by reference to market practices for the position of Chief Financial Officer. This compensation consists of a fixed portion and a variable portion representing a maximum of 15% of the fixed portion. The vesting of the variable portion will be linked to the partial or total achievement of one or more qualitative and/or quantitative annual objectives, which the Supervisory Board must define each year, after consultation with the ACCGC.

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

– Ariane Chazel

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

Ms. Ariane Chazel's compensation is determined by reference to market practice for the role of Head of Commitment and Risk. This compensation consists of a fixed portion and a variable portion representing a maximum of 15% of the fixed portion. The vesting of the variable portion will be linked to the partial or total achievement of one or more qualitative and/or quantitative annual objectives, which the Supervisory Board must define each year, after consultation with the ACCGC.

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

– Ms. Laurence Leydier

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

Ms. Laurence Leydier's compensation is determined by reference to market practice for the role of Head of membership and lending. This compensation consists of a fixed portion and a variable portion representing a maximum of 15% of the fixed portion. The vesting of the variable portion will be linked to the partial or total achievement of one or more qualitative and/or quantitative annual objectives, which the Supervisory Board must define each year, after consultation with the ACCGC.

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

4.2.2. Amount of compensation allocated

In accordance with the recommendations of the AFEP-MEDEF Code to which the Company adheres, presented below are details on the components of compensation and benefits of any kind paid or due to the members of the Management Board for the financial year ended December 31, 2022.

Furthermore:

- the Company has not granted any retirement commitments or other life annuity benefits to the members of the Management Board;
- the Company has not granted any stock options or performance shares to the members of the Management Board for the financial year ended December 31, 2022;
- the Company pays for specific insurance for the Chairperson of the Management Board, in the absence of unemployment insurance, corresponding to a benefit in kind, the amount of which is entered in the table itemizing compensation amounts below;
- since March 2021, the Company has been responsible for a vehicle lease for the Chairperson of the Management Board for a period of 36 months;
- for the 2021, 2022 and 2023 financial years, the Company has set up an incentive scheme to which Thiébaut Julin, Laurence Leydier and Ariane Chazel are eligible as employees, and from which the Chairperson of the Management Board, a non-salaried corporate officer, is excluded;

Summary table of compensation per executive director[21]

Yves Millardet Chairperson of the Company's Management Board Deputy Chief Executive Officer of AFL-ST[22]	fINANYear ended 12/31//2021		Financial year ended 12/31/2022	
	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	268,900	268,900	268,900	268,900
Annual variable compensation	40,000	19,250 [23]	41,000	54,250[23]
Profit-sharing compensation bonus	29,550	0	34,731	10,000
Compensation bonus for the anti-inflation PPV (value-sharing bonus) provision	N/A	N/A	6,723.57	6,723.57
Payments in kind	9,409.19 4,020.64	9,409.19[24] 4,020.64[25]	9,506.88 4,716.24	9,506.88[24] 4,716.24[25]
TOTAL	**351,879.83**	**301,579.83**	**365,577.69**	**354 096,69**

Ariane Chazel Member of the Management Board Head of Commitments and Risks, Climate and Sustainable Finance	Financial year ended 12/31/2021		Financial year ended 12/31/2022	
	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	180,439	180,439	180,439	180,439
Annual variable compensation	23,500	17,000[23]	24,500	28,500[23]
Value sharing bonus (PPV)	N/A	N/A	4,510.98	4,510.98

[21] The amount of the profit-sharing will be definitively calculated on the basis of the separate financial statements certified at December 31, 2022

22 Mr. Millardet does not receive any specific compensation for his duties within AFL-ST

23 Corresponding to the payment of variable compensation components for prior financial years for which the payments were staggered (see table below)

24 Corresponding to coverage by the specific insurance mentioned above

25 Corresponding to the valuation of the company car

Payments in kind	0	0	1,850	1,850
Profit-sharing payment	15,062	N/A	[17,700]	15,062
TOTAL	**219,001**	**197,439**	**228,999.98**	**230,361.98**

Thiébaut Julin Member of the Management Board of the Company Chief Financial Officer	Financial year ended 12/31/2021		Financial year ended 12/31/2022	
	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	229,278	229,278	229,278	229,278
Annual variable compensation	29,500	17,000[23]	30,500	37,500[23]
Value sharing bonus (PPV)	N/A	N/A	5,731.95	5,731.95
Payments in kind	0	0	602	602
Profit-sharing payment	15,062	N/A	[17,700]	15,062
TOTAL	**273,840**	**246,278**	**283,811.95**	**288,173.95**

Laurence Leydier Member of the Management Board Head of membership and lending	Financial year ended 12/31/2021		Financial year ended 12/31/2022	
	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)	Amounts due in respect of the financial year (€ gross)	Amounts paid during the financial year (€ gross)
Fixed compensation	119,374	119,374	127,031	127,031
Annual variable compensation	17,500	16,250[23]	18,750	18,750[23]
Value sharing bonus (PPV)	N/A	N/A	2,984.36	2,984.36
Payments in kind	0	0	0	0
Profit-sharing payment	14,089	N/A	[17,700]	14,089

TOTAL	150,963	135,624	166,465.36	162,854.36

<u>Principle of staggered variable compensation</u>

In view of the regulations in force found primarily in the French Monetary and Financial Code, for employees who have a significant impact on the company's risk and those with a significant role, (the "**risk-takers**", which includes members of the Management Board, AFL's 2022 compensation policy provides for the implementation of a deferred payment of variable compensation components, the principles of which are as follows:

- payment of variable compensation automatically deferred for a given financial year N from the moment it exceeds €50,000. As a reminder, until 2021 the deferral applied to variable remuneration above €15,000.
- payment in the year N+1 of the amount of variable less than or equal to the threshold of €50 thousand awarded in respect of financial year N, subject to the employee's presence in the workforce on the date of payment of the variable.
- effective payment of the variable amount above the threshold of €50 thousand awarded in respect of financial year N: at the beginning of financial years N+2, N+3 and N+4, up to 33% of the balance for each of these financial years . As a reminder, until 2021, the deferred payment was paid for financial years N+2 and N+3 at 50% of the balance for each of these financial years.

The payment threshold of €50 thousand (formerly €15 thousand) relates specifically to the variable compensation allocated for financial year N, and the total amount corresponding to variable compensation components actually paid in a given year for previous financial years may therefore exceed the amount of €50 thousand.

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

Variable compensation, which is always published in the annual reports for the financial years for which they are paid, whose amount does not exceed the applicable threshold (€15 thousand until the 2021 financial year, €50,000 since 2021) and whose payment has not been staggered over several financial years in accordance with the aforementioned compensation policy, is not mentioned in this table.

Name and function of the executive director	Year for which variable compensation is staggered and amount of variable compensation (€)	2018 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2019 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2020 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2021 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2022 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2023 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2024 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2025 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2026 financial year Amounts paid corresponding to variable compensation for prior financial years (€)
Yves Millardet Chairperson of the Management Board	2017 financial year – Total amount allocated for variable compensation: €16,000	15,000	500	500	-	-	-			
	2018 financial year – Total amount allocated for variable compensation: €19,000	-	15,000	2,000	2,000	-	-			
	2019 financial year – Total amount allocated for variable compensation: €19,500	-	-	15,000	2,250	2,250	-			
	2020 financial year – Total amount allocated for variable compensation: €39,000	-	-	-	15,000	12,000	12,000			
	2021 financial year – Total amount allocated for variable compensation: €69,550	-	-	-	-	50,000	6,516	6,516	6,516	
	2022 financial year – Total amount allocated for variable						50,000	8,577	8,577	8,577

	compensation: €75,731

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

	2022 financial year – Total amount allocated for variable compensation: €30,500	30,500

Name and function of the executive director	Year for which variable compensation is staggered and amount of variable compensation (€)	2018 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2019 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2020 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2021 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2022 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2023 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2024 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2025 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2026 financial year Amounts paid corresponding to variable compensation for prior financial years (€)
Ariane Chazel Member of the Management Board Head of Commitments and Risks, Climate and Sustainable Finance	2018 financial year – Total amount allocated for variable compensation: €16,500	-	15,000	750	750	-	-			
	2019 financial year – Total amount allocated for variable compensation: €17,500	-	-	15,000	1,250	1,250	-			
	2020 financial year – Total amount allocated for variable compensation: €22,500	-	-	-	15,000	3,750	3,750			

	2021 financial year – Total amount allocated for variable compensation: €23,500	-	-	-	-	23,500	-			
	2022 financial year – Total amount allocated for variable compensation: €22,500						24,500			

Name and function of the executive director	Year for which variable compensation is staggered and amount of variable compensation (€)	2018 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2019 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2020 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2021 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2022 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2023 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2024 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2025 financial year Amounts paid corresponding to variable compensation for prior financial years (€)	2026 financial year Amounts paid corresponding to variable compensation for prior financial years (€)
Ms. Laurence Leydier Member of the Management Board	2018 financial year – Total amount allocated for variable compensation: €16,250	-	15,000	625	625	-	-	-		
	2019 financial year – Total amount allocated for variable compensation: €16,250	-	-	15,000	625	625	-	-		

Head of membership and lending	2020 financial year – Total amount allocated for variable compensation: €16,250	-	-	-	15,000	625	625	-
	2021 financial year – Total amount allocated for variable compensation: €17,500	-	-	-	-	17,500	-	-
	2022 financial year – Total amount allocated for variable compensation: €18,750	-	-	-	-	-	18,750	-

4.3. Company employees referred to in Article L.511-71 of the French Monetary and Financial Code, known as “risk takers”

4.3.1. Principle

In accordance with the provisions of Article L.511-73 of the French Monetary and Financial Code, the General Meeting of Shareholders of the Company is consulted annually on the overall amount of compensation paid to AFL employees referred to in Article L.511-71 of the aforementioned Code, known as “risk takers”.

AFL identifies among its employees, on the basis of the criteria defined by the regulations, those having a significant impact on the Company’s risk and those having a significant role within the Company. The list of risk takers is updated annually. At December 31, 2022, 14 employees, including the members of the Company’s Management Board, the main persons responsible for control and support functions, and the main persons responsible for the Company’s credit and market activities, were qualified risk takers.

4.3.2. Terms of payment and allocation of payment

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

The amount of the variable compensation less than or equal to the threshold of €50 thousand will be paid at the beginning of year N+1, subject to the employee’s presence in the AFL workforce at the date of payment of the variable compensation.

The variable amount above the €50 thousand threshold will be deferred and paid at the beginning of year N+2 and at the beginning of year N+3, then at the beginning of year N+4 for 33% to each of these financial years subject to the condition of the employee’s presence in the Agence France Locale workforce on the payment date of the variables for years N+1, N+2, N+3 or N+4.

The payment threshold of €50 thousand specifically concerns the variable compensation allocated for financial year N. The total amount actually paid during a given financial year, corresponding to elements of variable compensation allocated for previous financial years, is therefore likely to exceed this amount by €50 thousand.

The total amount of compensation paid to these employees in respect of the 2022 financial year amounts to:

(i) for fixed compensation: €2,038,765;

(ii) for variable compensation paid during the 2022 financial year for 2021 and previous years: €418,650.

The ACCGC, at its meeting of February 23, 2023, noted the total amount of compensation paid to the persons referred to in Article L.511-71 of the French Monetary and Financial Code, the “risk-takers”, for the financial year ended December 31, 2022 without comment.

4.4. Company incentive plan

4.4.1. Principle

The Company has set up a profit-sharing agreement, pursuant to Article L.3312-5 of the French Labor Code, for the 2021, 2022 and 2023 financial years, approved by the Supervisory Board on March 29, 2021 after approval by the ACCGC. It aims to reflect the contribution of employees to the growth of the Company's economic and financial profitability, to the growth of its results, but also to the Company's commitment to social responsibility.

AFL is keen to involve its employees in the smooth running of the Company, its performance and its CSR approach in order to motivate its employees and enable them to build up savings. The Company considers that the implementation of an incentive and participatory profit-sharing policy makes it possible to create an effective and stimulating collaboration of all employees, with a view to the constant improvement of the results and the quality of service provided to its Members, employee well-being at work and environmental impact. The incentive scheme appears to be the best way to enable each employee to benefit from the improvement in the Company's results and efficiency achieved thanks to the collective efforts of all employees.

Thus, the incentive calculation formula is based on four indicators taking into account the increase in the Company's profitability, its commercial performance, the well-being of employees and the CSR approach in which the Company registers.

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

a. In principle, the profit-sharing bonus will only be distributed if AFL's net accounting income/expense, calculated excluding profit-sharing on the AFL certified annual separate financial statements as of December 31 of the calculation period in question, is positive;
b. The total amount of incentive paid to beneficiaries may not exceed 10% of payroll per year for the reference calculation period;
c. The amount of incentive granted to the same beneficiary may not, for the same calculation period, exceed three-quarters of the annual social security ceiling in force during the calculation period for which the incentive is granted yields, this individual ceiling being applied pro rata to the time spent in attendance for beneficiaries who joined or left during the financial year;
d. The distribution at the individual level of the total amount of the incentive bonus is made in proportion to the gross salaries (fixed and variable) paid during the calculation period in question, capped at 1.8 times the average gross annual salary (fixed and variable) of AFL recognized as of December 31 of the calculation period.

4.4.2. Beneficiaries

All AFL employees with a permanent or fixed-term employment contract, regardless of their nature (including apprenticeship contracts and professionalization contracts), will be able to benefit from the profit-sharing scheme if they can justify a minimum of three months' service in the company.

As a result, Yves Millardet, a non-salaried corporate officer, is excluded from this scheme.

4.4.3. Terms of payment and allocation of payment

The exact amount of the incentive can only be calculated after the closing and approval of the financial statements for the financial year in question corresponding to the calculation period. The premium is paid no later than the last day of the fifth month following the end of the calendar year, i.e. no later than May 31 following the end of the calculation period.

The total amount of profit-sharing paid in 2022 for the 2021 calendar year is is therefore €286,757. At the date of preparation of this report, the final amount of profit-sharing due in respect of the 2022 calendar year has not been determined. For information purposes, the total amount of profit-sharing to be paid in 2023 for the 2022 calendar year, based on the incentive agreement formulas, is estimated at €362,800.

5. General Meeting of Shareholders

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

The terms of shareholder participation in the General Meeting are covered in Title V of the Articles of Association and refer to the applicable legal and regulatory provisions.

Every shareholder, duly represented, is entitled to participate in the General Meetings on the basis of his or her identity and the registration of his or her shares in the Company accounts on the date of the meeting.

Pursuant to the laws in force that offer these options, shareholders may participate in General Meetings either by attending in person, by giving a power of attorney to the Chairperson of the General Meeting, or by voting by mail.

5.2. Rules on amendments to the Articles of Association

The rules governing amendments to the Articles of Association are those set out in current law and regulations.

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

In practice, during capital increases under powers delegated to the Management Board by the Extraordinary General Meeting of Shareholders, the Chairperson of the Management Board, by subdelegation, is required to approve the consequential amendment to the Article of Association defining the amount of the share capital (in accordance with Articles L.225-129 et seq. of the French Commercial Code).

6. Regulated agreements

Regulated agreements are the agreements covered in Articles L. 225-86 et seq. of the French Commercial Code, entered into directly or by an intermediary between AFL and one of the members of the Management Board or Supervisory Board, the conclusion of which must be authorized by the Supervisory Board, and which must be reviewed by the Supervisory Board each year, prior to their presentation at the General Meeting of Shareholders[26].

A new regulated agreement was concluded during the 2022 financial year: the employment contract of Ms. Laurence Leydier, approved on September 28, 2022 by the Supervisory Board on recommendation of the ACCGC.

The regulated agreement made in 2022 and those made in prior years which continued to be executed during the 2022 financial year, are as follows:

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

Title of the agreement	Purpose of the agreement	Duration of the agreement	Impact on the financial statements for the financial year ended 12/31/22
Shareholders' Agreement entered into on June 24, 2014	The Shareholders' Agreement did not change during the 2019 financial year. The version in effect was the version dated June 28, 2018.	Unknown	None
Employment contracts for the salaried members of the AFL Management Board	- Employment contract for Thiébaut Julin approved on March 25, 2014 by the Supervisory Board - Employment contract for Ariane Chazel approved on June 5, 2014 by the Supervisory Board. - Employment contract for Ariane Chazel approved on September 28, 2022 by the Supervisory Board.	Unknown	Thiébaut Julin, Chief Financial Officer Gross annual amount paid during the 2022 financial year: Fixed portion: €229,880 gross Variable portion: €37,500 gross Plus €5,732 for the value sharing bonus. Ms. Ariane Chazel, Head of Commitments and Risks, Climate and Sustainable Finance: Annual amount paid in the 2022 financial year: Fixed portion: €182,289 gross Variable portion: €28,500 gross Plus €4,511 for the value sharing bonus. Ms. Laurence Leydier, Head of memberships and lending: Annual amount paid during the 2022 financial year, since October 1, 2022, when the amended employment contract came into force. Fixed portion: €37,500

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

In accordance with Article L. 22-10-11 by reference to Article L. 22-10-10 of the French Commercial Code, presented below are the following items related to the shareholding structure of AFL and the Group formed with AFL-ST with the specification that none of the items covered hereinafter is likely to have an impact in the event of a public offer.

7.1. Structure of the Company's share capital

At December 31, 2022, the Company's share capital consisted of the following:

SHAREHOLDERS	AMOUNT SUBSCRIBED (IN €)	NUMBER OF SHARES	% HOLDING
AGENCE FRANCE LOCALE – SOCIETE TERRITORIALE	207,599,900	2,075,999	99.9999%
LYON METROPOLITAN AREA[27]	100	1	0.0001%
TOTAL	207,600,000	2,076,000	**100%**

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

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

- **Statutory restrictions**

The Company's provisions of the Articles of Association do not set out any restriction on the exercise of shareholders' voting rights, since the voting right attached to the shares composing the capital is proportional to the percentage of the capital that they represent. Each share entitles the holder to one vote at the General Meetings.

The Company's Articles of Association stipulate that shares that have not been fully paid-up are not admitted for trading.

In view of the shareholder structure of AFL-ST, whose capital is held exclusively directly or indirectly by local and regional authorities, groupings of these authorities and local public institutions, and of the need to maintain the stability and sustainability of the shareholding structure in order to enable the Company to conduct its activities under the best conditions, the Shareholders' Agreement strictly regulates the possibilities of transferring shares and other securities ("**Securities**") conferring access to the Company's share capital.

Thus, in principle, each of the AFL shareholders has undertaken, by adhering to the Shareholders' Agreement, to retain their AFL shares as long as they remain a shareholder of AFL-ST.

As an exception to the principle and in strictly defined cases, namely (i) loss of membership of the AFL Group, and (ii) at the request of AFL-ST, an AFL shareholder is required to sell the shares it holds in the capital of AFL to a person designated by the Board of Directors of AFL-ST.

In any event, the provisions of the Shareholders' Agreement provide that each shareholder of the Company grants AFL-ST a right of first refusal on any sale of Company Securities.

Furthermore, the Company is not aware of any agreement in which certain clauses set out preferential terms for the transfer or acquisition of shares in the Company pursuant to Article L. 233-11 of the French Commercial Code, as the Company's shares are not eligible for trading on a regulated market.

[27] In accordance with Article L.225-1 of the French Commercial Code which requires a minimum of two shareholders.

- Restrictions by agreement

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

Similarly, the Company has not entered into any agreement that is likely to come to an end or of which the performance conditions are likely to be amended in the event of a change in control of the Company.

7.3. Securities conveying special control rights

The Company does not issue securities that convey special control rights to their holders.

7.4. Employee shareholders

No share purchase or option operations reserved for employees were carried out in the Company during the year ended December 31, 2022.

Indeed, the capital structure of the AFL Group required by law prohibits AFL employees from holding shares in the Company's capital.

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

Date of the General Meeting that granted the delegation	*Purpose of the delegation granted to the Management Board*	*Duration*	*Overall ceiling*	*Use during the 2022 financial year*
Combined General Meeting of May 6, 2021 (9th resolution)	Delegation of authority granted to the Management Board to increase the share capital with preferential subscription rights through the issue of common shares	**Duration:** 26 months **Expiry:** July 6, 2023 at midnight	€150 million (nominal)	None
Combined General Meeting of May 6, 2021 (10th resolution)	Delegation of authority granted to the Management Board to increase the share capital with cancellation of preferential subscription rights for the benefit of Société Territoriale through the issue of common shares	**Duration:** 18 months **Expiry:** November 6, 2022 at midnight		1. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale - Decisions of the Management Board of March 28, 2022 - Decisions of the Management Board of May 31, 2022 Amount: €6,200,000

Date of the General Meeting that granted the delegation	*Purpose of the delegation granted to the Management Board*	*Duration*	*Overall ceiling*	*Use during the 2022 financial year*

Combined General Meeting of May 5, 2022 (9th resolution)	Delegation of authority granted to the Management Board to increase the share capital with preferential subscription rights through the issue of common shares	**Duration:** 26 months **Expiry:** July 5, 2024 at midnight	€150 million (nominal)	None
Combined General Meeting of May 5, 2022 (10th resolution)	Delegation of authority granted to the Management Board to increase the share capital with cancellation of preferential subscription rights for the benefit of Société Territoriale through the issue of common shares	**Duration:** 18 months **Expiry:** November 5, 2023 at midnight		1. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale Amount: €3,000,000 2. Capital increase with cancellation of preferential subscription rights for the benefit of Société Territoriale Amount: €1,600,000

8. Observations of the Supervisory Board on the management report issued by the Management Board for the 2022 financial year and on the separate financial statements established for the financial year ended on December 31, 2022

Pursuant to Article L.225-68, 6, of the French Commercial Code, the Supervisory Board must submit to the Annual General Meeting of Shareholders its observations on the annual financial statements for the past financial year, as approved by the Management Board, and on the management report submitted to this Meeting.

We hereby inform you that the annual financial statements for the financial year ended December 31, 2022, which were prepared in accordance with French GAAP and voluntarily in accordance with IFRS, as well as the management report prepared by the Management Board of the Company, were submitted to the Supervisory Board within the time-frame provided by the legal and regulatory provisions in force after they were reviewed favorably by the Company's Audit and Risk Committee.

The financial statements for the financial year ended December 31, 2022 show the following principal items:

	French GAAP (in thousands €)	IFRS (in thousands €)
Total balance sheet	7,910,372	8,011,803
Net banking income	13,842	17,569
Net income	348	2,758

The annual financial statements for the financial year ended December 31, 2022, prepared in accordance with French GAAP and voluntarily in accordance with IFRS, and the related management report prepared by the Management Board, do not require any specific comment from the Supervisory Board, which examined them on March 27, 2023.

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Lyon,
March 27, 2023,

The Supervisory Board of Agence France Locale,
Represented by its Chairperson,
Sacha Briand

Appendix 1 - The table below details the independence criteria set out in Article 9 of the AFEP-MEDEF Code

Criterion 1: *Salaried Board director/Executive officer/director of the company or its parent company or the consolidated company in the past five years* Currently not be or within the last five years not have been: - an employee or executive director of the company; - an employee, executive director, or director of a company within the company's scope of consolidation; - an employee, executive director, or director of the parent company of the company or of a company within the parent company's scope of consolidation.
Criterion 2: *Cross-directorships* Not be an executive director of a company in which the Company directly or indirectly holds a directorship or in which an employee appointed as such or an executive director of the Company (currently or within the last five years) holds a directorship.
Criterion 3: *Significant business relationships* Not be a customer, supplier, corporate banker, investment banker or advisor: - to a significant degree of the company or its group; - or for which the company or its group represents a significant portion of activity. The assessment of whether or not the relationship with the company or its group is significant is discussed by the Board and the quantitative and qualitative criteria that led to this assessment (continuity, economic dependence, exclusivity, etc.) are explained in the annual report.
Criterion 4: *Family ties* Not have a close family relationship with a Board director.
Criterion 5: *Statutory Auditor* Not have been a Statutory Auditor of the Company within the last five years.
Criterion 6: *Term of office exceeding 12 years* Not have been a director of the Company for more than 12 years. The loss of the status of independent director occurs on the 12-year anniversary.
Criterion 7: *Non-executive director status* A non-executive director may not be considered independent if he or she receives variable compensation in cash or securities or any compensation related to the performance of the company or the group.
Criterion 8: *Status of major shareholder* Directors representing major shareholders of the company or its parent company may be considered independent if such shareholders do not participate in the control of the company. However, beyond a threshold of 10% in capital or voting rights, the Board, based on the report of the Appointments Committee, shall always query the independent classification, taking into account the composition of the capital of the company and the existence of a potential conflict of interest.

Appendix 2 – Criteria for allocating the compensation of the members of the Management Board for the 2022 financial year

These criteria were favorably reviewed by the ACCGC on February 23, 2022 before being approved by the Company's Supervisory Board on March 28, 2022.

2022			Weighting	Yves Millardet	Thiébaut Julin	Ariane Chazel
Quantitative targets			**60%**			
	Collective targets	CET1 ratio	20%			
		Extension of shareholders	20%			
		Cost income ratio	20%			
Qualitative targets			**40%**			
	Collective targets					
		AFL 2030	10%			
		CSR	10%			
	Individual targets		10%	Credit workflow project	Responsible investment policy	Third-party database
			10%	Local public authorities	New market products	Growth

As Laurence Leydier only joined the Management Board on October 1, 2022, the criteria for her variable compensation were approved by the ACCGC on September 26, 2022, and by the Supervisory Board on September 28, 2022, as follows: her variable compensation for the 2022 financial year is based on individual targets already set for 2022 in respect of her salaried role. Her collective targets are aligned with those of the Management Board for the final quarter of 2022

Appendix 3 – Criteria for allocating the compensation of the members of the Management Board for the 2023 financial year

These criteria were reviewed and approved by the ACCGC on February 23, 2022 before being approved by the Company's Supervisory Board on March 27, 2022.

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

APPENDIX 3
TEXT OF THE RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF SHAREHOLDERS OF AGENCE FRANCE LOCALE ON MAY 4, 2023

RESOLUTIONS OF THE ORDINARY GENERAL MEETING:

First resolution

Approval of the separate financial statements for the financial year ended December 31, 2022, prepared in accordance with French GAAP, and full discharge for the performance of its term of office to the Management Board for said financial year

The General Meeting, deliberating in accordance with the quorum and majority requirements Ordinary General Meetings, having reviewed the report of the Management Board to the General Meeting, the observations of the Supervisory Board, and the Statutory Auditors' report on the separate financial statements for the financial year ended December 31, 2022, prepared in accordance with French GAAP, approves said financial statements and gives the Management Board full and unreserved discharge of the fulfillment of its mandate for said financial year.

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

Second resolution

Approval of the separate financial statements for the financial year ended December 31, 2022 prepared according to IFRS

The General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the report of the Management Board to the General Meeting, the observations of the Supervisory Board and the Statutory Auditors' report on the separate financial statements for the financial year ended December 31, 2022, prepared in accordance with IFRS, approves said separate financial statements prepared in accordance with IFRS.

Third resolution

Allocation of the profit(loss) for the period ended December 31, 2022

The General Meeting, deliberating under the conditions of quorum and majority required for Ordinary Meetings, having reviewed the Management Board's report to the General Meeting, the Supervisory Board's observations and the Statutory Auditors' report on the separate financial statements for the financial year ended December 31, 2022 prepared in accordance with French standards, resolves to allocate the income for the financial year, amounting to €348,393, to retained earnings.

Fourth resolution

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

The General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the special report of the Statutory Auditors described in the third paragraph of Article L.225-88 of the French Commercial Code on the agreements referred to in Article L.225-86 of the French Commercial Code, has reviewed the conclusions of that report and approves the agreements described therein.

Fifth resolution

Approval, in accordance with Article L.225-90 of the French Commercial Code, of an agreement covered by Article L.225-86 and made without being formally submitted to the procedure for related-party agreements provided for under said Article L.22 5-86

deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, having reviewed the Special Report of the Statutory Auditors provided for in the third paragraph of Article L.225-90 of the French Commercial Code on the agreements referred to in Article L.225-86 of the French Commercial Code, approves the agreement entitled "Statutory Auditor's Agreement Consolidated on June 20, 2016" between the Company and Mr. Yves Millardet, Chairman of the Management Board in accordance with Article L.225-90 of the French Commercial Code.

Sixth resolution

Presentation of the Supervisory Board's report on corporate governance

The General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, has reviewed the report prepared by the Company's Supervisory Board pursuant to Article L.225-68, paragraph 6, of the French Commercial Code, appended to the management report of the Management Board.

Seventh resolution

Setting the total yearly compensation package paid to Members of the Supervisory Board for the 2023 financial year, to be divided among them

The General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, sets the annual amount of compensation to be distributed among the members of the Supervisory Board at €220,000 for the 2023 financial year and subsequent financial years.

Eighth resolution

Advisory vote on the total amount of compensation of all kinds paid during the financial year ended December 31, 2022 to the individuals named in Article L.511-71 of the French Monetary and Financial Code

The General Meeting, deliberating in accordance with the quorum and majority requirements for Ordinary General Meetings, in accordance with Article L.511-73 of the French Monetary and Financial Code, takes note of the components of compensation of all kinds paid during the financial year ended December 31, 2022 to the individuals mentioned in Article L.511-71 of said code, known as "risk-taking employees", as they appear in the report on corporate governance, and were favorably reviewed by the Appointments, Compensation and Corporate Governance Committee, without issuing any observations.

Ninth resolution

CSR strategy

The General Meeting, deliberating in accordance with the conditions of quorum and majority of Ordinary General Meetings acknowledges presentation of the CSR strategy.

RESOLUTIONS OF THE EXTRAORDINARY GENERAL MEETING ::

Tenth resolution

Delegation of powers to be granted to the Management Board of the Company for the purpose of issuing common shares with preferential subscription rights

The General Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the report of the Management Board and in accordance with Articles L.225- 129 et seq. (in particular Article L.225-129-2) of the French Commercial Code:

- Delegates to the Management Board its authority to carry out capital increases, on one or more occasions, in the proportions and at the times it determines, by issuing shares with preferential subscription right for shareholders, where the subscription for such shares is paid in cash.

  Issues of preferred shares and of securities giving access by any means, immediately or in the future, to preference shares shall be expressly excluded from this authorization.

- Resolves that the maximum nominal amount of the immediate or future capital increases of the Company that may be carried out by virtue of the present delegation may not exceed one hundred and fifty million euros (€150,000,000), it being specified that the nominal amount of the capital increases of the Company pursuant to the eleventh and twelfth resolutions shall be deducted from this ceiling. To this ceiling, if necessary, the additional amount of the nominal value of the shares to be issued will be added to preserve, in accordance with the applicable legal and regulatory provisions and any applicable contractual provisions providing for other adjustments, the rights of holders of securities or holders of other rights giving access to the capital.

- Resolves that shareholders may exercise their preferential subscription rights on an irrevocable basis for the shares whose issue will be decided by the Management Board pursuant to this delegation, under the conditions stated by the Management Board and within the limits set by the applicable legal and regulatory provisions. In addition, the Management Board will have the option to introduce, for the benefit of the shareholders, a right to subscribe on a revocable basis, which will be exercised in proportion to their rights and within the limits of their requests. If the subscriptions are irrevocable and, where applicable, a revocable basis have not absorbed the whole of an issue of shares as defined above, the Management Board may use, at its discretion and in the order that it deems appropriate, one or more of the options offered by Article L.225-134 of the French Commercial Code, namely:
    a. limiting the amount of the capital increase to the amount of subscriptions, provided that said amount reaches at least three-quarters of the issue originally decided,
    b. freely distribute all or part of the unsubscribed shares among the persons of its choice.

- Resolves that the amount returned or to be returned to the Company for each of the shares issued under this delegation of powers will be equal to the nominal value of those shares on the date of issue of those shares.

- Grants full authority to the Management Board to implement this delegation and in particular to:

  - determine the dates and manner of the issuances as well as the form and features of the shares to be created,
  - determine the number of shares to be issued and the terms and conditions thereof, with the understanding that the issue price of the shares to be issued will be equal to the nominal value of those shares on the date of issue of those shares,
  - determine the method of payment for the shares issued,
  - determine the date on which entitlement to dividends arises, with or without retroactive effect, for the shares to be issued,
  - suspend, if necessary, the exercise of the rights attached to securities previously issued by the Company for a period of up to three months within the limits provided by the applicable legal and regulatory provisions,
  - at its sole discretion, allocate the costs of any issue to the amount of the related premiums and deduct from such amount the sums necessary to raise the legal reserve to one tenth of the new capital after each increase, and

- more generally, make all necessary arrangements, enter into all agreements, request all authorizations, carry out all formalities and take all necessary measures to achieve the successful completion of the proposed issues or, if necessary, delegate them to the Chairperson of the Management Board, record the capital increases resulting from any issue effected by the use of this delegation, amend the Company's Articles of Association accordingly and ensure the financial service of the securities in question and the exercise of the rights attached thereto.

➤ Resolves that this delegation of authorization will be valid for a period of twenty-six (26) months from the date of the General Meeting, and that it cancels and replaces, for the remaining period, the delegation for the same purpose granted by the General Meeting of May 5, 2022.

Eleventh resolution

Delegation of powers to be granted to the Management Board to issue common shares, with preferential subscription rights waived in favor of the Société Territoriale

The General Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the report of the Management Board and the report of the Statutory Auditors, in accordance with Articles L.225-129 et seq. (in particular Article L.225-129-2) and Article L.225-138 of the French Commercial Code:

➤ Delegates to the Management Board its authority to carry out capital increases, on one or more occasions, in the proportions and at the times it determines, by issuing shares reserved for shareholders without preferential subscription right for the shareholders for the benefit of persons designated. The Management Board shall, in the event that the delegation is used, decide on the list of beneficiaries and the number of shares allocated to each of them on the basis of objective criteria. Subscription for these shares will be paid in cash.

  Issues of preference shares and of securities giving access by any means, immediately or in the future, to preference shares shall be expressly excluded from this authorization.

➤ Resolves that the maximum nominal amount of the immediate or future capital increases of the Company that may be carried out by virtue of the present delegation may not exceed one hundred and fifty million euros (€150,000,000), it being specified that the nominal amount of the capital increases of the Company pursuant to the tenth and twelfth resolution shall be deducted from this ceiling. To this ceiling, if necessary, the additional amount of the nominal value of the shares to be issued will be added to preserve, in accordance with the applicable legal and regulatory provisions and any applicable contractual provisions providing for other adjustments, the rights of holders of securities or holders of other rights giving access to the capital.

- **Resolves** that this delegation entails the cancellation of the shareholders' preferential subscription rights to the shares that may be issued.

- **Resolves** that the amount returned or to be returned to the Company for each of the shares issued under this delegation of powers will be equal to the nominal value of those shares on the date of issue of those shares.

- **Notes** that the issues carried out pursuant to this delegation of powers shall be carried out within eighteen months of the General Meeting that approved the delegation, in accordance with Article L.225-138 of the French Commercial Code.

- **Grants** full authority to the Management Board to implement this delegation, and in particular to:
  - determine the list of beneficiaries within the category of persons defined above and the number of shares to be allocated to each of them,
  - determine the dates and manner of the issuances as well as the form and features of the shares to be created,
  - determine the number of shares to be issued and the terms and conditions thereof, with the understanding that the issue price of the shares to be issued will be equal to the nominal value of those shares on the date of issue of those shares,
  - determine the method of payment for the shares issued,
  - determine the date on which entitlement to dividends arises, with or without retroactive effect, for the shares to be issued,
  - suspend, if necessary, the exercise of the rights attached to securities previously issued by the Company for a period of up to three months within the limits provided by the applicable legal and regulatory provisions,
  - at its sole discretion, allocate the costs of any issue to the amount of the related premiums and deduct from such amount the sums necessary to raise the legal reserve to one tenth of the new capital after each increase, and
  - more generally, make all necessary arrangements, enter into all agreements, request all authorizations, carry out all formalities and take all necessary measures to achieve the successful completion of the proposed issues or, if necessary, delegate them to the Chairperson of the Management Board, record the capital increases resulting from any issue effected by the use of this delegation, amend the Company's Articles of Association accordingly and ensure the financial service of the securities in question and the exercise of the rights attached thereto.

- **Resolves** that the Management Board may limit the amount of the capital increase to the amount of subscriptions, provided that this amounts to at least three-quarters of the issue originally decided upon.

- **Resolves** that this delegation of authorization will be valid for a period of eighteen (18) months from the date of the General Meeting, and that it cancels and replaces, for the remaining period, the delegation for the same purpose granted by the General Meeting of May 5, 2022.

Twelfth resolution

Delegation of powers to the Management Board to carry out a share capital increase reserved for members of an employee savings plan with preferential subscription rights waived in favor of said employees

The General Meeting, deliberating in accordance with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the report of the Management Board and the report of the Statutory Auditors, in accordance with Articles L.225-129-6 of the French Commercial Code, and L.3332-18 to L.3332-24 of the French Labor Code:

- **Delegates** to the Management Board its powers to carry out capital increases, on one or more occasions, in the proportions and at the times it shall decide, as provided for in Articles L.3332-18 to L.3332-24 of the French Labor Code relating to capital increases reserved for members of an employee savings plan.

  Issues of preference shares and of securities giving access by any means, immediately or in the future, to preference shares shall be expressly excluded from this authorization.
- **Resolves** that the maximum nominal amount of the immediate or future capital increases of the Company that may be carried out by virtue of the present delegation may not exceed 3% of the share capital after the proposed capital increase, it being specified that the nominal amount of the capital increases of the Company pursuant to the tenth and eleventh resolutions shall be deducted from this ceiling. To this ceiling, if necessary, the additional amount of the nominal value of the shares to be issued will be added to preserve, in accordance with the applicable legal and regulatory provisions and any applicable contractual provisions providing for other adjustments, the rights of holders of securities or holders of other rights giving access to the capital.

- **Resolves** that the subscription shall be reserved for employees who are members of an employee savings plan or company investment fund(s) to be set up as part of a employee savings plan to be created, in accordance with the provisions of Article L.225-138-I of the French Commercial Code. The new shares shall entitle their holders to the same rights as the old shares.

- **Resolves** that this delegation entails the cancellation of the shareholders' preferential subscription rights to the shares that may be issued.

- **Resolves** that the subscription price of the new ordinary shares, determined in accordance with Articles L.3332-18 to L.3332-24 of the French Labor Code, shall be set either (i) by applying designated objective methods for valuing shares, taking into account, with appropriate weightings, the net asset value, profitability and business prospects of the company, or (ii) by dividing the restated value of net assets on the most recent balance sheet by the number of existing shares. The Board shall decide the subscription date.

- **Resolves** that the Board shall decide the subscription date, it being understood that the period for subscribers to pay for their subscribed securities shall be no longer than three years. The capital shall only be increased by the amount corresponding to shares actually subscribed for, which shall be paid for in accordance with law.

- **Grants** full authority to the Management Board to implement this delegation, and in particular to:
  - determine the list of beneficiaries and the number of shares to be allocated to each, within the ceiling set by the General Meeting,
  - determine the timing and terms and conditions of the issues made under this delegation, in accordance with law and the Articles of Association and, in particular, to set the subscription price in accordance with the rules defined above, the opening and closing dates for subscriptions, the effective date of the dividend rights, the deadline for payment, all these to comply with the legal limits,
  - recognise the completion of the capital increases in the amount of shares actually subscribed for,
  - complete, directly or by legal representative, all necessary formalities,
  - **Resolves** that this delegation of powers shall be valid for a period of twenty-six (26) months from the date of the General Meeting, and that it cancels and replaces, for the remaining period, the delegation for the same purpose granted by the General Meeting of May 5, 2022.

  - amend the Articles of Association as necessary to take account of the capital increases,
  - more generally, make all necessary arrangements, enter into all agreements, request all authorizations, carry out all formalities and take all necessary measures to achieve the successful completion of the proposed issues or, if necessary, delegate them to the Chairperson of the Management Board, record the capital increases resulting from any issue effected by the use of this delegation, amend the Company's Articles of Association accordingly and ensure the financial service of the securities in question and the exercise of the rights attached thereto.

Thirteenth resolution

Amendment of Articles 15.1.2 to 15.1.4 of the Company's Articles of Association regarding the membership of the Supervisory Board

The General Meeting, deliberating with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the report of the Executive Board to the General Meeting, resolves to amend Articles 15.1.2 to 15.1.4 of the Articles of Association as follows:

15.1.2 TheSupervisory Board is composed of:

(a) the Chairperson of the Board of Directors of the Société Territoriale;

(b) the Vice-Chairperson of the Board of Directors of the Société Territoriale;

(c) the Chief Executive Officer of the Société Territoriale;

(D) at least one expert with in-depth knowledge of the problems related to the finances of local and regional authorities; and

(e) at least five (5) members recognized for their professional skills in banking, finance, and/or supervision of risk;

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

The Supervisory Board must in all circumstances have a majority of members recognized for their professional skills in banking, finance and/or supervision of risks.

15.1.3 It is the responsibility of the Board of Directors of the Société Territoriale, acting on recommendation of the Appointments, Compensation and Corporate Governance Committees of Agence France Locale and Agence France Locale - Société Territoriale, to propose the appointment of members of the Supervisory Board (other than the members as of right listed in paragraphs 15.1.2 (a), (b) and (c) above).

15.1.4 The Supervisory Board shall be composed of a majority of independent members.

It is specified that, by their nature, the members of the Supervisory Board as of right listed in paragraphs (a), (b) and (c) above are not independent members.

Fourteenth resolution

Addition to the Articles of Association of the Company of a new article 15.12, authorizing the appointment of non-voting members to the Supervisory Board

The General Meeting, deliberating with the quorum and majority requirements for Extraordinary General Meetings, having reviewed the report of the Management Board to the General Meeting, resolves to add to the Company's Articles of Association a second paragraph 15.12 "Non-voting members", drafted as follows:

"15.12 Non-voting members

15.12.1 The Supervisory Board, having taken the opinion of the Appointments, Compensation and Corporate Governance Committee and of the Board of Directors and having consulted the Appointments, Compensation and Corporate Governance Committee of the Société Territoriale, may appoint one or up to three natural persons as non-voting members on the Supervisory Board.

Each non-voting member must meet the following conditions:

- Satisfy the independence criteria of the AFEP-MEDEF Code; and

- Not be an elected official or employee of a local authority shareholder of the Société Territoriale.

Non-voting members shall be appointed for a period expiring at the end of the first Supervisory Board meeting after the annual General Meeting of shareholders held in the calendar year following that of their appointment.

Each non-voting member may be reappointed by resolution of the Supervisory Board, having taken the opinion of the Appointments, Compensation and Corporate Governance Committee.

Each non-voting member may be dismissed at any time by the Supervisory Board.

15.12.2 The non-voting members may be invited to meetings of the Supervisory Board, and, where appropriate, their specialized Committee(s), on invitation of the Chairperson of the Board or Committee concerned.

They shall take part in the meetings to which they are invited in a purely consultative capacity.

15.12.3 Non-voting members shall receive compensation for their actual participation in the work of the Supervisory Board, the amount to be set by the Supervisory Board.

15.12.4 Notwithstanding the foregoing, in view of the legal regime governing incompatibilities applicable to holders of national elective offices, compensation may under no circumstances be awarded to members of the Supervisory Board who also hold national elective offices.

15.12.5 The non-voting members may claim reasonable expenses incurred in the course of their functions on presentation of supporting documents."

Fifteenth resolution

Powers for completion of formalities

The General Meeting gives full powers to the bearer of the original, an extract or a copy of these minutes to accomplish all formalities and advertisements required by the laws and regulations in force relating to the decisions taken in connection with this meeting.

APPENDIX 4: PROVISIONAL FINANCIAL COMMUNICATION SCHEDULE FOR THE 2023 FINANCIAL YEAR

The **Agence France Locale Group** is composed of:

- Agence France Locale, a public limited company (société anonyme) with a Management Board and a Supervisory Board (***the Issuer***), and;
- Agence France Locale – Société Territoriale, the parent company, a public limited company (société anonyme) with a Board of Directors (the ***Société Territoriale***).

Publication date	Information
March 28, 2023 (before the start of trading), subject to subsequent amendment (**embargo period** starts March 6, 2023)	Press release on the Issuer's annual results and the annual consolidated and parent company results for the financial year ended December 31, 2022
May 4, 2023	Annual General Meeting of the Issuer's Shareholders, called to approve the separate financial statements for the financial year ended December 31, 2022, prepared in accordance with French GAAP and IFRS
May 22, 2023	Annual General Meeting of Shareholders of the Société Territoriale, called notably to approve the separate financial statements for the financial year ended on December 31, 2022, prepared in accordance with French GAAP, and the Group's consolidated financial statements for the financial year ended on December 31, 2022 prepared in accordance with IFRS
September 29, 2023 (before the start of trading), subject to subsequent amendment (**embargo period** starts September 4, 2023)	Press release on the Issuer's half-year results and the consolidated half-year result of the Agence France Locale Group for the first half of the financial year, ended June 30, 2023

Responsibility for this management report for the financial year ended December 31, 2022

I, the undersigned Yves Millardet, acting in my capacity as Chairman of the Management Board of Agence France Locale, certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and are an accurate reflection of the Company's assets and liabilities, financial position, and income, and that this management report presents a true and fair view of the Company's business, income, and financial position and describes the main risks and uncertainties the Company faces.

Lyon, March 27, 2023,

Yves Millardet
Deputy Chief Executive Officer of Agence France Locale – Société Territoriale
Chairman of the Management Board of Agence France Locale

Statutory separate financial statements prepared in accordance with French GAAP and IFRS and Statutory Auditors' reports

AGENCE FRANCE LOCALE

BALANCE SHEET

Assets as of 31st of December 2022

(€ '000s)	Notes	31/12/2022	31/12/2021
Cash and central banks	2	1,134,477	1,175,973
Government paper and similar securities	1	939,820	916,031
Receivables on credit institutions	2	93,163	217,384
Loans and advances to customers	4	5,331,140	4,416,182
Bonds and other fixed income securities	1	119,141	10,030
Equities and other variable income securities			
Investments in non-consolidated companies and other long-term investments			
Investments in consolidated companies			
Intangible assets	5	3,403	3,085
Property, plant and equipment	5	198	143
Other assets	6	178,164	50,451
Accruals	6	110,867	95,789
TOTAL ASSETS		**7,910,372**	**6,885,069**

Liabilities as of 31st of December 2022

(€ '000s)	Notes	31/12/2022	31/12/2021
Central banks			1,174
Due to banks	3	0.2	36
Customer borrowings and deposits			
Debt securities	7	7,456,794	6,578,684
Other liabilities	8	105,420	8,399
Accruals	8	161,350	121,115
Provisions	9	114	114
Subordinated debt			
General banking risk fund (GBRF)			
Equity (excluding GBRF)	10	**186,695**	**175,546**
Share capital		207,600	196,800
Additional paid-in capital			
Reserves and retained earnings			
Revaluation differences			
Regulated provisions and investment subsidies			
Retained earnings (+/-)		(21,254)	(23,327)
Net income for the period (+/-)		348	2,073
TOTAL LIABILITIES		**7,910,372**	**6,885,069**

INCOME STATEMENT

(€ '000s)	Notes	31/12/2022	31/12/2021
+ Interest and similar income	12	50,693	34,391
- Interest and similar expenses	12	(34,903)	(21,732)
+ Income from variable income securities			
+ Fee and commission income	13	301	165
- Fee and commission expenses	13	(153)	(324)
+/- Net gains (losses) on held for trading portfolio	14	8,618	(2,137)
+/- Net gains (losses) on placement portfolio	14	(10,715)	1,665
+ Other banking income	15		2,146
- Other banking expense	15		
NET BANKING INCOME		**13,842**	**14,174**
- General operating expenses	16	(12,428)	(11,292)
+ Other operating income			
- Depreciation and amortization	5	(1,065)	(818)
GROSS OPERATING INCOME		**348**	**2,065**
- Cost of risk			
OPERATING INCOME		**348**	**2,065**
+/- Net gains (losses) on fixed assets	17		7
PRE-TAX INCOME ON ORDINARY ACTIVITIES		**348**	**2,071**
+/- Net extraordinary items			
- Income tax charge			1
+/- Net allocation to FGBR and regulated provisions			
NET INCOME		**348**	**2,073**
Basic earnings per share		0.17	1.05

OFF-BALANCE SHEET

(€ '000s)

COMMITMENTS GIVEN AND RECEIVED	Notes	31/12/2022	31/12/2021
Commitments given		**810,248**	**632,002**
Financing commitments		810,248	574,710
Guarantee commitments			57,292
Commitments on securities			
Commitments received		**1,960**	**2,090**
Financing commitments			
Commitments received from credit institutions			
Guarantee commitments		1,960	2,090
Commitments on securities			
Derivatives	11	**14,119,525**	**13,236,422**

NOTES TO THE INDIVIDUAL ACCOUNTS

I - Publication context

The 2022 financial statements were approved by the Board of Directors as of March 13, 2023.

II - Highlights from 2022 financial year

The year 2022 marks another very significant increase in results related to the credit activity, which is part of the Company's development trajectory in accordance with its 2012-2026 strategic plan. The increase in results excluding non-recurring items reflects the good momentum in the generation of income from loan activity since 2015, the year in which AFL's activities started and which is measured in particular by the regular and constant increase in the portfolio of loans granted to member local authorities.

The production of medium- and long-term loans by AFL in 2022 amounted to €1,391.5 million compared to €1,243 million a year earlier. It is on the rise, despite the constraints weighing on the level applied to the usury rate over the period for loans to local authorities.

For the first time since the beginning of its activities, the AFL carried out, during the same year, two syndicated issues denominated in euros for an amount of 500 million euros each, the first with a maturity of 7 years in a sustainable bond format, and at a margin of 25 basis points above the OAT curve, and the second with a 9-year maturity at a margin of 53 basis points above the curve OAT. In addition to these two issues, there is the launch of a syndicated issue denominated in sterling, i.e. for the first time, a syndicated issue in a currency other than the euro. In addition to these transactions, several private placements were carried out, making it possible to optimize the maturity profile of AFL's debts as well as its cost of funding.

During the 2022 financial year, AFL-ST, pursuing its corporate purpose, subscribed to the capital of AFL for 10.8 million euros with three capital increases, thus increasing the share capital by AFL from €196.8 million as of January 1, 2022 to €207.6 million as of December 31, 2022. The AFL Group now has 599 members, including 103 new local authorities, which joined the AFL Group during the the past financial year.

At the end of the 2022 financial year, the NBI generated by the activity amounted to €13,842K. NBI for 2022 mainly corresponds to a net interest margin of €15,790k, up 24.7% compared to the net interest margin for 2021 which stood at €12,659K; to capital gains from the sale of investment securities in the amount of €1,467 thousand compared to €806 thousand in 2021, resulting from the management of the liquidity reserve, and to provisions for depreciation of investment securities of €3,565Kthousand compared to €360K in 2021. The increase in provisions for impairment of investment securities comes from the deterioration in the credit margins of securities in the investment portfolio following the tightening of monetary policy, which resulted in both a strong increase in interest rates and the end of securities purchase programs.

In accordance with the principle of prudence which governs the reference framework of French accounting standards, impairments on investment securities were allocated during the year 2022. However, these provisions are not proven counterparty risk indicators.

The interest margin of €15,790K and realized in 2022 has undergone a very significant change in its composition with the end of a period of negative interest rates. Indeed, the sharp rise in the 3-month Euribor rate against which AFL's exposures are swapped mechanically leads to a rapid increase in interest income on assets and in particular those of the loan portfolio, which stand at €31,182K as of December 31, 2022 compared to €3,856K as of December 31, 2021, while conversely, interest on the debt, after taking into account interest on hedging, again becomes a cost in the 2022 financial year for a total amount of -€18,033K compared to +€18,909K at December 31, 2021 when interest rates were negative.

The increase in interest income on the loan portfolio can also be explained by an increase in outstanding loans as well as the positive remuneration of rate-hedged loans representing equity.

With regard to interest income linked to the management of the liquidity reserve, the rise in interest rates and their return to positive territory has the consequence, there too, of a positive remuneration on the assets of the liquidity reserve for a total of €2,646K compared to an expense of -€9,834K at December 31, 2021.

During the period, the management of the liquidity reserve portfolio generated €1,467K in income from the sale of investment securities net of the cancellation of interest rate hedging instruments for securities subject to disposals for €8,617K. By way of comparison, the 2021 financial year generated a net amount of capital gains on disposals of €806K.

For the financial year ended December 31, 2022, general operating expenses represented €12,428K compared to €11,292K for the previous financial year. These expenses include personnel expenses for €6,152K compared to €5,931K as of December 31, 2021. General operating expenses also include administrative expenses, which amounted to €6,276K compared to €5,360K as of December 31, 2021, a after subtracting the re-invoicing between the AFL and the AFL-ST as well as the charges to be distributed. The increase in operating expenses is explained by the following items:

• a significant increase in taxes, duties and mandatory contributions from €464K to €1,169K as of December 31, 2022 compared to €705K as of December 31, 2021. The main component of the increase comes from the contribution to the FRU (fonds de résolution unique) for €449K € and to a lesser extent of the C3S (social solidarity contribution of companies) for 35K€.

• payroll increased by €221K to €6,152K as of December 31, 2022 compared to €5,931K as of December 31, 2021. This change is notably the result of recruitment and a bonus distributed to employees in order to mitigate the effects inflation.

• external services increased by €375K to €6,491K as of December 31, 2022 compared to €6,116K as of December 31, 2021. The increases are mainly due to IT costs.

At the end of the financial year, depreciation and amortization expenses amounted to €1,065K compared to €818K at December 31, 2021, an increase of €247K. This change in amortization mainly corresponds to the continued investment in information systems.

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

Net income as of December 31, 2022 amounted to €348k, down from €2,073k the previous year; result, which included an allocation to provisions on securities of €360K, while this amounted to €3,365K for the 2022 financial year.

Revenues generated by AFL's recurring activities are growing rapidly, making it possible to cover all operating expenses and depreciation for the third consecutive year. Thus, as of December 31, 2022, the cost/income ratio, calculated on the basis of AFL's recurring income, reached 85.5% compared to 95.7% as of December 31, 2021.

Subsequent events

No major event likely to have an impact on the financial statements presented occurred at the start of the 2023 financial year.

III - Accounting principles and valuation methods

Agence's financial statements have been prepared in accordance with accounting principles applyed in France by Banks.

Presentation format

Agence's financial statements are presented in accordance with ANC (Autorité des normes comptables) regulation n° 2014-07 of December 30, 2020 and mainly relating to regulated savings and securities lending had no impact on the accounts of the 'AFL as of December 31, 2022.

Preparation basis

The general accounting conventions have been applied, in accordance with the basic assumptions :
• Ongoing concern principle,
• Segregation of accounting periods,
• Consistency of methods.
And with the general rules for preparing and presenting annual financial statements.

Accounting principles and methods

Loans and advances to banks and to customers

Loans and advances to banks include all loans connected with banking operations except for those materialized by a security. They are broken down into sight accounts and term accounts.
Loans and advances to customers comprise loans granted to local governments. The undrawn portion of signed loan agreements is recorded as an off-balance sheet item.
Interest on loans is recorded as Interest income prorata temporis for accrued amounts as is interest on past-dues.
Premiums paid on credit acquisitions are included in the amount of the principal repurchased and are therefore recognized in "Loans and advances to customers". In accordance with the Règlement 2014-07, these marginal transaction costs are spread over the life of the loans through the calculation of a new effective interest rate.

Doubtful loans

Loans and receivables to customers are classified as doubtful if they carry an identified credit risk arising from one of the following events:

. The loan or advance is in default for at least 90 days;
. The borrower's financial position is such that an identified risk exists regardless of whether the loan or advance is in arrears,
. The bank and borrower are in legal proceedings.

By applying the contagion principle, all of the outstanding amounts of the same borrower are downgraded to doubtful loans as soon as a receivable from this holder is downgraded within AFL.

Compromised non-performing loans are loans to borrowers whose recovery outlook is so downgraded that they are written off. Loans unpaid for more than one year are recorded in this category. Interest on these loans no longer contributes to the interest margin once they have been transferred to the category of compromised nonperforming loans.
Impairment charges are recognized for non-performing and compromised non-performing loans. Risk management determines the percentage of impaired capital in function of expected losses. Interest income is fully impaired. Impairment charges and reversals for credit risk are recognized as Cost of risk as well as the losses on non-recoverable loans and recoveries on amortized loans.
All default must have been settled, no default must therefore persist at the time of leaving the classification in doubtful.
A probation period of 6 months begins when all the conditions for the issue of default are met and the return to normal has been decided by the Credit Committee.
During the probationary period payments must resume regularly and without delay, an unpaid amount immediately causes the return in Doubtful loans.
The Credit Committee examines and validates the exit from the Doubtful loans classification.

Tangible and intangible fixed assets

Agence applyed CRC 2002-10 of 12 December 2002 relating to the amortization and impairment of assets and CRC 2004-06 on the recognition and measurement of assets, with the exception of costs relating to first establishment of the Local Agency France that have been recognized in balance sheet like intangible assets, as permitted by Article R.123-186 the Code de commerce.

The acquisition cost of fixed assets includes, besides the purchase price, incidental costs which are charges linked directly or indirectly to the acquisition for the use or for the state entry in the assets of the company.
Software acquired are recognized in gross value at acquisition cost.

IT costs are recognized in assets when they meet the conditions required by Regulation N° 2004-06, i.e. whether all the expenses are inccured for the etablishment of the information system.

Tangible and intangible assets are amortized over their estimated useful lives, with the exception of Start-up costs, which are amortized over a maximum period of 5 years, as permitted by the Code de Commerce (Article R.123-187).
At each balance sheet date, or more frequently where events or changes in circumstances dictate, property, plant and equipment is assessed for indications of impairment. If such indications are present, these assets are subject to an impairment review. If impaired, the carrying values of assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs.
Fixed assets are amortised over their estimated useful lives in the following manner:

Fixed asset	Estimated useful life
Start-up costs	5 years
Software	5 years
Website	3 years
Fixtures and fittings	10 years
Computer equipment	3 years
Office furniture	9 years
Software development	5 years

The amortization method is straight-line.

Securities portfolio

Accounting policies for securities transactions are defined by CRB regulation 90-01 as amended by CRC Regulations 2005-01, 2008-07 and 2008-17 endorsed by Regulations 2014-07 and by CRC Regulation 2005-03 for the determination of credit risk and impairment of fixed-income securities, endorsed as well by Regulations 2014-07.
Securities are presented in the financial statements according to their type:
"Government and public securities" for Treasury bills and similar securities,
"Bonds and other fixed income securities" for notes and interbank debt instruments, shares and other income securities variable
"Equities and other variable income securities"
The item "Government and public securities" includes debt securities issued by public sector entities that may be refinanced through the European System of central banks.
They are classified in portfolios defined by regulation (trading, investment securities, placement securities, long term equities investment, medium term portfolio, other long term equity investments and investments in subsidiaries and affiliates), depending on the initial intention for holding the securities at the time they were acquired.

Placement securities

Securities that do not fit in any existing category are recognized as placement securities.
Placement securities are recorded at acquisition cost including fees.

. Bonds and other fixed income securities:

These securities are recognised at acquisition cost excluding interest accrued at the acquisition date. Accrued interest at the date of acquisition is recorded separately as "Accrued interest".The difference between the purchase price and the redemption value is spread over the remaining life of the security on an actuarial basis.
Interests on these securities are recorded in Income statement as "Interest income on bonds and fixed income securities".

At the end of the reporting period, in application of the principle of prudence, placement securities are recorded on the balance sheet at their acquisition cost or selling price at the end of the reporting period, whichever is lower, after accounting, when relevant, for the value of the micro-hedge swap.

Excluding conterparty risk, when the decrease in the value of the security exceeds the unrealized gain on the micro-hedge, the decrease in net value is recorded in Net gains (losses) on placement portfolio as loss or gain on sales.

If the decrease in the value of the security arises from a risk relating specifically to the issuer of the security, impairment is recorded under “Cost of risk”, in accordance with ANC regulation 2014-07 on credit risk.

If appropriate, Impairment intended to take into account counterparty risk and recognised under the cost of risk is booked on fixed income securities as follows:

. in the case of listed securities, impairment is based on market value, which intrinsically reflects credit risk. However, if Agence has specific information on the issuer’s financial position that is not reflected in the market value, a specific impairment loss is recorded;

. in the case of unlisted securities, impairment is recorded in the same way as on loans and receivables to customers based on identified probable losses.

. Equities and other variable-income securities:

Equities are recognised on the balance sheet at their purchase price including transaction expenses. The associated dividends are recorded as income under “Income from variable-income securities”.

Income from mutual funds is recognised when received under the same heading.

At each reporting date, short term investment securities are measured at the lower of acquisition cost and market value. If the current value of an item or a homogeneous set of securities (calculated from market prices at the reporting date, for example)is lower than its carrying amount, an impairment loss is recorded for the unrealised loss without being offset against any gains recognised on other categories of securities.

Investment securities

Investment securities are fixed income securities with a fixed maturity date that have been acquired or transferred to this category with the manifest intention of holding them until maturity.

This category only includes securities for which Agence has the necessary financial ability to continue holding them until maturity and that are not subject to any legal or other restriction that could interfere with its intention to hold them until maturity.

Securities considered as Investment securities are recorded on the date of purchase at acquisition clean price including fees. Accrued interest at the date of acquisition is recorded separatly as "Accrued interest". Interest on these securities is recorded in income as "Interest income on bonds and fixed income securities".

The difference between the purchase price and the redemption value is spread over the remaining life of the security on an actuarial basis.

Impairment is not booked for long term investment securities if their market value falls below cost. On the other hand, if the impairment arises from a risk relating specifically to the issuer of the security, impairment is recorded under “Cost of risk”, in accordance with CRC regulation 2002-03 on credit risk.

In the case of the sale or reclassification to another category of long term investment securities and representing a material amount, during the current financial year and the next two financial years, the reporting entity is no longer authorised to classify securities previously bought and to be bought as long term investment securities, in accordance with CRC regulation 2005-01, except in the special cases provided by that regulation and by CRC regulation 2008-17.

Market price

The market price at which the various categories of securities are measured is determined as follows:

. Securities traded on an active market are measured at the latest price;

. If the market on which the security is traded is not or no longer considered active or if the security is unlisted, Agence determines the likely value at which the security concerned would be traded using valuation techniques. Firstly, these techniques take into account recent transactions carried out in normal competition conditions. If required, Agence uses valuation techniques commonly used by market participants to price these securities, when it has been demonstrated that these techniques provide reliable estimates of prices obtained in actual market

Recording date

Agence records securities classified as investment securities on the settlement date. Other securities, regardless of type or classification, are recognised on the trading date.

Disclosures on Placement securities and Investment securities

The Regulation CRC 2000-03, Appendix III, paragraph 1. 1.2, supplemented by Regulation No. 2004-16 of 23 November 2004 and Regulation CRC No. 2005-04 requires credit institutions to provide:

. A breakdown of Investment portfolio and Placement portfolio, public bills and similar securities, bonds and other fixed-income securities.

. For Placement securities, the amount of unrealized gains corresponding to the difference between the market value and acquisition cost is disclosed. The amount of unrealized gains on Placement securities subject to a provision in the balance sheet as well as investment securities unrealized losses not subject to provision.

Debt due to banks

Debt due to banks is broken down according to the initial maturity (sight or term debt).

Repurchase agreements (represented by certificates or securities) are included under these type according to the initial maturity. Accrued interest on these deposits is recognised under accrued interest and taken to profit and loss.

Debt securities issued

These debt securities are recorded at nominal value. Redemption and issue premiums are amortized on an actuarial basis over the maturity of the securities prorate temporis. They are recorded on the balance sheet in the same categories as the corresponding debt. Amortization of these premiums is recorded in the income statement as "Interest expense on bonds and other fixed income securities".

If bonds are issued above par, amortization of issue premiums is deducted from interest expense on bonds and other fixed income securities. Interest on bonds is recorded as Interest expense for accrued amounts calculated prorata temporis. Bond issue costs and commissions are amortized on an actuarial basis over the maturity of the related loans.

Derivative transactions

Agence engages in derivative transactions to hedge the interest rate and foreign exchange risks to which it is exposed in its activity.

Depending on their purpose, these transactions are assigned to micro-hedge or macro-hedge portfolios in accordance with CRB regulations 88-02 and 90-15 endorsed by ANC Regulations 2014-07. Valuation methods and accounting principles are determined according to the portfolio to which they are assigned.

Micro-hedge transactions

Transactions are booked as micro-hedges when they are designed to hedge against the interest rate risk related to an item or set of homogeneous items identified from the start. They involve swaps used to hedge issues of debt securities, fixed-income secuties recognised as placement securities and loans and advances to customers.

Macro-hedge transactions

This category includes transactions designed to hedge and manage the Company’s overall exposure to interest rate risk on assets, liabilities and off-balance sheet items, excluding micro-hedge transactions.

The reduction measurement of the Company's global interest rate risk is done by making a sensitivity analysis of macro-hedge portfolios.

Hedging transactions accounting

Expense and income on these transactions are recorded in the income statement in the same way income and expense on the hedged item or set of homogeneous items are recorded.

Expense and income on these transactions are recorded in the income statement prorata temporis respectively as Interest expense or Interest income.

Unrealised gains and losses on derivatives valuation are not recorded.

Payments at the inception of hedging derivatives are recorded in other assets and other liabilities and amortized over their maturity according to an actuarial method.

In the event of early reimbursement or the sale of the hedged item, or early repayment within the framework of the renegotiation of the hedged item, the termination fee received or paid because of the early interruption of the hedging instrument is recorded in in the income statement if the hedging instrument has been cancelled.

Currency transactions

In accordance with ANC regulation 2014-07, AFL accounts for transactions in currencies in open accounts in each currency.

Foreign exchange position and currency exchange rate accounts are opened in each currency.

At each reporting date, the differences between the amounts resulting from the valuation of the foreign exchange position accounts at the market price on the closing date and the amounts entered in currency exchange rate accounts are recorded in the income statement.

Currency hedging transactions

As part of hedging its foreign exchange risk, AFL contract cross currency swaps. These operations are set up in order to eliminate at inception the risk of a change in currency rate related to an asset or a liability. This is mainly the hedging of debts issued by AFL in foreign currency.

The accounting principle used to recognize the result of the foreign exchange transactions of Cross currency swaps is to recognize in income prorata temporis over the duration of the contract, the interest rate gap between the forward and the spot currency rate.

Cost of risk

The cost of credit risk includes impairment charges and reversals on fixed-income securities, and customer loans and receivables, as well as charges and reversals of impairment relating to guarantee commitments given, losses on receivables, and the recovery of amortised receivables.

Provisions

Agence applies CRC regulation 2000-06 on liabilities relating to the recognition and measurement of provisions falling within the scope of this regulation.

Provisions are recorded at present value when the three following conditions are met:

• Agence has a present legal or constructive obligation as a result of past events;
• It is probable that an outflow of resources representing economic benefits will be required to settle the obligation;
• A reliable estimate of the amount of the obligation can be made.

Tax consolidation

Since January 1, 2015, the Agence belongs to the tax group headed up by Agence France Locale - Société Térritoriale. This entity pays the total income tax owed by the group. The Agence records in its accounts the amount of tax for which it would be liable if it were not a member of the tax group. Tax savings realized by the tax group are recorded in the accounts of Agence France Locale - Société Térritoriale.

Post-employment benefits

Agence has applied ANC recommendation 2013-02 of 7 November 2013 relating to the measurement and recognition of retirement and similar benefit obligations.

In accordance with this recommendation, Agence sets aside provisions to cover its retirement and similar benefit obligations falling within the category of defined-benefit plans.

These obligations are stated on the basis of actuarial, financial and demographic assumptions, and in accordance with the projected unit credit method. Under this method, for each year of service, a charge is booked in an amount corresponding to the employee's vested benefits for the period. The charge is calculated based on the discounted future benefit.

The entity has opted for method 2 in recommendation 2013-02 which allows in particular for the recognition of gains or losses arising from changes to defined-benefit plans when the curtailment or settlement occurs.

The entity elected to immediately recognise the actuarial gains or losses in profit or loss over the expected average remaining working lives of the employees participating in the scheme. Accordingly the amount of the provision is equal to:

. the present value of the obligation to provide the defined benefits at the reporting date, calculated in accordance with the actuarial method advised by the recommendation;
. plus any actuarial gains (less any actuarial losses) not recognized,
. less, where applicable, the fair value of plan assets. These may be represented by an eligible insurance policy. In the event that the obligation is fully covered by such a policy, the fair value of the policy is deemed to be the value of the corresponding obligation, i.e. the amount of the corresponding actuarial liability.

The recommendation also allows for the recognition of actuarial gains and losses using the "corridor method" or any other method that results in faster recognition in profit or loss.

Identity of the parent company consolidating the accounts of the Agence as of December 31, 2022

Agence France Locale – Société Territoriale
41, quai d'Orsay 75 007 Paris

IV - Notes to the Balance Sheet

Note 1 - PORTFOLIO

(€ '000s)

31/12/2022	Government paper and similar securities	Bonds and other fixed income securities	Equities and other variable income securities	Total
Fixed or variable income securities				
Listed securities	940,081	118,667		1,058,748
Unlisted securities				-
Accrued interest	3,281	856		4,138
Impairment	(3,542)	(382)		(3,925)
Net carrying amount	**939,820**	**119,141**	**-**	**1,058,961**
Residual net Premium/Discount	5,462	1,773		7,235

31/12/2021				
Fixed or variable income securities				
Listed securities	914,177	10,030		924,207
Unlisted securities				-
Accrued interest	2,213	-		2,213
Impairment	(360)	-		(360)
Net carrying amount	**916,031**	**10,030**	**-**	**926,061**
Residual net Premium/Discount	16,577	(20)		16,557

Government paper and similar securities: analysis by residual maturity

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2022	Total 31/12/2021
Government paper and similar securities								
Net amount	122,426	21,050	423,401	369,662	936,539	3,281	939,820	916,031
NET CARRYING AMOUNT	**122,426**	**21,050**	**423,401**	**369,662**	**936,539**	**3,281**	**939,820**	**916,031**
Bonds and other fixed income securities								
Net amount	-	-	20,013	98,272	118,284	856	119,141	10,030
NET CARRYING AMOUNT	**-**	**-**	**20,013**	**98,272**	**118,284**	**856**	**119,141**	**10,030**

Analysis by type of portfolio

Portfolio *(€ '000s)*	Gross amount 31/12/2021	Additions	Disposals	Transfers and other movements	Prem/Disc Amort.	Change in accrued interest	Impairment	Total 31/12/2022	Unrealized gains/(losses)
Transaction									
Held-for-sale	738,133	1,051,864	(986,522)	(15,433)	(2,902)	1,760	(2,833)	784,068	(71,945)
Investment	187,929	93,932	(19,833)	15,085	(1,651)	164	(732)	274,892	(29,237)
NET CARRYING AMOUNT	**926,061**	**1,145,796**	**(1,006,355)**	**(348)**	**(4,553)**	**1,924**	**(3,565)**	**1,058,961**	**(101,182)**
Of which Premium/Discount	16,557	(2,410)	(2,652)	293	(4,553)			7,235	

Note 2 -RECEIVABLES ON CREDIT INSTITUTIONS

Accounts with central banks

(€ '000s)	31/12/2022	31/12/2021
Mandatory reserve deposits with central banks	1,134,476	1,175,973
Other deposits		
Cash and central banks	**1,134,476**	**1,175,973**

Receivables on credit institutions

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2022	Total 31/12/2021
Credit institutions								
Loans and receivables								
- demand	12,953				12,953	11	12,964	102,135
- time	80,000				80,000	199	80,199	115,249
Securities bought under repurchase agreements								
TOTAL	**92,953**	**-**	**-**	**-**	**92,953**	**210**	**93,163**	**217,384**
Impairment								
NET CARRYING AMOUNT	**92,953**	**-**	**-**	**-**	**92,953**	**210**	**93,163**	**217,384**

Note 3 - DUE TO CREDIT INSTITUTIONS

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2022	Total 31/12/2021
Credit institutions								
Accounts and Overdrafts								
- demand	0.2				0.2		0.2	36
- time								
Securities sold under repurchase agreements								
TOTAL	**0.2**	**-**	**-**	**-**	**0.2**	**-**	**0.2**	**36**

Note 4 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	31/12/2022	31/12/2021
Short-term credit facilities	8,698	10,510
Other loans	5,322,441	4,405,672
Customers transactions before impairment charges	**5,331,140**	**4,416,182**
Impairment		
Net carrying amount	**5,331,140**	**4,416,182**
Of which related receivables	8,847	6,961
Of which gross doubtful receivables	4,361	3,822
Of which gross non-performing doubtful receivables		

Doubtful loans correspond to a default for at least 90 days unpaid loans and by contagion to all of the outstanding amounts of counterparties in default. Although classified as doubtful loans, these loans have not been subject to impairment. Impairments are established on the basis of the recoverable amount of the receivable, i.e. the present value of the estimated future flows recoverable. However, on the closing date, the AFL intends to recover all of its debts as well as the interest attached to them.

Analysis by residual maturity excluding accrued interest

(€ '000s)	Less than 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2022
Loans and advances to customers	229,504	122,199	238,459	1,466,992	3,265,140	**5,322,293**	**8,847**	**5,331,140**

Note 5 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible assets	31/12/2021	Additions	Transfers	Disposals	Amort.	Impairments	Other movements	31/12/2022
Intangible assets	**12,961**	**1,342**					**177**	**14,480**
Start-up costs	-							-
IT development costs	12,663	1342					312	14,318
Web site	298						(135)	163
Software	-							-
Intangible assets in progress	**221**	**18**					**(221)**	**18**
Intangible assets amortisation	**(10,097)**				**(1,003)**		**4**	**(11,096)**
Net carrying amount	**3,085**	**1,360**			**(1,003)**		**(39)**	**3,403**

Property, plant & equipment	31/12/2021							31/12/2022
Property, plant & equipment	292	71					42	404
Tangible assets in progress	-	8						8
Tangible assets amortization	(148)				(62)		(4)	(215)
Net carrying amount	**143**	**79**			**(62)**		**37**	**198**

Note 6 - OTHER ASSETS AND ACCRUALS

(€ '000s)	31/12/2022	31/12/2021
Other assets		
Cash collateral paid	177,842	50,264
Other assets	323	187
Impairment		
Net carrying amount	**178,164**	**50,451**
Accruals		
Deferred charges on bond issues	39,428	28,716
Deferred charges on hedging transactions	37,121	38,966
Prepaid charges	266	212
Accrued interest not yet due on hedging transactions	30,395	18,704
Other deferred income	4	62
Other accruals	3,654	9,129
TOTAL	**110,867**	**95,789**

Note 7 - DEBT SECURITIES

(€ '000s)	Less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total principal	Accrued interest	Total 31/12/2022	Total 31/12/2021
Negotiable debt securities	371,652				371,652		371,652	208,256
Bonds		843,414	2,304,033	3,916,705	7,064,153	20,989	7,085,142	6,370,428
Other debt securities					-		-	-
TOTAL	**371,652**	**843,414**	**2,304,033**	**3,916,705**	**7,435,805**	**20,989**	**7,456,794**	**6,578,684**

Note 8 - OTHER LIABILITIES and ACCRUALS

(€ '000s)	31/12/2022	31/12/2021
Other liabilities		
Cash collateral received	102,377	5,417
Miscellaneous creditors	3,043	2,982
TOTAL	**105,420**	**8,399**
Accruals		
Transaction to pay and settlement accounts		613
Premium EMTN issue	31,403	38,112
Unrealised gains on hedging instruments	69,606	69,721
Unearned income	490	487
Accrued expenses on hedging instruments	19,552	11,287
Other accrued expenses		
Other accruals	40,299	895
TOTAL	**161,350**	**121,115**

Note 9 - PROVISIONS

(€ '000s)	Balance as of 31/12/2021	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 31/12/2022
Provisions						
Financing commitment execution risks						
Provisions for other litigations						
Provisions for employee retirement and similar benefits	114	-	-	-	-	114
Provisions for other liabilities to employees						
Other provisions						
TOTAL	**114**	**-**	**-**	**-**	**-**	**114**

Note 10 - CHANGES IN EQUITY

(€ '000s)	Share capital	Legal reserve	Share premiums	Statutory reserve	Translation, revaluation	Translation, revaluation subsidies	Retained earnings	Net income	Total equity
Balance as of 31/12/2020	**168,400**	**-**	**-**	**-**	**-**	**-**	**(26,214)**	**2,887**	**145,073**
Change in share capital	28,400								28,400
Change in share premium and reserves									
Allocation of 2020 net profit							2,887	(2,887)	
Net income as of 31/12/2021								2,073	2,073
Other changes									
Balance as of 31/12/2021	**196,800**	**-**	**-**	**-**	**-**	**-**	**(23,327)**	**2,073**	**175,546**
Dividend paid for 2021									
Change in share capital	10,800 (1)								10,800
Change in share premium and reserves									
Allocation of 2021 net profit							2,073	(2,073)	
Net income as of 31/12/2022								348	348
Other changes									
Balance as of 31/12/2022	**207,600**	**-**	**-**	**-**	**-**	**-**	**(21,254)**	**348**	**186,695**

(1) The share capital of Agence France Locale which amounts on 31 of December, 2022 to € 207,600,000 consists of 2,076,000 shares. The Company carried out three capital increases during during the year 2022 subscribed on 31st May for € 6,200K, on 27th October for €3,000K and on 28th December 2022 for €1,600K.

Note 11 - DERIVATIVES

Outstanding notional and Fair value

(€ '000s)	31/12/2022				31/12/2021			
	Hedging transactions		Others than Hedging transactions		Hedging transactions		Others than Hedging transactions	
	Outstanding notional	Fair value	Outstanding notional	Fair value	Outstanding notional	Fair value	Outstanding notional	Fair value
FIRM TRANSACTIONS	**13,352,625**	**(35,495)**	**766,900**	**28**	**12,426,932**	**(46,293)**	**809,490**	**9**
Organised markets	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
Over-the-counter markets	**13,352,625**	**(35,495)**	**766,900**	**28**	**12,426,932**	**(46,293)**	**809,490**	**9**
Interest rate contracts	12,172,139	105,026	766,900	28	11,698,697	(35,683)	809,490	9
FRA								
Cross Currency Swaps	1,180,485	(140,521)			728,235	(10,610)		
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Exchange rate options								
Other options								
Over-the-counter markets	-	-	-	-	-	-	-	-
Caps, floors								
Foreign currency option								
Crédit derivatives								
Other options								

Amount of micro-hedge transaction as of 31/12/2022	12,201,224	(€ '000s)
Amount of macro-hedge transaction as of 31/12/2022	1,151,400	(€ '000s)
Amount of trading transaction as of 31/12/2022	766,900	(€ '000s)

Notional amount by maturity

(€ '000s)	31/12/2022					
	Hedging transactions			Others than Hedging transactions		
	Less than 1 year	1 year to 5 years	more than 5 years	Less than 1 year	1 year to 5 years	more than 5 years
FIRM TRANSACTIONS	**1,217,347**	**3,280,771**	**8,854,506**	**147,100**	**495,800**	**124,000**
Organised markets	-	-	-	-	-	-
Interest rate contracts						
Other contracts						
Over-the-counter markets	**1,217,347**	**3,280,771**	**8,854,506**	**147,100**	**495,800**	**124,000**
Interest rate contracts	931,060	2,821,264	8,419,815	147,100	495,800	124,000
FRA						
Cross Currency Swaps	286,286	459,508	434,691			
Other contracts						
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-
Exchange rate options						
Other options						
Over-the-counter markets	-	-	-	-	-	-
Caps, floors						
Foreign currency option						
Crédit derivatives						
Other options						

Derivatives classified as financial assets held for transaction purposes do not constitute interest rate positions taken with a view to drawing short-term profits. They are investment portfolio fair value hedging derivatives in a fixed-rate borrower position which have been neutralised by fixed-rate lender derivatives. These contracts, concluded in a clearing house, present positions which are rigorously symmetric in terms of rates and maturities. These financial assets and liabilities, although they are the object of a framework netting agreement, are presented as assets and liabilities because future cash flows payable and receivable differ in the amount of the fixed-rate coupon payable and receivable. The positions presented in the table above do not entail any kind of residual interest rate risk.

V - Notes to the Income statement

Note 12 - INTEREST INCOME AND EXPENSES

(€ '000s)	31/12/2022	31/12/2021
Interest and similar income	**50,693**	**34,391**
Due from banks	4,686	222
Due from customers	33,007	8,159
Bonds and other fixed income securities	2,101	
from Held-for-sale securities	*1,147*	
from Investment securities	*954*	
Debt securities		18,909
Macro-hedge transactions	6,106	2,257
Other interest income	4,793	4,845
Interest and similar expenses	**(34,903)**	**(21,732)**
Due to banks	(4,128)	(6,213)
Bonds and other fixed income securities		(4,118)
from Held-for-sale securities		*(3,798)*
from Investment securities		*(321)*
Debt securities	(18,033)	
Macro-hedge transactions	(7,931)	(6,560)
Other interest expenses	(4,812)	(4,841)
Interest margin	**15,790**	**12,659**

Note 13 - NET FEE AND COMMISSION INCOME

(€ '000s)	31/12/2022	31/12/2021
Commission income	**301**	**165**
Interbank transactions		
Customer transactions	301	165
Securities transactions		
Forward financial instruments transactions		
Currencies transactions		
Financing commitments and guarantee		
Other commissions recieved		
Commission expenses	**(153)**	**(324)**
Interbank transactions	(16)	(15)
Securities transactions		
Forward financial instruments transactions	(136)	(141)
Currencies transactions		
Financing commitments and guarantee		
Other commissions paid		(168)
Net fee and commission income	**148**	**(159)**

Note 14 - ANALYSIS OF GAINS AND LOSSES ON PORTFOLIO TRANSACTIONS

(€ '000s)	31/12/2022	31/12/2021
Gains/(losses) on Trading book		
Gains/(losses) on forward financial instruments	8,617	(2,139)
Gains/(losses) on foreign currency transactions	2	2
Gains or (losses) on trading portfolio	**8,618**	**(2,137)**
Gains/(losses) from disposal of held-for-sale securities	(7,150)	2,024
Other income/(expenses) from held-for-sale securities		
Impairment (charges) and reversals on held-for-sale securities	(3,565)	(360)
Gains or (losses) on held-for-sale portfolio	**(10,715)**	**1,665**

Note 15 - OTHER BANKING INCOME

(€ '000s)	31/12/2022	31/12/2021
Capital gains on loan disposals		2,146
Other banking income		
Other banking income	**-**	**2,146**
Capital losses on loan disposals		
Other banking expense		
Other banking expense	**-**	**-**
TOTAL	**-**	**2,146**

Note 16 - GENERAL OPERATING EXPENSES

(€ '000s)	31/12/2022	31/12/2021
Employee expenses		
Wages and salaries	4,117	3,868
Post-employment benefit expenses	377	379
Other expenses	1,658	1,684
Total Employee expenses	**6,152**	**5,931**
Operating expenses		
Taxes and duties	1,169	705
External services	6,491	6,116
Total Administrative expenses	**7,660**	**6,821**
Charge-backs and reclassification of administrative expenses	(1,384)	(1,460)
Total General operating expenses	**12,428**	**11,292**

Note 17 - +/- NET GAINS (LOSSES) ON FIXED ASSETS

(€ '000s)	31/12/2022	31/12/2021
Gains on sales of Investment securities		8
Gains on sales of tangible or intangible assets		
Reversal of impairment		
Total Gains on fixed assets	**-**	**8**
Losses on sales of Investment securities		
Losses on sales of tangible or intangible assets		(1)
Charge of impairment		
Total Losses on fixed assets	**-**	**(1)**
TOTAL	**-**	**7**

Note 18 - STAFF

	31/12/2022	31/12/2021
Director (corporate officer)	1	1
Managers	33	30
Technicians & employees		
Apprentices and professional trainng contracts	7	7
Average staff during the year	**41**	**38**
Staff at year-end	**44**	**39**

Note 19 - REMUNERATIONS

Remuneration for Board of AFL and the Group's Director:

Neither members of AFL Board nor Group's Director benefited from a payment in actions in conformance with the exercise 2022 and a compensation was settled because of termination of contract of employment. No other long-term advantage was granted to them.

Their Director's remunerations on the exercise 2022 were the following ones :

(€ '000s)	31/12/2022
Fixed remuneration	716
Variable remuneration	147
Payments in kind	17
Total	**880**

Members of the AFL Supervisory Board received €172k attendance fees.

Note 20 - EXTERNAL AUDITOR FEES

	Caillau Dedouit et Associés		KPMG Audit	
	2022 (€ '000s)	2021 (€ '000s)	2022 (€ '000s)	2021 (€ '000s)
Audit				
Fees related to statutory audit, certification, examination of:				
AFL-Société Opérationelle	73	69	72	69
Sub-total	**73**	**69**	**72**	**69**
Other fees and benefits (*) :				
AFL-Société Opérationelle	36	36	42	48
Sub-total	**36**	**36**	**42**	**48**
TOTAL	**110**	**105**	**114**	**117**

(*) Other fees and benefits are related to issue prospectus audit, capital increases, reliance letter and allocation review of funds raised as part of the sustainability bond issue.

Note 21 - INCOME TAX CHARGE

The standard method for current tax has been chosen for report individual accounts.

Tax losses amounting to €19.2m at 2022 year-end closing were not recognised as deferred tax assets.

Note 22 - RELATED PARTIES

There are, on 31 December 2022, an agreement of administrative services and a licensing for the use of a mark, as well as a professional lease, which were concluded which have been concluded between Agence France Locale - Société térritoriale at normal market conditions.

Agence France Locale S.A.

Statutory auditors' report on the financial statements

For the year ended 31st December 2022

Agence France Locale S.A.

112 rue Garibaldi - 69006 Lyon

This report contains 21 pages

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Agence France Locale S.A.

Registered office: 112 rue Garibaldi - 69006 Lyon
Share capital: €.210 600 000

Statutory auditors' report on the financial statements

For the year ended 31st December 2022

To the annual general meeting of Agence France Locale S.A.,

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of Agence France Locale S.A. for the year ended 31st December 2022.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31st December 2022 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from 1st January 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you that we have assessed that there are no key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code (Code de commerce).

As indicated in the management report, this information does not include banking and related transactions, as your company considers that they do not fall within the scope of the information to be produced.

Information relating to corporate governance

We attest that the Supervisory report on corporate governance sets out the information required by article L.225-37-4 of the French Commercial Code.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Agence France Locale S.A. by the annual general meeting held on 17th December 2013.

As at 31st December 2022, KPMG S.A. and Cailliau Dedouit et Associés were in their 9th year of total uninterrupted engagement, which are the 8th year since securities of the Company were admitted to trading on a regulated market.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Management Board.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit and Risk Committee

We submit to the Audit and Risk Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit and Risk Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The statutory auditors

Paris La Défense, on March 27th, 2023	Paris, on March 27th, 2023
French original signed by	
Xavier De Coninck	Sandrine Le Mao
Partner	*Partner*

AGENCE FRANCE LOCALE IFRS GAAP

BALANCE SHEET

Assets as of December 31, 2022

(€ '000s)	Notes	31/12/2022	31/12/2021
Cash, central banks	5	1,134,411	1,175,917
Financial assets at fair value through profit or loss	1	28,591	10,385
Hedging derivative instruments	2	912,259	172,891
Financial assets at fair value through other comprehensive income	3	707,306	721,146
Securities at amortized cost	4	256,891	205,979
Loans and receivables due from credit institutions and similar items at amortized cost	5	270,754	267,749
Loans and receivables due from customers at amortized cost	6	4,690,415	4,431,048
Revaluation adjustment on interest rate risk-hedged portfolios			4,158
Current tax assets			
Deferred tax assets	7	6,641	5,156
Accruals and other assets	8	1,053	539
Intangible assets	9	2,381	3,085
Property, plant and equipment	9	1,101	1,225
Goodwill			
TOTAL ASSETS		**8,011,803**	**6,999,277**

Liabilities as of December 31, 2022

(€ '000s)	Notes	31/12/2022	31/12/2021
Central banks			1,174
Financial liabilities at fair value through profit or loss	1	28,562	10,376
Hedging derivative instruments	2	973,829	225,180
Debt securities	10	6,589,082	6,571,730
Due to credit institutions	11	102,377	5,453
Due to customers			
Revaluation adjustment on interest rate hedged portfolios		126,038	
Current tax liabilities			
Deferred tax liabilities	7	467	169
Accruals and other liabilities	12	3,976	4,709
Provisions	13	140	134
Equity		**187,333**	**180,352**
Equity, Group share		**187,333**	**180,352**
Share capital and reserves		207,600	196,800
Consolidated reserves		(18,009)	(19,085)
Reevaluation reserve			
Gains and losses recognised directly in equity		(5,015)	907
Profit (loss) for the period		2,758	1,730
Non-controlling interests			
TOTAL LIABILITIES		**8,011,803**	**6,999,277**

Income statement

(€ '000s)	Notes	31/12/2022	31/12/2021
Interest and similar income	14	50,509	34,447
Interest and similar expenses	14	(34,907)	(21,732)
Fee & Commission Income	15	301	165
Fee & Commission Expense	15	(153)	(324)
Net gains (losses) on financial instruments at fair value through profit or loss	16	8,968	(2,454)
Net gains or losses on financial instruments at fair value through other comprehensive income	17	(7,150)	2,024
Net gains and losses on derecognition of financial assets at amortised cost	18		1,834
Income on other activities			
Expenses on other activities			
NET BANKING INCOME		**17,569**	**13,960**
Operating expenses	19	(12,513)	(11,137)
Net depreciation, amortisation and impairments of tangible and intangible assets	9	(866)	(971)
GROSS OPERATING INCOME		**4,190**	**1,852**
Cost of risk	20	(404)	(95)
OPERATING INCOME		**3,786**	**1,757**
Net gains and losses on other assets	21		(0.01)
INCOME BEFORE TAX		**3,786**	**1,757**
Income tax	22	(1,029)	(27)
NET INCOME		**2,758**	**1,730**
Non-controlling interests			
NET INCOME GROUP SHARE		**2,758**	**1,730**
Basic earnings per share (in EUR)		1.33	0.88
Diluted earnings per share (in EUR)		1.33	0.88

Net income and other comprehensive income

(€ '000s)	31/12/2022	31/12/2021
Net income	**2,758**	**1,730**
Items will be reclassified subsequently to profit or loss	**(2,507)**	**1,292**
Revaluation of financial assets at fair value through other comprehensive income recyclable to income	(3,367)	1,696
Other items recognized through other comprehensive income recyclable to income		
Related taxes	861	(404)
Elements not recyclable in profit or loss	**(3,416)**	**(798)**
Revaluation in respect of defined benefit plans		
Revaluation of financial assets at fair value through to equity	(4,554)	(1,064)
Other items recognized through other comprehensive income not recyclable to income		
Related taxes	1,139	266
Total gains and losses recognized directly in equity	**(5,922)**	**494**
COMPREHENSIVE INCOME	**(3,165)**	**2,224**

Consolidated statement of changes in equity

(€ '000s)	Capital	Associated reserves to capital	Consolidated reserves	Gains and losses recognized directly in comprehensive income – Recyclable – Net change in fair value of Financial assets at fair value through other comprehensive income, after tax	Gains and losses recognized directly in comprehensive income – Recyclable – Net change in fair value of cash flow hedging derivatives, after tax	Gains and losses recognized directly in comprehensive income – Not recyclable – Revaluation in respect of defined benefit plans	Gains and losses recognized directly in comprehensive income – Not recyclable – Other items recognized through other comprehensive income not recyclable to income	Net income, Group share	Share-holders' equity - Group share	Share-holders'equity, non-controlling interests	Total share-holders equity
Shareholders' equity at 1 january 2021	**168,400**	**-**	**(21,380)**	**(331)**	**-**	**-**	**744**	**2,295**	**149,728**	**-**	**149,728**
IFRIC Application Configuration and Customization Cost			(533)						(533)		**(533)**
Shareholders' equity as of January 1, 2021 restated IFRIC	**168,400**	**-**	**(21,914)**	**(331)**	**-**	**-**	**744**	**2,296**	**149,195**	**-**	**149,194**
Increase in share capital	28,400								28,400		28,400
Elimination of treasury shares											
Allocation of profit 2020			2,295					(2,295)			
Dividends 2020 paid											
Sub-total of changes linked to transactions with shareholders	**28,400**	**-**	**2,295**	**-**	**-**	**-**	**-**	**(2,295)**	**28,400**	**-**	**28,400**
Changes in fair value through equity				1,638					1,638		1,638
Change in value of through profit or loss				59					59		59
Revaluation of financial assets at fair value through not recyclable equity							(1,064)		(1,064)		(1,064)
Changes in actuarial gains on retirement benefits											
Related taxes				(404)			266		(138)		(138)
Changes in gains and losses recognized directly in equity	**-**	**-**	**-**	**1,292**	**-**	**-**	**(798)**	**-**	**494**	**-**	**494**
2021 Net income								1,730	1,730		1,730
IFRIC Application Configuration and Customization Cost								(121)	(121)		(121)
Sub-total	**-**	**-**	**-**	**1,292**	**-**	**-**	**(798)**	**1,609**	**1,609**	**-**	**1,609**
Effect of acquisitions and disposals on non-controlling interests											
Shareholders' equity at 31 December 2021	**196,800**	**-**	**(19,618)**	**961**	**-**	**-**	**(54)**	**1,609**	**179,698**	**-**	**179,698**
Increase in share capital	10,800 (1)								10,800		10,800
Elimination of treasury shares											
Allocation of profit 2021			1,609					(1,609)			
Dividends 2021 paid											
Sub-total of changes linked to transactions with shareholders	**10,800**	**-**	**1,609**	**-**	**-**	**-**	**-**	**(1,609)**	**10,800**	**-**	**10,800**
Changes in fair value through equity				(2,810)					(2,810)		(2,810)
Change in value of through profit or loss				(557)					(557)		(557)
Revaluation of financial assets at fair value through not recyclable equity							(4,554)		(4,554)		(4,554)
Changes in actuarial gains on retirement benefits											
Related taxes				861			1,139		1,999		1,999
Changes in gains and losses recognized directly in equity	**-**	**-**	**-**	**(2,507)**	**-**	**-**	**(3,416)**	**-**	**(5,922)**	**-**	**(5,922)**
31 December 2022 Net income								2,758	2,758		2,758
Sub-total	**-**	**-**	**-**	**(2,507)**	**-**	**-**	**(3,416)**	**2,758**	**(3,165)**	**-**	**(3,165)**
Effect of acquisitions and disposals on non-controlling interests											
Shareholders' equity at 31 December 2022	**207,600**	**-**	**(18,010)**	**(1,546)**	**-**	**-**	**(3,470)**	**2,758**	**187,333**	**-**	**187,333**

(1) The share capital of Agence France Locale which amounts on 31 of December, 2022 to € 207,600K consists of 2,076,000 shares. The Company carried out three capital increases during the year 2022 subscribed on 31st May 2022 to € 6,200K, on 27th October for €3,000K and on 28th December for €1,600K.

Cash flow statement

(€ '000s)	31/12/2022	31/12/2021
Net income before taxes	**3,786**	**1,757**
+/- Net depreciation and amortisation of tangible and intangible non-current assets	866	971
+/- Net provisions and impairment charges	404	144
+/- Expense/income from investing activities	2,941	(1,066)
+/- Expense/income from financing activities	689	599
+/- Other non-cash items	(6,133)	(3,580)
= Non-monetary items included in net income before tax and other adjustments	**(1,234)**	**(2,932)**
+/- Cash from interbank operations		0
+/- Cash from customer operations	(913,685)	(734,373)
+/- Cash from financing assets and liabilities	(22,202)	33,105
+/- Cash from not financing assets and liabilities	(325)	(2,450)
- Income tax paid		
= Decrease/(increase) in cash from operating activities	(936,212)	(703,718)
= CASH FLOW FROM OPERATING ACTIVITIES (A)	**(933,659)**	**(704,893)**
+/- Flows linked to financial assets and investments	(107,490)	(164,330)
+/- Flows linked to investment properties		
+/- Flows linked to tangible and intangible non-current assets	(1,437)	(1,587)
= CASH FLOW FROM INVESTING ACTIVITIES (B)	**(108,927)**	**(165,917)**
+/- Cash from or for shareholders	10,800	28,400
+/- Other cash from financing activities	901,107	1,436,984
= CASH FLOW FROM FINANCING ACTIVITIES (C)	**911,907**	**1,465,384**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)		
Increase/(decrease) in cash equivalents (A + B+ C + D)	**(130,680)**	**594,574**
Cash flow from operating activities (A)	(933,659)	(704,893)
Cash flow from investing activities (B)	(108,927)	(165,917)
Cash flow from financing activities (C)	911,907	1,465,384
Effect of changes in exchange rates on cash and cash equivalents (D)		0
Cash and cash equivalents at the beginning of the period	**1,278,108**	**683,534**
Cash and balances with central banks (assets & liabilities)	1,175,973	601,780
Interbank accounts (assets & liabilities) and loans/deposits at sight	102,135	81,754
Cash and cash equivalents at the end of the period	**1,147,429**	**1,278,108**
Cash and balances with central banks (assets & liabilities)	1,134,476	1,175,973
Interbank accounts (assets & liabilities) and loans/deposits at sight	12,953	102,135
CHANGE IN NET CASH	**(130,680)**	**594,574**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS ACCORDING TO IFRS STANDARDS

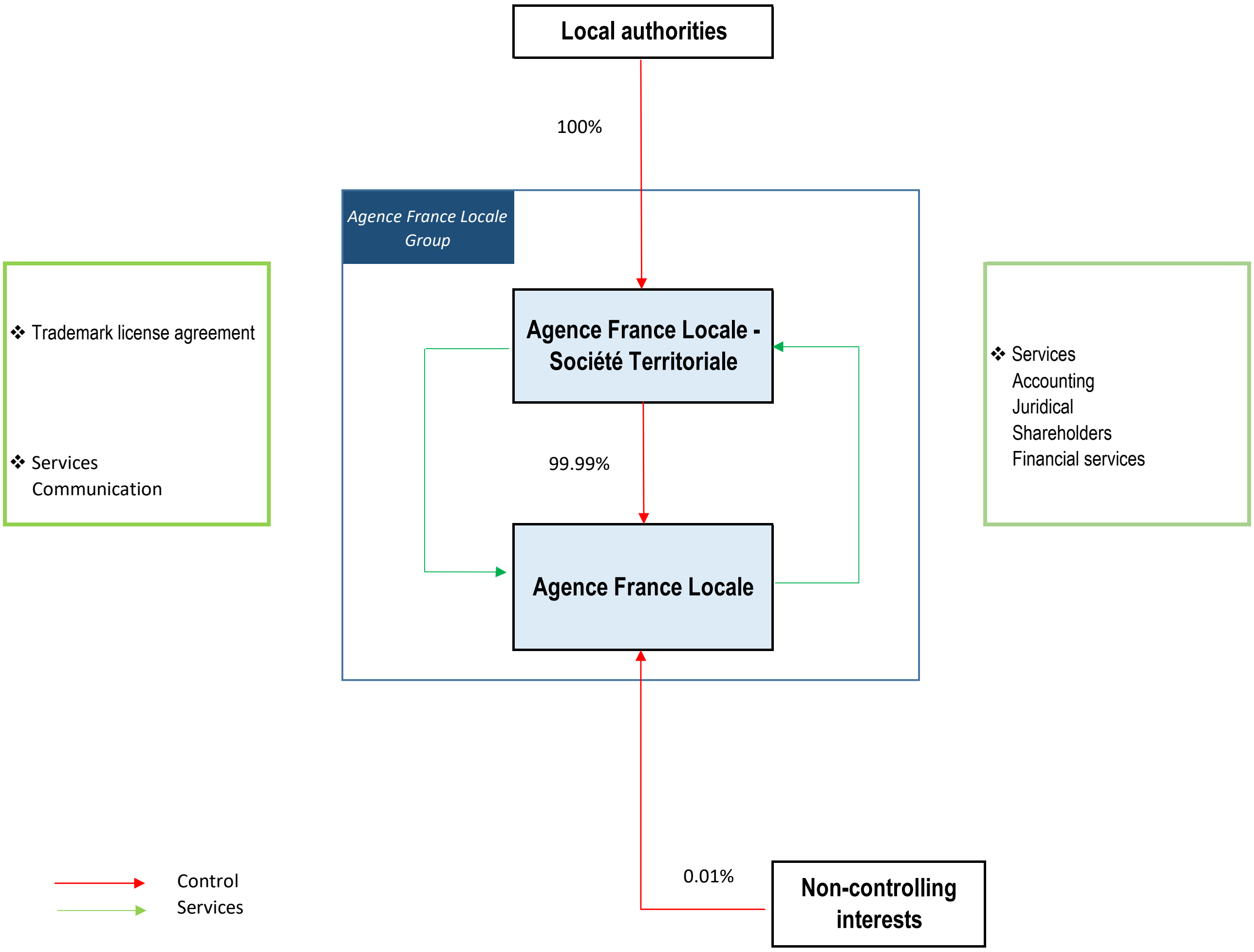
General framework

AFL (« Agence ») presentation

The AFL ("Agence") is the subsidiary of Agence France Locale - Société Territoriale ("AFL ST").

The AFL ST is a limited company with a Board of Directors whose shareholders are comprised exclusively of Communities that the membership of the Group AFL. The AFL ST is the parent company of the Agence. Agence is a limited company with an Executive Board and a Supervisory Board.

The diagram below shows the structure of the AFL group:



I - Publication context

The 2022 financial statements were approved by the Board of Directors as of March 13, 2023.

II - Highlights from 2022 financial year

The year 2022 marks another very significant increase in results related to the credit activity, which is part of the Company's development trajectory in accordance with its 2012-2026 strategic plan. The increase in results excluding non-recurring items reflects the good momentum in the generation of income from loan activity since 2015, the year in which AFL's activities started and which is measured in particular by the regular and constant increase in the portfolio of loans granted to member local authorities.

The production of medium- and long-term loans by AFL in 2022 amounted to €1,391.5 million compared to €1,243 million a year earlier. It is on the rise, despite the constraints weighing on the level applied to the usury rate over the period for loans to local authorities.

For the first time since the beginning of its activities, the AFL carried out, during the same year, two syndicated issues denominated in euros for an amount of 500 million euros each, the first with a maturity of 7 years in a sustainable bond format, and at a margin of 25 basis points above the OAT curve, and the second with a 9-year maturity at a margin of 53 basis points above the curve OAT. In addition to these two issues, there is the launch of a syndicated issue denominated in sterling, i.e. for the first time, a syndicated issue in a currency other than the euro. In addition to these transactions, several private placements were carried out, making it possible to optimize the maturity profile of AFL's debts as well as its cost of funding.

During the 2022 financial year, AFL-ST, pursuing its corporate purpose, subscribed to the capital of AFL for 10.8 million euros with three capital increases, thus increasing the share capital by AFL from €196.8 million as of January 1, 2022 to €207.6 million as of December 31, 2022. The AFL Group now has 599 members, including 103 new local authorities, which joined the AFL Group during the the past financial year.

At the end of the 2022 financial year, the NBI generated by the activity amounted to €17,569K compared to €13,960K at December 31, 2021. The NBI for 2022 corresponds mainly to a net interest margin of €15,602K in increase of 22.7% compared to the net interest margin for 2021 which stood at €12,715K; to capital gains from the sale of investment securities in the amount of €1,467K compared to €806K in 2021, once corrected for hedging items sold, and to a net result of hedge accounting for items present in the balance sheet of €367K compared to -€631K in 2021.

The interest margin of €15,602K realized in 2022 has undergone a very significant change in its composition with the end of negative interest rates. Indeed, the sharp rise in the 3-month Euribor rate against which AFL's exposures are swapped mechanically leads to a rapid increase in interest income on assets and in particular those of the loan portfolio to €31,182K at December 31, 2022 compared to €3,856K as of December 31, 2021, while conversely, interest on the debt, after taking into account interest on hedging, again becomes a cost for the 2022 financial year for a total amount of -€18,033K compared to +€18,909K at December 31, 2021 when interest rates were negative.

The increase in interest income on the loan portfolio can also be explained by an increase in outstanding loans as well as the positive remuneration of rate-hedged loans representing equity.

With regard to interest income linked to the management of the liquidity reserve, the rise in interest rates and their return to positive territory has the consequence, there too, of a positive remuneration on the assets of the liquidity reserve. for a total of €2,447K compared to an expense of -€9,773K at December 31, 2021.

During the period, the management of the liquidity reserve portfolio generated €1,467K in income from the sale of investment securities net of the cancellation of interest rate hedging instruments for securities subject to disposals for €8,617K. By way of comparison, the 2021 financial year generated a net amount of capital gains on disposals of €806K.

The net result of hedge accounting, which amounts to €367K represents the sum of the differences in fair value of the hedged items and their hedging. Among these differences, -€984K relate to valuation differential charges on instruments classified as macro-hedging, €5,455K relate to income from valuations of instruments in assets classified as micro-hedging and -€4 108K to charges from debts classified as micro-hedging.

There are still latent differences in valuations between the hedged items and the hedging instruments, one of the components of which comes from a market practice leading to recognize a valuation asymmetry between the hedging instruments collateralized daily on the one hand , discounted on a curve now called the €STER curve, with reference to the new monetary index, and the hedged items on the other hand, discounted on an Euribor curve. This leads, according to IFRS standards, to the recognition of a hedge ineffectiveness which is recorded in the income statement. It should be noted that this is, however, a latent income.

For the financial year ended December 31, 2022, general operating expenses represented €12,513K compared to €11,517K for the previous financial year once restated for the application of IFRIC relating to software used in Saas mode. These expenses include personnel expenses for €6,124K compared to €5,906K as of December 31, 2021. General operating expenses also include administrative expenses, which amounted to €6,389K compared to €5,611K as of December 31, 2021, a once the re-invoicing between the AFL and the AFL-ST has been subtracted and restated for the change in method induced by the IFRIC.

The increase in operating expenses is explained by the following items:

▪ a significant increase of €464k in taxes, duties and mandatory contributions which amounted to €1,169K as of December 31, 2022 compared to €705K as of December 31, 2021. This increase is the result of the €449K increase in the contribution to the FRU (fonds de résolution unique) and, to a lesser extent, €35K from the C3S (corporate solidarity social contribution).

▪ The 2022 financial year also saw an increase in the payroll, with in particular some recruitments, and a slight increase in the costs of external services. However, these increases remain under control.

At the end of the financial year, depreciation and amortization expenses amounted to €866K compared to €753K at December 31, 2021, an increase of €113K. The amortization allowances for the period take into account the restatements induced by the 2021 IFRIC relating to the costs of implementing information systems which was applied on January 1, 2022. The 2021 amortization allowances of €753K have been obtained by retrospective application of the change in method in order to communicate comparative information. Depreciation and amortization for the previous year amounted to €971K before the application of these new interpretation.

Beyond this regulatory impact, this change mainly corresponds to the continuation of investments in the credit chain, the data pool, the third-party database, the development of regulatory reporting and the information system dedicated to the transaction processing chain.

After depreciation and amortization, gross operating income as of December 31, 2022 amounted to €4,190K compared to €1,690K as of December 31, 2021 obtained after restatement for the change in method.

The cost of risk relating to ex-ante impairments for expected losses on financial assets under IFRS 9 increased to €404K compared to €95K at 31 December 2021. This resulted in an overall stock of IFRS 9 provisions of €1,275K at December 31, 2022 compared to €871K as of December 31, 2021, i.e. 1.7 bp vs 1.21 bp. Beyond the increase in the size of the balance sheet, this increase reflects the deterioration of the macroeconomic environment and credit risk in general, even if the loans to local authorities and the securities that AFL has in its portfolio are inherently low risk.

As of December 31, 2022, AFL has a total amount of deferred tax assets (IDA) of €6,641K compared to €5,156K as of December 31, 2021 with €218K from IFRIC restatements. IDA from carry-forward tax losses accumulated since the creation of AFL decreased to €4,793K compared to €4,944K at December 31, 2021.

AFL closes the 2022 financial year with net income of €2,758K compared to €1,609K at December 31, 2021 restated for the application of IFRIC 2021 on the treatment of configuration and customization costs for SaaS software.

Excluding exceptional items, revenue generated by AFL's recurring activities is growing rapidly, making it possible to cover all operating expenses and depreciation for the third consecutive year. Thus, as of December 31, 2022, the cost/income ratio, calculated on the basis of AFL's recurring income, reached 85.7% compared to 95.2% as of December 31, 2021.

Subsequent events

No significant subsequent events occurred on the beginning of 2023 after the accounts closure date has to be reported.

III - Principles and methods applicable to AFL, judgments and estimates used

Agence France Locale has decided to publish voluntary financial statement according to IFRS standards. The accounting standards is constantly the French GAAP standards according to legislation applicable in France.

The preparation of the financial statements involves making assumptions and estimates that may or may not prove accurate in the future. These estimates, which are based on the information available as at 31 December 2022, call upon the judgement of managers and the parties involved in preparing the financial statements, particularly where assessing the fair value of financial instruments is concerned.

Future achievements depend on many factors: fluctuations in interest and foreign exchange rates, the economic environment, changes in regulations or legislation, etc., which means that the final outcome of the transactions concerned may differ from these estimates and have an impact on the financial statements.

The valuation of financial instruments not listed on organized markets involves the use of models based on observable market data for most OTC instruments. The determination of the value of certain instruments, like loans that are not traded on an active market is based on valuation techniques which, in certain cases, rely on parameters that are deemed to be non-observable.

Information on the fair value of financial assets and liabilities carried at cost is disclosed in appendix.

Application of IFRS basis

In accordance with IFRS 1 "First-time Adoption of IFRS" and pursuant to European Regulation 1606/2002 of July 19, 2002, the financial statements for 2019 are presented in compliance with the IFRS (International Financial Reporting Standards) published by and as approved by the European Union and in force on that date. The IFRS framework includes IFRS standards and also include International Accounting Standards (IAS) and related interpretations issued by the International Financial Reporting Interpretations Committee) et SIC (Standing Interpretations Committee).

The format used for the summary financial statements is a banking format. It is consistent with Recommendation No. 2017-02 of 2 June 2017 of the French Accounting Standards Authority (Autorité des normes comptables).

Standards, amendments and interpretations published by the IASB, the application of which is mandatory for years beginning on or after January 1, 2022

▪ Conclusions of the IFRS IC relating to the costs of implementing and accessing "Software as a service" (Saas) applications.

In accordance with the IFRIC decision of March 2021 relating to the recognition of the costs of customization and configuration of Saas contracts, AFL has maintained as intangible assets the specific developments that it controls according to the criteria for classification as fixed assets defined by IAS38. The other configuration and customization costs not meeting these criteria and previously capitalized were either reclassified as expenses retrospectively if they had been carried out by a third party unrelated to the publisher of the SaaS solution, or spread over the duration of the SaaS contract when the publishers have carried them out.

The financial statements presented as of December 31, 2022 take into account the IFRIC decision on the costs of configuring and customizing software obtained from a supplier under a SaaS (Software as a Service) type contract. The 2021 financial statements presented for comparative purposes have not been restated for the retrospective application of the IFRIC decision, given the insignificant nature of the change in accounting method. Note 9 to the consolidated financial statements details the impacts of the change in method on the various headings of the restated 2021 financial statements. The application of this new interpretation resulted in a decrease of €533K in equity as of January 1, 2021.

The other new standards, interpretations or amendments indicated below, which are mandatory for AFL from January 1, 2022, have not had a significant impact on the financial statements pres

▪ Amendment to IFRS 3 – Update of the conceptual framework.

AFL, which has decided to publish a set of individual accounts in accordance with IFRS, generally does not carry out any transaction falling within the scope of IFRS 3.

▪ Amendments to IAS 37 – Onerous Contracts – Costs of Performing the Contract – Provisions, Contingent Liabilities and Contingent Assets.

▪ Amendment to IAS 16 – Property, plant and equipment - Recognition of revenue generated before commissioning.

Published by the IASB in May 2020, adopted by the European Union on June 28, 2021 (EU Regulation No. 2021/1080) and mandatory for financial years beginning on or after January 1, 2022 with early application permitted, this amendment prohibits from now on to deduct from the cost of a tangible fixed asset the receipts drawn from the sales of the production of the fixed asset before its activation. These receipts as well as the related costs must be accounted for in the income statement. This amendment will have no impact on AFL's financial statements given that the company does not recognize revenue related to the production of fixed assets in the process of activation.

▪ Annual improvements to IFRS – 2018-2020 cycle.

- IFRS 1: Subsidiary becoming a first-time adopter,
- IFRS 9 Derecognition of a financial liability: fees and commissions to be included in the 10% test,
- IAS 41 Taxes in Fair Value Measurements, and
- IFRS 16 Lease inducements

IASB and IFRIC texts adopted by the European Union applicable in advance

The AFL has decided not to apply the following standards in advance:

▪ Amendment to IAS 8: Definition of an Accounting Estimate

▪ Amendment to IAS 12: Deferred tax relating to assets and liabilities resulting from the same transaction

▪ Amendment to IFRS 10 and IAS 28: sales or contributions of assets made between the group and entities accounted for using the equity method.

▪Amendments to IAS 1: Presentation of financial statements – Practice statement 2 “disclosure of accounting policies”

Application of the above texts is considered insignificant to AFL's financial statements.

IV - Accounting principles applied to the financial statements

Classification and measurement

On initial recognition, financial assets are classified at amortized cost, at fair value through other comprehensive income, or at fair value through profit of loss, according to the type of instrument (debt or equity), the characteristics of their contractual cash flows and how the entity manages its financial instruments (its business model).

Business model

The entity’s business model represents the way in which it manages its financial assets to produce cash flow. Judgment must be exercised to assess the business model.

The choice of business model must take into account all information regarding the manner in which cash flows were generated in the past, along with all other relevant information.

For example:

- the way in which the performance of financial assets is assessed and presented to the main company directors;
- risks which have an impact on the business model’s performance, in particular the way in which these risks are managed;
- the way in which directors are paid (for example, if pay is based on the fair value of assets under management or on the contractual cash flows received);
- the frequency of, volume of and reason for sales.

The IFRS 9 standard uses three business models:

- a business model whose objective is to hold financial assets in order to receive contractual cash flows (“hold to collect model”). This model, under which the concept of “holding” is relatively similar to holding to maturity, remains valid if disposals occur under the following conditions:

o the disposals are due to an increase in credit risk;

o the disposals occur just before maturity and at a price that reflects the contractual cash flows that are still owed;
o other disposals may also be compatible with the “hold to collect” model’s objectives if they are in frequent(even if their value is significant) or if their value is insignificant when considered both individually and overall (even if they are frequent).
AFL Group applies "collect" business model for its local authorities lending activities.
- a mixed management model in which assets are managed with the objective of both collecting the contractual cash flows and selling the financial assets ("collect and sales model").
AFL Group applies the "collect and sale" model to its portfolio management activities in the liquidity reserve.
- a model specific to other financial assets, particularly trading assets, in which the collection of contractual flows is incidental and whose main objective is to sell the assets.
AFL Group does not apply this business model and does not have a trading portfolio.

Types of contractual cash flows: the SPPI (Solely Payments of Principal and Interest) test

A financial asset is classified as generating solely payments of principal and interest if, on specific dates, it gives rise to cash flows that are solely payments of principal and interest on the outstanding amount due. The SPPI test should be performed for each financial asset on initial recognition.
The principal amount is defined as the financial asset’s fair value at its acquisition date. Interest is the consideration for the time value of money and the credit risk incurred on the principal amount, as well as other risks such as liquidity risk, administrative costs and the profit margin.
The instrument’s contractual terms must be taken into account to assess whether contractual cash flows are solely payments of principal and interest. All elements that may cast doubts as to whether only the time value of money and credit risk are represented must therefore be analyzed.

For example:

Any contractual option that creates risk exposure or cash-flow volatility that is not consistent with a basic lending arrangement, such as exposure to fluctuations in the price of stocks or of a market index, or the introduction of leverage, would make it impossible to categorize contractual cash flows as SPPI.
- the applicable interest rate features (for example, consistency between the rate refixing period and the interest calculation period);
If a clear determination cannot be made through qualitative analysis, a quantitative analysis (a benchmark test) is carried out. This test involves comparing the contractual cash flows for the asset in question with the contractual cash flows of a benchmark asset.
- early redemption and extension conditions;
For the borrower or lender, a contractual option permitting prepayment of financial instruments does not violate the SPPI test for contractual cash flows if the prepayment amount mainly represents the unpaid amounts of principal and interest and, if applicable, a reasonable additional compensation for the early termination of the contract.
Basic financial assets (those that generate SPPI) are debt instruments such as fixed-rate loans, variable-rate loans without an interest rate tenor mismatch or that are not linked to a security or to a market index, and fixed-rate or variable-rate debt securities.
Non-SPPI financial assets include, for example, convertible bonds or mandatory convertible bonds with a fixed conversion ratio.

Accounting categories

Debt instruments (loans, receivables or debt securities) may be valued at amortized cost, at fair value through other comprehensive income recyclable to income or at fair value through profit and loss.
A debt instrument is valued at amortized cost if it meets the following two conditions:
- the asset is held under a business model where the objective is to collect contractual cash flows; and
- the contractual terms of the financial asset define it as basic (SPPI) within the meaning of the standard.
A debt instrument is valued at fair value through other comprehensive income if it meets the following two conditions:
- the asset is held under a business model where the objective is both to collect contractual cash flows and to sell financial assets; and
- the contractual terms of the financial asset define it as basic (SPPI) within the meaning of the standard.
All other financial assets are recorded at fair value through profit or loss. These financial assets include financial assets held for trading purposes, financial assets at fair value through profit or loss and non-basic (non-SPPI) assets.

Recognition at fair value through profit or loss as an option for financial assets only applies in the case of the elimination or significant reduction of an accounting mismatch. This option enables the elimination of accounting mismatches stemming from the application of different valuation rules to instruments managed in accordance with a single strategy.
Embedded derivatives are no longer recognized separately to their host contract when these are financial assets, such that the entire hybrid instrument must now be recognized at fair value through profit or loss.
Debts, which are not classified as financial liabilities at fair value, are initially recorded at cost, which is the fair value of the amounts borrowed net of transaction costs. At the closing date, they are measured at amortized cost using the effective interest rate method and recorded in the balance sheet under "Debts due to credit institutions" or "Debt securities".

Financial assets at amortized cost

Financial assets at amortized cost include loans and receivables due from credit institutions and customers.
Loans and receivables from credit institutions are broken down according to their initial maturity or their nature: demand debts (demand deposits, ordinary accounts) or term deposits (term accounts).
They are recognized, after their initial recognition, at amortized cost using the effective interest rate method and may be subject to an impairment, if any.
The effective interest rate is the rate that exactly discounts estimated future cash flows (payments or receipts) to the carrying amount of the loan at inception. This rate includes any discounts recorded in respect of loans granted at below-market rates, as well as any external transaction income or costs directly related to the issue of the loans, which are treated as an adjustment to the effective yield on the loan.
When loans are extended under conditions that are less favorable than market conditions, a discount corresponding to the difference between the nominal value of the loan and the sum of future cash flows discounted at the market interest rate is deducted from the nominal value of the loan. The market interest rate is the rate applied by the vast majority of local financial institutions at a given time for instruments and counterparties with similar characteristics.This premium is spread over the life of the loans through the calculation of a new effective interest rate.

Financial assets at fair value through profit or loss

This asset category includes:
• financial assets held for trading, i.e. securities acquired or issued principally for the purpose of selling them in the near term;
• financial assets that the Group has chosen to recognize at fair value through profit or loss at inception using the fair value option available under IFRS 9.
The Agence does not hold financial assets at fair value through profit or loss as such.
They are investment portfolio fair value hedging derivatives in a fixed-rate borrower position, which hedged items has been sold, which have been neutralised by fixed-rate lender derivatives. Those contracts, concluded in a clearing house, present positions which are rigorously symmetric in terms of rates and maturities. These financial assets and liabilities, although they are the object of a framework netting agreement, are presented as assets and liabilities because future cash flows payable and receivable differ in the amount of the fixed-rate coupon payable and receivable.
These assets are measured at fair value at the date of initial recognition and at each balance sheet date. Changes in fair value over the period, interest, dividends, and gains or losses on disposals on these instruments are recognized in “Net gains or losses on financial instruments at fair value through profit or loss”.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are initially recognized at fair value, plus any transaction costs.

- Debt instruments measured at fair value through other comprehensive income recyclable to income

On the balance sheet date, they are carried at their fair value and changes in fair value (excluding accrued interest) are recorded under "Gains and losses recognized directly in other comprehensive income recyclable to income".

In the event of disposal, these changes in fair value are not transferred to income but directly to retained earnings under equity.

These instruments are subject to IFRS 9 impairment requirements. If they are sold, these changes in fair value are taken to income.

Interest income accrued or received on debt instruments is recorded under "Interest and similar income" based on the effective interest rate method.

Upon disposal of these securities, unrealized gains or losses previously recognized in equity are recycled in the income statement within "Net gains or losses on at fair value through other comprehensive income".

- Debt instruments measured at fair value through other comprehensive income not recyclable to income

AFL Group does not hold any debt instruments measured at fair value through non-recyclable equity.

Recognition date of securities

AFL Group records financial securities on the settlement date.

Financial assets designated at fair value through profit or loss (fair value option)

AFL Group does not use the option to designate its financial assets at fair value through profit or loss.

Financial information regarding financial instruments

Information relating to the risk management as required by IFRS 7 are disclosed into annual management report.

Impairment of assets at amortized cost and at fair value through other comprehensive income, and provisioning of loan and guarantee commitments

Debt instruments classified as financial assets at amortized cost or at fair value through other comprehensive income, loan commitments and financial guarantee contracts are impaired or covered by a provision for expected credit losses (ECL) as of the date of initial recognition.

These financial instruments are divided into three categories depending on the increase in credit risk observed since their initial recognition.

An impairment or a provision is recognized on outstanding amounts in each category, as follows:

Stage 1 (Performing assets)

· these are performing loans for which credit risk has not increased materially since the initial recognition of the financial instrument;

· the impairment or the provision for credit risk corresponds to 12-month expected credit losses;

Stage 2 (Non-performing assets)

· performing loans for which credit risk has increased materially since the initial recognition of the financial instrument are transferred to this category;

Factors to detect an increase in credit risk for local government loans are:

- Degradation of three (3) points or more of the internal note
- Change to an internal note greater than 6.5
- Non-technical outstanding payment for more than 30 days all loans combined,
- Restructuring of a loan meaning that the local hautority is having difficulty meeting its deadlines,
- Significant internal or external event

Regarding the assets of the liquidity reserve the criteria retained are:

- Degradation of two (2) notchs or more of the internal note
- Non-technical outstanding payment for more than 30 days from a contractual cash flow, a security or any other product with the counterparty,
- Significant internal or external event
- Restructuring of the debt

· the impairment or the provision for credit risk is determined on the basis of the financial instrument's lifetime expected credit losses;

When all the elements allowing to note a degradation of the risk are solved, the exposures are considered as having no more risk of degradation.

Stage 3 (Doubtfull assets)

· non-performing loans within the meaning of IFRS 9 are transferred to this category. These are loans for which there is objective evidence of impairment loss due to an event which represents a credit risk occurring after the initial recognition of the instrument in question. In particular, objective evidence of impairment includes any payments that are past due by at least three months, or regardless of whether any payment has been missed, the observation of financial hardship experienced by the counterparty leading to the expectation that some or all of the amounts owed may not be recovered or to the initiation of legal proceedings;

· these events are liable to lead to the recognition of incurred credit losses, that is, expected credit losses for which the probability of occurrence has become certain.

. the impairment or the provision for credit risk is calculated based on the financial instrument's lifetime expected credit losses on the basis of the recoverable amount of the receivable, i.e., the present value of estimated recoverable future cash flows taking into account the impact of any collateral;

When all the criteria having triggered the classification in default are cleared, that there is no new one whatever its nature, the counterparty can leave the default category.

All outstanding payment must have been regularized, no unpaid must therefore continue at the time of the release of the the default category.

A probationary period of 6 months begins when all the conditions of the default are met and the healthy return has been decided by the Credit Committee.

During the probationary period, payments must continue on a regular basis and without delay, an unpaid amount immediately causes the return to default category.

The Credit Committee instructs and validates the exit of the default category.

Depreciation charges and reversals amounts are registred in "Cost of risk" in income statement.

Estimation of Expected Credit Losses (ECL)

IFRS 9 requires institutions to calculate expected credit losses based on statistics produced from historical data that account for business cycles that affect their counterparties.

Agence France Locale has less than three years of existence at implementation of the standard, it does not have a default data history.

To overcome this lack of data, and considering the low level of risk represented by its exposures, AFL Group has decided to base its ECL method on external public data and on the documented opinion of its experts given at quarterly meetings.

The process is framed by two committees. The Provision Committee deals with the parameters used in the calculation of provisions: it sets the probability of realization of business cycle evolution scenarios and validates the calculation of default probabilities and losses in case of default. The Provision Credit Committee scans line by line exposures and validates their treatment in terms of provision.

- The exposures classification in the 3 phases is a function of the evolution of the ratings of these exposures since their entry in the balance sheet. The ratings used are rating agencies ratings or internal[1] ratings in the case of local governments, possibly supplemented by expert opinion to reflect recent information and future risks. The thresholds used are relative and absolute.
- The calculation of default probabilities (PD) is based on historical default rates ("point in time" default) and cumulated default rates ("through the cycle") published by rating agencies with a historical depth of 35 years. The default rates of the high point and low point of the cycle scenarios are derived from the first and last deciles of the histories; the average default rates are used for the central scenario.
- Beyond 10 years, cumulated default rates are extrapolated using a Weibull statistical law;
- For the liquidity reserve exposures, regulatory default losses (LGD) of the standard approach (45%) are used. For exposures on local authorities, an LGD was calculated by expert opinion;
- The experts decide on future developments in the business cycle and establish the forward-looking vision by defining the weightings of the 3 scenarios (central, low point of the cycle and high point of the cycle). The experts' expectations are underpinned by the macroeconomic, sectoral and geographical studies published by recognized institutions such as the World Bank, the European Central Bank, the economic research of the big banks or the rating agencies.

The process is framed by two committees. The “Comité expert provisions” deals with the parameters used in the calculation of provisions: it sets the probability of realization of scenarios of evolution of the economic cycle and validates the calculations of probabilities of default and losses in case of default. The “Comité de crédit provisions” scans line by line exposures and validates their treatment in terms of impairment.

Fixed assets

Fixed assets are recognised at their acquisition cost plus acquisition expenses that are directly related and required to put them in working order so that they can be used.
After initial recognition fixed assets are valued at their nominal value less accumulated depreciation and possible impairment losses.
Fixed assets that are depreciated are subject to impairment tests in cases where evidence of a loss of value is identified at year-end. Fixed assets that are not depreciated are subject to impairment tests in cases where potential evidence of a loss of value is identified at year-end, and at least once a year.
If evidence of a loss of value is recorded, the recoverable value of the asset is compared with its net book value. In the event of a loss of value, an impairment charge is recorded in the profit and loss statement. That impairment changes the depreciation schedule of the asset going forwards. The impairment is reversed in the event of a change in the estimated recoverable value or the evidence of impairment disappears.

Tangible assets

Tangible assets are depreciated linearly over their expected useful life.

Fixed asset	Estimated usefull life
Fixtures and fittings	10 years
Computer equipment	3 years
Office furniture	9 years

Intangible assets

Software are recognised in intangible assets as they meet the following three criteria in respect of IAS 38:
- Must be identifiable;
- Be controlled by the Company;
- Is likely that the future economic advantages attributable to such an element will go to the Company.

Intangible assets are depreciated linearly over their expected useful life.

Fixed asset	Estimated usefull life
Software	5 years
Website	3 years
Software development	5 years

Debt

Debt that is not classified in financial liabilities at fair value is initially recorded at cost, which corresponds to the fair value of the amounts borrowed net of transaction costs. At year-end, the debt is valued at amortised cost according to the effective interest rate and recorded in the balance sheet under “Debt payable to credit institutions” or “Debt represented by a security”.
Debts due to credit institutions are broken down according to their initial maturity or their nature: demand debts (demand deposits, ordinary accounts) or term deposits (term accounts).

Hedge accounting

Fair value hedges are intended to provide protection from exposure to a change in the fair value of an asset or of a liability that has been recognised, or of a firm commitment that has not been recognised. Cash flow hedges are intended to provide protection from a change in future cash flows from financial instruments associated with a recognised asset or liability (for example, with all or part of future interest payments on a floating-rate debt) or a projected transaction that is considered to be highly probable. Hedges of net investments in a foreign operation are intended to provide protection from the risk of an adverse movement in fair value arising from the foreign exchange risks associated with a foreign investment in a currency other than the euro. Hedges must meet the following criteria in order to be eligible for hedge accounting:
- The hedging instrument and the instrument hedged must be eligible;
- There must be formal documentation from inception, primarily including the individual identification and characteristics of the hedged item, the hedging instrument, the nature of the hedging relationship and the nature of the hedged risk to assess whether the hedging relationship meets the effectiveness constraints of the hedge.

The hedging relationship satisfies the effectiveness constraints of the hedge if there is an economic link between the hedged item and the hedging instrument.
For an economic link to exist, the value of the hedging instrument and that of the hedged item must generally vary inversely with each other as a result of same risk, which is the risk covered.
The effectiveness of the hedge is the extent to which changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item.
Depending on the factors involved, the method of assessing the effectiveness of the hedge may consist of a qualitative or quantitative assessment.
For example, when the critical terms (such as the nominal amount, maturity and underlying) of the hedging instrument and the hedged item match or are closely aligned, it might be possible for an entity to conclude on the basis of a qualitative assessment of those critical terms that the hedging instrument and the hedged item have values that will generally move in the opposite direction because of the same risk and hence that an economic relationship exists between the hedged item and the hedging instrument

Fair value hedge

Any revaluation of the derivative is recognised in profit and loss in a way that mirrors the revaluation of the item hedged. Gains or losses attributable to the hedged risk are recognised in "Net gains or losses on financial instruments at fair value through profit and loss" in the profit and loss statement. As soon as the hedge relationship becomes effective, movements in the fair value of the hedged item are mirrored by the movements in the fair value of the hedging instrument. Any potential failure in the hedge is directly recognised in profit and loss.

The potential ineffectiveness of the hedge is recognized directly in the income statement. The relative ineffectiveness of the bi-curve valuation of collateralised derivatives is taken into account in the efficiency calculations.

The portion relating to the accrued income or expenses of the derivative instrument is recognised in Income and interest expense in the profit and loss statement at the same time as the interest income and expense relating to the hedged item.

In case of interruption of the hedging relationship (management decision, non-compliance with the effectiveness criteria or sale of the hedged item before maturity), the hedging derivative is transferred to the trading portfolio. The amount of revaluation recorded in the balance sheet for the hedged item is amortized over the remaining life of the original hedge. If the hedged item is sold before maturity or redeemed early, the cumulative amount of the revaluation is recognized in the income statement for the period.

Cash flow hedge

The change in value of the derivative is recognised in the balance sheet through a specific account in other comprehensive income for the efficient portion and any inefficient portion of the hedge is recognised in the income statement. Any profits or losses on the derivative accrued through other comprehensive income are then reclassified in the income statement when the hedged cash flows occur;

Macro-hedging

AFL Group applies the provisions of IAS 39, as adopted by the European Union, to macro-hedging transactions that are performed as part of the asset & liability management of fixed-rate positions (IAS 39 carve-out). Macro-hedging instruments are interest-rate swaps designated as fair value hedges for the Group's fixed-rate resources. Macro-hedging derivatives are accounted for according to the same principles as those described above. The revaluation of the hedging component is recognised in "Revaluation differences on portfolios hedged against interest rate risk".

Determining fair value or market value

IFRS 13 defines fair value as the price received for the sale of an asset or paid for the transfer of a liability in a standard transaction between market participants on the valuation date.

When an instrument is initially recognised, its fair value is generally the transaction price.

IFRS 13 recommends using a price quoted on an active market in the first instance to determine the fair value of a financial asset or liability. A market is considered to be active if prices are easily and regularly available from a stock exchange, a broker (multiple inputs), an intermediary or a regulatory agency, and if those prices represent real transactions (volume and price range) under normal competition conditions.

In the absence of an active market, the fair value must be determined using valuation techniques.

These techniques include the use of recent transactions performed in a normal competition environment. They are based on market data, on the fair value of substantially identical instruments, or on cash flow or option valuation discount models, and involve recognised valuation methods.

The aim of a valuation technique is to establish what the price of an instrument would be under normal market conditions.

The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price and, for an asset to be acquired or liability held, the asking price.

Fair value of financial instruments are presented in Appendix over three levels in descending order of observability of values and parameters used for their valuation:

level 1: Instruments valued using quoted prices (non-adjusted) in active markets for identical assets or liabilities. These specifically include bonds and negotiable debt securities listed on markets;

level 2: Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 2 is composed of:

- Instruments that are traded over the counter, the fair value of which is measured with models using observable market data, i.e. derived from various and independent available external sources which can be obtained on a regular basis. For example, the fair value of interest rate swaps is generally derived from the yield curves of market interest rates as observed at the reporting date.
- Instruments that are traded over the counter, the fair value of which is measured with models using observable market data, i.e. derived from various and independent available external sources which can be obtained on a regular basis. For example, the fair value of interest rate swaps is generally derived from the yield curves of market interest rates as observed at the reporting date.

Level 3: fair value that is measured using significant unobservable inputs

For some instruments that are not traded in an active market, fair value measurement is based on valuation techniques using assumptions i.e. that cannot be observed on the market for an identical instrument. Loans to local authorities are disclosed within Level 3.

Provisions

Provisions are recorded in balance sheet liabilities when the AFL Group has an obligation towards a third party and that obligation is likely or certain to cause an outflow of funds for the benefit of the third party with no expectation of a counter-payment that is at least equivalent.

Provisions and provision reversals are recorded in profit and loss on the lines that correspond to the nature of the future expenditure involved.

Interest income and expense

Interest income and expense are recognised in the profit and loss statement for all financial instruments valued at amortised cost using the effective interest rate.

Interest income and expense include for available for sale and held to maturity securities, the difference between the purchase price and the redemption value which is spread over the remaining life of the security on an actuarial basis.

The effective interest rate is the rate that discounts future cash outflows or inflows exactly over the expected life of the financial instrument, so as to arrive at the net book value of the financial asset or liability.

The calculation of this rate factors in commissions received or paid, which are by nature an integral part of the effective contract rate.

Cost of risk

The cost of credit risk includes impairment charges and reversals on fixed-income securities, and customer loans and receivables, as well as charges and reversals of impairment relating to guarantee commitments given, losses on receivables, and the recovery of amortised receivables.

Current tax expense

The current income tax expense is calculated using a 25% rate which is the effective tax rate for the 31 December 2022 period.

The Agence and its parent company AFL ST form a fiscal integration group since January 1, 2015, AFL ST is fiscal group head.

Deferred taxes

Deferred taxes are recognized using the variable carry-forward method to account for temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and their tax bases.

The tax rates enacted or substantively enacted at the balance-sheet date are used to determine deferred taxes. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is recognised as tax income or expense in the profit and loss statement, except for tax relating to unrealised gains and losses on assets available for sale, and for movements in the value of derivatives classified as cash flow hedges, for which deferred tax is charged directly to equity capital.

IAS 12 prohibits discounting of deferred tax assets and liabilities.

Post-employment benefits

In accordance with IAS 19 – Employee Benefits, obligations under defined benefit plans are measured by independent actuaries using the projected unit credit method.

Under this method, each period of service gives rise to an additional unit in terms of benefit entitlement and each unit is assessed separately so as to calculate the final obligation. This final obligation is then discounted. The main items taken into account in these calculations are:

• an estimated date of payment of the benefit,
• a financial discount rate
• an inflation rate
• assumptions on salary increases, staff turnover

Changes in actuarial assumptions and experience adjustments - corresponding to the effects of differences between the previous actuarial assumptions and what has actually occurred - give rise to actuarial gains and losses on the benefit obligation or on the plan assets. These gains and losses are recorded in the "Income and expenses recognized directly in equity" statement, and will not be recycled in the income statement.

The net cost of defined benefit pension plans for the period therefore corresponds to the sum of the following:

• The service cost (recognized in "Operating income" in "Other general operating expenses");
• The finance cost less the expected yield on plan assets (recognized in "Non-operating income" in "Pension obligation expense or income"). These two items (finance cost and expected yield on assets) are measured based on the rate used to discount the obligations.

V - Notes to the Balance Sheet

Note 1 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31/12/2022		31/12/2021	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Financial assets held for trading	28,591	28,562	10,385	10,376
Financial assets at fair value option through profit or loss				
Total financial assets at fair value through profit or loss	**28,591**	**28,562**	**10,385**	**10,376**

Financial assets held for trading

	31/12/2022		31/12/2021	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Equity instruments				
Debt securities				
Loans and advances				
Derivatives	28,591	28,562	10,385	10,376
Total Financial assets held for trading	**28,591**	**28,562**	**10,385**	**10,376**

	31/12/2022				31/12/2021			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**383,450**	**383,450**	**28,591**	**28,562**	**404,745**	**404,745**	**10,385**	**10,376**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Interest rate contracts								
Other contracts								
Over-the-counter markets	**383,450**	**383,450**	**28,591**	**28,562**	**404,745**	**404,745**	**10,385**	**10,376**
Interest rate contracts	383,450	383,450	28,591	28,562	404,745	404,745	10,385	10,376
FRA								
Cross Currency Swaps								
Other contracts								
CONDITIONAL TRANSACTIONS	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Organised markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Over-the-counter markets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Derivatives classified as financial assets held for transaction purposes do not constitute interest rate positions taken with a view to drawing short-term profits. They are investment portfolio fair value hedging derivatives in a fixed-rate borrower position which have been neutralised by fixed-rate lender derivatives. These contracts, concluded in a clearing house, present positions which are rigorously symmetric in terms of rates and maturities. These financial assets and liabilities, although they are the object of a framework netting agreement, are presented as assets and liabilities because future cash flows payable and receivable differ in the amount of the fixed-rate coupon payable and receivable. The positions presented in the table above do not entail any kind of residual interest rate risk, the fair value difference is only the result of payable or receivable cash flows.

Note 2 - HEDGING DERIVATIVES

Analysis by type of hedge

	31/12/2022		31/12/2021	
(€ '000s)	Assets	Liabilities	Assets	Liabilities
Derivatives designated as fair value hedges	756,089	941,846	159,474	206,626
Derivatives designated as cash flow hedges				
Derivatives designated as portfolio hedges	156,171	31,983	13,416	18,554
Total Hedging derivatives	**912,259**	**973,829**	**172,891**	**225,180**

Detail of derivatives designated as fair value hedges

	31/12/2022				31/12/2021			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**7,187,446**	**5,013,778**	**756,089**	**941,846**	**6,524,655**	**4,871,489**	**159,474**	**206,626**
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	**7,187,446**	**5,013,778**	**756,089**	**941,846**	**6,524,655**	**4,871,489**	**159,474**	**206,626**
Interest rate contracts	6,211,642	4,809,098	736,789	782,025	5,881,876	4,786,033	148,970	185,512
FRA								
Cross Currency Swaps	975,805	204,680	19,300	159,821	642,779	85,456	10,505	21,115
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	-	-	-	-	-	-	-	-

Detail of derivatives designated as interest rate hedged portfolios

	31/12/2022				31/12/2021			
	Notional amount		Fair value		Notional amount		Fair value	
(€ '000s)	To receive	To deliver	Positive	Negative	To receive	To deliver	Positive	Negative
FIRM TRANSACTIONS	**203,760**	**947,640**	**156,171**	**31,983**	**206,360**	**824,428**	**13,416**	**18,554**
Organised markets	-	-	-	-	-	-	-	-
Interest rate contracts								
Other contracts								
Over-the-counter markets	**203,760**	**947,640**	**156,171**	**31,983**	**206,360**	**824,428**	**13,416**	**18,554**
Interest rate contracts	203,760	947,640	156,171	31,983	206,360	824,428	13,416	18,554
FRA								
Cross Currency Swaps								
Other contracts								
CONDITIONAL TRANSACTIONS	-	-	-	-	-	-	-	-
Organised markets	-	-	-	-	-	-	-	-
Over-the-counter markets	-	-	-	-	-	-	-	-

PORTFOLIO

Note 3 - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Fixed-income securities - Analysis by nature

(€ '000s)	31/12/2022	31/12/2021
Government paper and similar securities	604,899	721,146
Bonds	102,407	
Other fixed income securities		
Net amount in balance sheet	**707,306**	**721,146**
Including depreciation	(528)	(453)
Including net unrealised gains and losses	(71,918)	2,720

Expected credit losses on debt instruments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2021	**(453)**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total transfer movment	**-**	**-**	**-**	**-**
Movment attributable to financial instruments recognized over the period	**(75)**	**-**	**-**	**-**
Acquisitions	(307)			
Re-estimate of parameters	(16)			
Bad debts written off				
On sales	249			
Expected losses as of 31st December 2022	**(528)**	**-**	**-**	**-**

Fixed-income securities - Analysis by contreparty

(€ '000s)	31/12/2022	31/12/2021
Local public sector	464,941	589,394
Financial institutions and other financial corporations	242,365	131,752
Non-financial corporations	-	-
Net amount in balance sheet	**707,306**	**721,146**

Fixed income securities held on Financial institutions include € 51,000K of securities guaranteed by States of the European Economic Area.

Changes in Financial assets at fair value through other comprehensive income

(€ '000s)	Total amount as of 31/12/2021	Additions	Disposals	Other movements	Change in fair value recognised in equity	Change in accrued interest	Prem/Disc Amort.	Total amount as of 31/12/2022
Government paper and similar securitie	721,146	798,770	(837,422)	(15,433)	(59,840)	1,005	(3,328)	604,899
Bonds	-	253,095	(141,960)		(9,888)	756	405	102,407
Other fixed income securities	-	-	-		-	-	-	-
TOTAL	**721,146**	**1,051,864**	**(979,382)**	**(15,433)**	**(69,728)**	**1,760**	**(2,923)**	**707,306**

Note 4 - SECURITIES AT AMORTIZED COST

Fixed-income securities - Analysis by nature

(€ '000s)	31/12/2022	31/12/2021
Government paper and similar securities	249,688	195,921
Bonds	7,203	10,058
Other fixed income securities		
Net amount in balance sheet	**256,891**	**205,979**
Including expected credit losses on debt instruments	(256)	(162)

Expected credit losses on securities at amortized cost	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2021	**(162)**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total des mouvements de transfert	**-**	**-**	**-**	**-**
Movment attributable to financial instruments recognized over the period	**(93)**	**-**	**-**	**-**
Acquisitions	(104)			
Re-estimate of parameters	2			
Bad debts written off				
On sales	9			
Expected losses as of 31st December 2022	**(256)**	**-**	**-**	**-**

Fixed-income securities - Analysis by contreparty

(€ '000s)	31/12/2022	31/12/2021
Local public sector	125,191	105,679
Financial institutions and other financial corporations	131,700	100,299
Non-financial corporations		
Net amount in balance sheet	**256,891**	**205,979**

Fixed income securities held on Financial institutions include € 124,497K of securities guaranteed by States of the European Economic Area.

Changes in securities at amortized cost

(€ '000s)	Total amount as of 31/12/2021	Additions	Disposals	Other movements	Interest rate Reevaluation	Change in accrued interest	Prem/Disc Amort.	Expected credit losses change	Total amount as of 31/12/2022
Government paper and similar securities	195,921	86,786	(21,829)	15,085	(24,618)	63	(1,632)	(88)	249,688
Bonds	10,058	7,146	(10,078)		(19)	101	1	(5)	7,203
Other fixed income securities	-	-	-	-	-	-	-	-	-
TOTAL	**205,979**	**93,932**	**(31,907)**	**15,085**	**(24,638)**	**164**	**(1,630)**	**(93)**	**256,891**

Note 5 - RECEIVABLES ON CREDIT INSTITUTIONS

Accounts with central banks

(€ '000s)	31/12/2022	31/12/2021
Mandatory reserve deposits with central banks	1,134,477	1,175,973
Other deposits		
Cash and central banks	**1,134,477**	**1,175,973**
Impairment	(65)	(56)
Net amount in balance sheet	**1,134,411**	**1,175,917**

Receivables on credit institutions

(€ '000s)	31/12/2022	31/12/2021
Loans and receivables		
- on demand and short notice	12,964	102,135
- term	80,219	115,450
Cash collateral paid	177,604	50,195
Securities bought under repurchase agreements		
TOTAL	**270,787**	**267,780**
Impairment for expected losses	(32)	(31)
NET CARRYING AMOUNT	**270,754**	**267,749**

Note 6 - LOANS AND ADVANCES TO CUSTOMERS

(€ '000s)	31/12/2022	31/12/2021
Short-term credit facilities	8,698	10,510
Other loans	4,682,094	4,420,696
Customers transactions before impairment charges	**4,690,792**	**4,431,206**
Impairment	(377)	(158)
Net carrying amount	**4,690,415**	**4,431,048**
Of which individual impairment	(377)	(158)
Of which collective impairment		

Expected credit losses on loans and financing commitments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2021	**(224)**	**(21)**	**-**	**-**
Transfers from 12-month to maturity	5	(5)		
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total transfer movment	**5**	**(5)**	**-**	**-**
Movment attributable to financial instruments recognized over the period	**(58)**	**(171)**	**-**	**-**
Production and acquisition	(50)	(126)		
Re-estimate of parameters	(33)	(46)		
Bad debts written off				
Repayments	25	1		
Expected losses as of 31st December 2022	**(278)**	**(197)**	**-**	**-**

SUMMARY OF PROVISIONS ON SECURITIES, LOANS AND FINANCING COMMITMENTS

(€ '000s)	31/12/2021	Depreciation charges	Reversals amounts not used	Net charge	Utilised	31/12/2022
Financial assets at fair value through other comprehensive income						
Depreciations on performing assets	453	324	(249)	**75**		**528**
Depreciations on non-performing assets						**-**
Depreciations on doubtfull assets						**-**
Total	**453**	**324**	**(249)**	**75**		**528**
Financial assets at amortized cost						
Depreciations on performing assets	388	186	(39)	**147**		**534**
Depreciations on non-performing assets	20	172	4	**176**		**196**
Depreciations on doubtfull assets						**-**
Total	**408**	**358**	**(35)**	**323**		**731**

CLASSIFICATION OF FINANCIAL ASSETS BY RISK LEVEL

(€ '000s)	Gross amount			Depreciation			Net Amount
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	
Accounts with central banks	1,134,477			(65)			**1,134,411**
Financial assets at fair value through other comprehensive income	707,834			(528)			**707,306**
Securities at amortized cost	257,147			(256)			**256,891**
Loans and receivables due from credit institutions at amortized cost	270,787			(32)			**270,754**
Loans and receivables due from customers at amortized cost	4,605,500	80,941	4,350	(189)	(187)	(2)	**4,690,415**

Note 7 - DEFERRED TAX

The movement on the deferred tax account is as follows:

(€ '000s)	31/12/2022	31/12/2021
Net asset as at 1st of january	**4,987**	
IFRIC Application Configuration and Customization Cost	218	
Net asset as at 1st of january restated IFRIC	**5,204**	**5,154**
Of which deferred tax assets	5,374	5,401
Of which deferred tax liabilities	169	248
Recognised in income statement	**(1,029)**	**(28)**
Income statement (charge) / credit	(1,029)	(28)
Recognised in equity	**1,999**	**(138)**
Financial assets at fair value through other comprehensive income	861	(404)
Cash flow hedges	1,139	266
Other		
Net asset as at	**6,175**	**4,987**
Of which deferred tax assets	6,641	5,156
Of which deferred tax liabilities	467	169

Deferred tax are attributable to the following items:

(€ '000s)	31/12/2022	31/12/2021
Financial assets at fair value through other comprehensive income	691	
Cash flow hedges	1,157	18
Losses carried forward	4,793	4,944
Other temporary differences		194
TOTAL DEFERRED TAX ASSETS	**6,641**	**5,156**

(€ '000s)	31/12/2022	31/12/2021
Financial assets at fair value through other comprehensive income		169
Cash flow hedges		
Other temporary differences	467	
TOTAL DEFERRED TAX LIABILITIES	**467**	**169**

Note 8 - OTHER ASSETS AND ACCRUALS

(€ '000s)	31/12/2022	31/12/2021
Other assets		
Deposits	238	70
Other assets	323	187
Impairment		
Total	**561**	**256**
Accruals		
Prepaid charges	266	212
Other deferred income		62
Transaction to recieve and settlement accounts	0.3	
Other accruals	226	8
Total	**492**	**283**
TOTAL OTHER ASSETS AND ACCRUALS	**1,053**	**539**

Note 9 - BREAKDOWN OF FIXED ASSETS

(€ '000s)

Intangible fixed assets	31/12/2021	Retroactive restatement following the IFRIC decision on software used in Saas mode	31/12/2021 Retraited	Impact in 2022 of the IFRIC decision on software used in Saas mode	Additions	Transfers	Disposals	Amort. and provisions	Other	31/12/2022
Intangible fixed assets										
IT development costs	12,663	(1,278)	11,385	(398)	1,342				312	12,641
Other intangible assets	298		298						(135)	163
Intangible assets in progress	221	(157)	65	139	18				(221)	-
Intangible fixed assets gross amount	**13,182**	**(1,435)**	**11,747**	**(259)**	**1,360**	**-**	**-**	**-**	**(44)**	**12,804**
Depreciation and allowances - Intangible fixed assets	(10,097)	331	(9,766)	342				(1,003)	4	(10,423)
Intangible fixed assets net carrying amount	**3,085**	**(1,104)**	**1,980**	**83**	**1,360**	**-**	**-**	**(1,003)**	**(39)**	**2,381**

Tangible fixed assets	31/12/2021	Additions	Transfers	Disposals	Amort. and provisions	Other	31/12/2022
Commercial leases	1,382					(35)	1,347
Property, plant & equipment	292	79				42	412
Tangible fixed assets gross amount	**1,674**	**79**	**-**	**-**	**-**	**6**	**1,759**
Depreciation and allowances - Tangible fixed assets	(449)				(205)	(4)	(658)
Tangible fixed assets net carrying amount	**1,225**	**79**	**-**	**-**	**(205)**	**2**	**1,101**

Application of the IFRIC decision on software used in Saas mode (Software as a service):
AFL retrospectively applied the IFRIC decision on software used in Saas mode as of January 1, 2021, which led to the following restatements:

On the balance sheet:

	31/12/2021 Published	IFRIC restatement relating to software used in Saas mode	31/12/2021 Retraited
Deferred tax assets	5,156	218	5,374
Accruals and other assets	539	232	771
Intangible fixed assets	3,085	(1,104)	1,980
Other headings of the asset balance sheet	6,990,498		6,990,498
TOTAL ASSETS	**6,999,277**	**(654)**	**6,998,623**

	31/12/2021 Published	IFRIC restatement relating to software used in Saas mode	31/12/2021 Retraited
Equity	**180,352**	**(654)**	**179,698**
Share capital and reserves	196,800		196,800
Consolidated reserves	(19,085)	(533)	(19,618)
Reevaluation reserve			
Gains and losses recognised directly in equity	907		907
Profit (loss) for the period	1,730	(121)	1,609
Other headings of the liabilities balance sheet	6,818,926		6,818,926
TOTAL LIABILITIES	**6,999,277**	**(654)**	**6,998,623**

In the income statement:

	31/12/2021 Published	IFRIC restatement relating to software used in Saas mode	31/12/2021 Retraited
Operating expenses	(11,137)	(380)	(11,517)
Amortisation of tangible and intangible assets	(971)	219	(753)
Income tax	(27)	40	13
Other headings of the asset income statement	13,865		13,865
NET INCOME	**1,730**	**(121)**	**1,609**

Note 10 - DEBT SECURITIES

(€ '000s)	31/12/2022	31/12/2021
Negotiable debt securities	370,794	208,310
Bonds	6,218,288	6,363,421
Other debt securities		
TOTAL	**6,589,082**	**6,571,730**

NOTE 11 - DUE TO CREDIT INSTITUTIONS

(€ '000s)	31/12/2022	31/12/2021
Loans and receivables		
- on demand and short notice	0.2	36
- term		
Cash collateral paid	102,377	5,417
Securities bought under repurchase agreements		
TOTAL	**102,377**	**5,453**

Note 12 - ACCRUALS AND OTHER LIABILITIES

(€ '000s)	31/12/2022	31/12/2021
Other liabilities		
Miscellaneous creditors	2,277	2,511
Total	**2,277**	**2,511**
Accruals		
Transaction to pay and settlement accounts		613
Other accrued expenses	1,667	1,560
Unearned income		
Other accruals	32	25
Total	**1,699**	**2,198**
TOTAL ACCRUALS AND OTHER LIABILITIES	**3,976**	**4,709**

Note 13 - PROVISIONS

(€ '000s)	Balance as of 31/12/2021	Depreciation charges	Reversals amounts used	Reversals amounts not used	Other movements	Balance as of 31/12/2022
Provisions						
Financing commitment execution risks	10	17		(11)		16
Provisions for litigations						
Provisions for employee retirement and similar benefits	124					124
Provisions for other liabilities to employees						
Other provisions						
TOTAL	**134**	**17**	**-**	**(11)**	**-**	**140**

OFF-BALANCE SHEET

(€ '000s)	31/12/2022	31/12/2021
Commitments given	**810,248**	**632,002**
Financing commitments	810,248	574,710
For credit institutions		
For customers	*810,248*	*574,710*
Guarantee commitments		57,292
For credit institutions		
For customers		*57,292*
Commitments on securities		
Securities to be delivered to the issuance		
Other securities to be delivered		
Commitments received	**1,960**	**2,090**
Financing commitments		
From credit institutions		
Guarantee commitments	1,960	2,090
From credit institutions		
From customers	*1,960*	*2,090*
Commitments on securities		
Securities receivable		

EXPECTED LOSSES ON COMMITMENTS

Expected credit losses on loans and financing commitments	12-month expected losses	Lifetime expected losses		Incurred losses
		Individual	collective	
Expected losses as of 31st December 2021	**10**	**-**	**-**	**-**
Transfers from 12-month to maturity				
Transfers from maturity to 12-month				
Transfers from expected to incurred losses				
Total transfer movement	**-**	**-**	**-**	**-**
Movment attributable to financial instruments recognized over the period	6			
Charge	17			
Utilised				
Reversal untilised	(11)			
Expected losses as of 31st December 2022	**16**	**-**	**-**	**-**

VI - Notes to the Income Statement

Note 14 - INTEREST INCOME AND EXPENSES

(€ '000s)	31/12/2022	31/12/2021
Interest and similar income	**50,509**	**34,447**
Due from banks	4,502	282
Due from customers	33,007	8,159
Bonds and other fixed income securities	2,101	
Financial assets at fair value through other comprehensive income	*1,068*	
Securities at amortized cost	*1,033*	
Debt securities		18,904
Macro-hedge transactions	6,106	2,257
Other interest income	4,793	4,845
Interest and similar expenses	**(34,907)**	**(21,732)**
Due to banks	(4,128)	(6,213)
Bonds and other fixed income securities		(4,118)
Financial assets at fair value through other comprehensive income		*(3,901)*
Securities at amortized cost		*(218)*
Debt securities	(18,036)	
Macro-hedge transactions	(7,931)	(6,560)
Other interest expenses	(4,812)	(4,841)
Interest margin	**15,602**	**12,715**

Note 15 - NET FEE AND COMMISSION INCOME

(€ '000s)	31/12/2022	31/12/2021
Fee & Commission Income	**301**	**165**
Interbank transactions		
Customer transactions	100	1
Securities transactions		
Forward financial instruments transactions		
Currencies transactions		
Financing commitments and guarantee	201	164
Other commissions recieved		
Fee & Commission Expense	**(153)**	**(324)**
Interbank transactions	(16)	(15)
Securities transactions		
Forward financial instruments transactions	(136)	(141)
Currencies transactions		
Financing commitments and guarantee		
Other commissions paid		(168)
Net Fee and Commission income	**148**	**(159)**

Note 16 - NET RESULT OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(€ '000s)	31/12/2022	31/12/2021
Gains/(losses) on Trading book	(18)	(0.5)
Net result of hedge accounting	8,986	(2,454)
Net result of foreign exchange transactions	(0.02)	1
TOTAL	**8,968**	**(2,454)**

Analysis of net result of hedge accounting

(€ '000s)	31/12/2022	31/12/2021
Fair value hedges		
Fair value changes in the hedged item attributable to the hedged risk	138,213	10,373
Fair value changes in the hedging derivatives	(136,860)	(10,508)
Hedging relationship disposal gain	8,617	(1,823)
Cash flow hedges		
Fair value changes in the hedging derivatives – ineffective portion		
Discontinuation of cash flow hedge accounting		
Portfolio hedge		
Fair value changes in the hedged item	(132,739)	(23,758)
Fair value changes in the hedging derivatives	131,755	23,262
Net result of hedge accounting	**8,986**	**(2,454)**

Note 17 - NET GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(€ '000s)	31/12/2022	31/12/2021
Gains from disposal of fixed income securities	2,124	2,584
Losses from disposal of fixed income securities	(9,274)	(560)
Gains from disposal of variable income securities		
Other income/(expenses) from Financial assets at fair value through other comprehensive income		
Impairment (charges) and reversals on Financial assets at fair value through other comprehensive income		
Gains or (losses) on Financial assets at fair value through other comprehensive income	**(7,150)**	**2,024**

Note 18 - NET GAINS AND LOSSES ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST

(€ '000s)	31/12/2022	31/12/2021
Gains on derecognition of fixed income securities at amotised cost		8
Losses on derecognition of fixed income securities at amotised cost		
Gains on loans sold		1,825
Losses on loans sold		
Total Net gains and losses on derecognition of financial assets at amortised cost	**-**	**1,834**

Note 19 - GENERAL OPERATING EXPENSES

(€ '000s)	31/12/2022	31/12/2021
Employee expenses		
Wages and salaries	4,088	3,843
Post-employment benefit expenses	377	379
Other expenses	1,658	1,684
Total Employee expenses	**6,124**	**5,906**
Operating expenses		
Taxes and duties	1,169	705
External services	5,373	4,677
Total Administrative expenses	**6,542**	**5,381**
Charge-backs and reclassification of administrative expenses	(153)	(150)
Total General operating expenses	**12,513**	**11,137**

Note 20 - COST OF RISK

(€ '000s)	31/12/2022	31/12/2021
Net charge to provisions	(398)	(92)
for financial assets at fair value through other comprehensive income	*(75)*	*(79)*
for financial assets at amortized cost	*(323)*	*(13)*
Net charge to provisions	(6)	(3)
for financing commitments	*(6)*	*(3)*
for guarantee commitments		
Irrecoverable loans written off not covered by provisions		
Recoveries of bad debts written off		
Total Cost of risk	**(404)**	**(95)**

Note 21 - NET GAINS AND LOSSES ON OTHER ASSETS

(€ '000s)	31/12/2022	31/12/2021
Gains on sales of Investment securities		
Gains on sales of tangible or intangible assets		
Reversal of impairment		
Total Gains on other assets	**-**	**-**
Losses on sales of Investment securities		
Losses on sales of tangible or intangible assets		(0.01)
Charge of impairment		
Total Losses on other assets	**-**	**(0.01)**

Note 22 - INCOME TAX

(€ '000s)	31/12/2022	31/12/2021
Expense and income of current tax		1
Expense and income of differed tax	(1,029)	12
Ajustement on previous period		
Total Income tax	**(1,029)**	**13**

Note 23 - EXTERNAL AUDITOR FEES

	Caillau Dedouit et Associés		KPMG Audit	
	2022 (€ '000s)	**2021** (€ '000s)	**2022** (€ '000s)	**2021** (€ '000s)
Audit				
Fees related to statutory audit, certification, examination of:				
AFL-Société Opérationelle	73	69	72	69
Sub-total	**73**	**69**	**72**	**69**
Other fees and benefits (*) :				
AFL-Société Opérationelle	36	36	42	48
Sub-total	**36**	**36**	**42**	**48**
TOTAL	**110**	**105**	**114**	**117**

(*) Other fees and benefits are related to issue prospectus audit, capital increases, reliance letter and allocation review of funds raised as part of the sustainability bond issue.

Note 24 - RELATED PARTIES

There are, on 31 December 2022, an agreement of administrative services and a licensing for the use of a mark, as well as a professional lease, which were concluded which have been concluded between Agence France Locale - Société térritoriale at normal market conditions.

Remuneration for Board of AFL and the CEO of the Territorial Company :

Members of AFL Board benefited from a payment in actions in conformance with the exercise 2022 and a compensation was settled because of termination of contract of employment. No other long-term advantage was granted to them.

Their Director's remunerations on the exercise 2022 were the following ones :

(€ '000s)	31/12/2022
Fixed remuneration	716
Variable remuneration	147
Payments in kind	17
Total	**880**

In addition, members of the AFL Supervisory Board received €172K attendance fees.

VII - Notes to Risk exposure

A - Fair value of financial instruments

For financial reporting purposes, the new standard IFRS 13 requires fair value measurements applied to financial instruments to be allocated to one of three Levels, reflecting the extent to which the valuation is based on observable data.

level 1: Instruments valued using quoted prices (non-adjusted) in active markets for identical assets or liabilities. These specifically include bonds and negotiable debt securities listed on markets;

level 2: Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability concerned, either directly (i.e. prices) or indirectly (i.e. derived from prices);

Level 3: Fair value instruments which are measured at least in part on the basis of non-observable market in the valuation.

Fair value of instruments carried at fair value:

(€ '000s)	31/12/2022			
	Total	Measured using		
		Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit or loss	**28,591**	-	28,591	-
Hedging derivative instruments	**912,259**	-	912,259	-
Government paper and similar securities	604,899	604,899	-	-
Bonds	102,407	77,427	-	24,980
Other fixed income securities	-	-	-	-
Total Financial assets at fair value through other comprehensive income	**707,306**	**682,325**	**-**	**24,980**
Total Financial assets	**1,648,156**	**682,325**	**940,850**	**24,980**
Financial liabilities				
Financial liabilities at fair value through profit or loss	**28,562**	-	28,562	-
Hedging derivative instruments	**973,829**	-	973,829	-
Total Financial liabilities	**1,002,392**	**-**	**1,002,392**	**-**

Fair values of instruments carried at amortised cost:

(€ '000s)	31/12/2022				
	Net Carrying value	Fair value	Measured using		
			Level 1	Level 2	Level 3
Financial assets					
Cash, central banks and issuing institutions	**1,134,411**	**1,134,411**	-	-	1,134,411
Government paper and similar securities	249,688	246,598	179,423	-	67,174
Bonds	7,203	6,951	6,951	-	-
Other fixed income securities	-	-	-	-	-
Total Securities at amortized cost	**256,891**	**253,549**	186,374	-	67,174
Loans and receivables due from credit institutions	**270,754**	270,754	-	-	270,754
Loans and advances to customers (*)	**4,564,377**	4,564,377	-	-	4,564,377
Total Financial assets	**6,226,434**	**6,223,091**	**186,374**	**-**	**6,036,717**
Financial liabilities					
Debt securities	**6,589,082**	6,570,533	5,416,249	782,632	371,652
Total Financial liabilities	**6,589,082**	**6,570,533**	**5,416,249**	**782,632**	**371,652**

(*) The fair value of loans and receivables to customers includes the outstanding capital and the revaluation in interest rates of the loans hedged on the closing date.
For Loans and receivables due from credit institutions, which are deposits, the fair value used was the nominal value.

B - Credit risk exposure

The tables below disclose the maximum exposure to credit risk at 31 december 2022 for financial assets with exposure to credit risk, without taking account of collateral held or other credit risk mitigation.

(€ '000s)	Performing assets	Past due but not impaired	Impairment allowance	Total 31/12/2022
Cash, central banks	1,134,477		(65)	**1,134,411**
Financial assets at fair value through profit or loss	28,591			**28,591**
Hedging derivative instruments	912,259			**912,259**
Financial assets at fair value through other comprehensive income	707,306			**707,306**
Securities at amortized cost	257,147		(256)	**256,891**
Loans and receivables due from credit institutions	270,787		(32)	**270,754**
Loans and advances to customers	4,686,442	4,350	(377)	**4,690,415**
Revaluation adjustment on interest rate hedged portfolios				**-**
Current tax assets				**-**
Other assets	561			**561**
Sub-total Assets	**7,998,069**	**3,850**	**(730)**	**8,001,188**
Financing commitments given	810,248			**810,248**
TOTAL Credit risk exposure	**8,808,316**	**3,850**	**(730)**	**8,811,436**

Exposure analysis by counterparty

(€ '000s)	Total 31/12/2022
Central banks	1,134,411
Local public sector	6,091,209
Credit institutions guaranteed by the EEA States	175,497
Credit institutions	1,370,059
Other financial corporations guaranteed by the EEA States	
Other financial corporations	40,186
Non-financial corporations guaranteed by the EEA States	
Non-financial corporations	74
Total Exposure by counterparty	**8,811,436**

Agence France Locale's very cautious investment policy prefers securities issued by States and central governments, or ones that are guaranteed by such counterparties.
Credit institutions exposures primarily result from cash management and interest rates hedging transactions.

Exposure analysis by geographic area

(€ '000s)	Total 31/12/2022
France	8,006,533
Supranational	224,596
Canada	153,160
Japan	93,438
South Korea	66,756
Finland	45,671
New Zealand	44,737
Switzerland	40,600
Belgium	34,069
Iceland	22,950
Spain	20,106
Netherlands	13,169
Sweden	12,900
Poland	12,206
Denmark	11,124
Germany	9,420
Total Exposure by geographic area	**8,811,436**

As credits are solely granted to French local authorities, the largest exposure is to France.
Exposures to other countries (EEA, North America, Asia and Oceania) result from Agence France Locale's cash management policy and its investment in sovereign or equivalent securities.

C - Liquidity risk : Assets and liabilities, analysed by remaining contractual maturity

(€ '000s)	Less than 3 month	3 month to 1 year	1 year to 5 years	more than 5 years	Total	Related receivables and payables	Revaluation	Total 31/12/2022
Cash, central banks	1,134,411				**1,134,411**			**1,134,411**
Financial assets at fair value through profit or loss	113	1,054	17,852	9,740	**28,759**	**(168)**		**28,591**
Hedging derivative instruments	10,510	2,589	68,040	835,179	**916,318**	**(4,059)**		**912,259**
Financial assets at fair value through other comprehensive income								
Government paper and similar securities	114,445	11,057	302,086	236,808	664,396	2,533	(62,030)	604,899
Bonds			79,948	31,592	111,540	756	(9,888)	102,407
Total Financial assets at fair value through other comprehensive incom	**114,445**	**11,057**	**382,034**	**268,400**	**775,935**	**3,289**	**(71,918)**	**707,306**
Securities at amortized cost								
Government paper and similar securities	7,994	10,000	121,626	135,819	275,439	748	(26,499)	249,688
Bonds				7,118	7,118	101	(15)	7,203
Total Securities at amortized cost	**7,994**	**10,000**	**121,626**	**142,937**	**282,557**	**849**	**(26,515)**	**256,891**
Loans and receivables due from credit institutions	190,371		80,000		**270,371**	383		**270,754**
Loans and advances to customers	229,504	360,281	1,466,992	3,265,140	**5,321,916**	**8,847**	**(640,348)**	**4,690,415**
Revaluation adjustment on interest rate hedged portfolios								**-**
Current tax assets								**-**
Other assets	561				**561**			**561**
TOTAL ASSETS								**8,001,188**

Central banks								**-**
Financial assets at fair value through profit or loss	113	1,054	17,868	9,740	**28,776**	**(214)**		**28,562**
Hedging derivative instruments	13,875	137	236,484	738,220	**988,716**	**(14,887)**		**973,829**
Debt securities	1,214,014		2,293,955	3,919,811	**7,427,780**	**20,989**	**(859,687)**	**6,589,082**
Due to credit institutions	102,377				**102,377**			**102,377**
Revaluation adjustment on interest rate hedged portfolios							**126,038**	**126,038**
Other liabilities	2,277				**2,277**			**2,277**
TOTAL LIABILITIES								**7,822,165**

Agence France Locale oversees the transformation of its balance sheet into liquidity by monitoring several indicators, including the difference in average maturity between assets and liabilities which is limited to 12 months, temporarily increased to 18 months, and limits in gaps.

D - Interest rate risk: sensitivity to interest rate changes

Exposure to interest rate risk relates to that of the Operational subsidiary, Agence France Locale.

Interest rate risk includes the risk that AFL will suffer losses due to unfavourable changes in interest rates due to all of its balance sheet and off-balance sheet transactions, in particular in the event of a mismatch between the interest rates generated by its assets and those arising from its liabilities. Interest rate risk includes the risk of refinancing an asset at a higher interest rate than the original interest rate, or the risk of replacing an asset at a lower rate than the original one. In both cases, in the event of a change in interest rates, there may be a negative impact on the net margin of interest that reduces AFL's income.

In order to maintain its financial base for the development of its lending activities, AFL has also set up a hedging policy for interest rate risks in order to limit the exposure of its balance sheet and the volatility of its revenues to unwanted market movements.

AFL's interest rate hedging policy consists of:

- a systematic micro-hedging of fixed-rate debt to be converted into floating-rate debt mainly indexed to the three-month Euribor reference using interest rate swaps;

- micro-hedging of loans contracted at a fixed or floating Euribor six-month or twelve-month rate to convert them into floating-rate loans indexed to the Euribor three-month reference, except for fixed-rate loans corresponding to a limited portion of the balance sheet at least equal to the re-use of prudential capital. The resulting exposure to interest rate risk is influenced by the sensitivity to AFL's net present value rate, which measures the impact of a predefined rate shock on the variation in discounted cash flows of all assets and liabilities on the AFL balance sheet; and

- a macro-hedging of fixed-rate loans that are small or whose depreciation profile is not linear.

The hedging strategy for interest rate risk translated into a notional outstanding amount of swaps of €14.1 billion at December 31, 2022.
Throughout 2022, the sensitivity of AFL's net present value to a change of plus or minus 200 basis points remained below 15% of equity.

The table below shows interest rate risk in the banking book (IRRBB) excluding the trading book through changes in the economic value of equity and net interest income.

Template EU IRRBB1 - Interest rate risks of non-trading book activities

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	0.07%	3.85%	3.72%	4.78%
2	Parallel down	0.86%	-3.76%	-3.72%	-2.36%
3	Steepener	-4.20%	-3.95%		
4	Flattener	4.30%	4.62%		
5	Short rates up	3.99%	5.50%		
6	Short rates down	-4.11%	-5.67%		

Currency risk covers the risk for the AFL Group through AFL of generating losses on capital borrowed or loaned in currencies other than the euro. AFL's policy aims to systematically hedge this risk by setting up currency micro-hedging swaps, also called cross currency swaps. Thus, assets and liabilities denominated in currencies other than the euro are systematically swapped into euros as soon as they are entered on the balance sheet and until their final maturity.

Agence France Locale S.A.

Statutory Auditor’s report on the “financial statements”

Year ended 31st December 2022

Agence France Locale S.A. 112 rue Garibaldi - 69006 Lyon

This report contains 33 pages

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, professional auditing standards applicable in France.

Agence France Locale S.A.

Registered office: 112 rue Garibaldi - 69006 Lyon
Share capital : €.210 600 000

Statutory Auditor's report on the "financial statements"

For the year ended 31st December 2022

Ladies and Gentlemen,

In our capacity as Statutory Auditors of Agence France Locale S.A. and in compliance with your request within the framework of financial information communication to investors, we have audited the accompanying "financial statements", of Agence France Locale S.A. for the year ended 31 December 2022, presented in compliance with the IFRS (International Financial Reporting Standards) published by and as approved by the European Union and in force on that date.

Management Board is responsible for the preparation and fair presentation of these "financial statements". Our responsibility is to express an opinion on these "financial statements" based on our audit.

We conducted our audit in accordance with professional standards applicable in France and the professional doctrine of the French national auditing body (Compagnie nationale des commissaires aux comptes) related to this engagement; these standards require that we plan and perform the audit to obtain reasonable assurance whether the "financial statements" are free from material misstatement. An audit involves performing procedures, on a test basis or by other means of selection, to obtain audit evidence about the amounts and disclosures in the "financial statements". An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the "financial statements". We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the "financial statements" present fairly, in all material respects, the financial position and assets and liabilities of Agence France Locale S.A. as of 31 December 2022, and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards as adopted in the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 9 to the financial statements regarding the change in accounting method following the application of the IFRIC decision on software as a service (SaaS).

This report is addressed to your attention in the context described above and is not to be used, circulated, quoted or otherwise referred to for any other purposes.

This report shall be governed by, and construed in accordance with French law. The Courts of France shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the engagement letter or this report, and any matter arising from them. Each party irrevocably waives any right it may have to object to an action being brought in any of those Courts, to claim that the action has been brought in an inconvenient forum or to claim that those Courts do not have jurisdiction.

The statutory auditors

Paris La Défense, March 27th, 2023	Paris, March 27th, 2023
French original signed by	
Xavier De Coninck *Partner*	Sandrine Le Mao *Partner*

I. General provisions

The information contained in this document concerns Agence France Locale - Société Territoriale (LEI: 9695002K2HDLD20JU790) at the consolidated level as of December 31, 2022. Also when AFL-ST is mentioned in the rest of the report, the AFL Group should be understood as a consolidated one.

The scope of consolidation consists of Agence France Locale (LEI: 969500NMI4UP00IO8G47), which is 99.9999% owned. The data are presented in euros and under IFRS.

The information presented complies with Commission Implementing Regulation (EU) 2021/637 of March 15, 2021 defining implementing technical standards for the publication, by institutions, of the information referred to in Titles II and III of the eighth part of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, known as “Pillar 3”.

In accordance with Article 19 (4) of the aforementioned regulation, the numerical values are presented as follows:

- Quantitative monetary data is published with a precision corresponding to the units;
- Quantitative data published in “Percentage” is expressed with a minimum precision of four decimal places.

II. Special provisions

III. Publication of key indicators and an overview of risk-weighted exposure amounts

Template EU OV1 - Overview of total risk exposure amounts

Data as of 31/12/2022 (T) and 31/12/2021 (T-1)		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		T	T-1	T
1	Credit risk (excluding CCR)	1 165 283 590	1 112 331 476	93 222 687
2	Of which the standardised approach	1 141 921 166	1 090 991 479	91 353 693
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple riskweighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	23 164 532	22 283 525	1 853 163
7	Of which the standardised approach	6 759 329	5 880 747	540 746
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	8 301 547	7 729 625	664 124
EU 8b	Of which credit valuation adjustment - CVA	14 862 984	14 553 900	1 189 039
9	Of which other CCR	- 6 759 329	- 5 880 747	- 540 746
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	6 086 886	-
21	Of which the standardised approach	-	6 086 886	-
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	27 450 129	24 303 051	2 196 010
EU 23a	Of which basic indicator approach	27 450 129	24 303 051	2 196 010
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	**Total**	**1 215 898 250**	**1 165 004 937**	**97 271 860**

Template EU KM1 - Template for key indicators

		a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	185 726 404	181 861 276	183 891 641	178 492 761	179 953 457
2	Tier 1 capital	185 726 404	181 861 276	183 891 641	178 492 761	179 953 457
3	Total capital	185 726 404	181 861 276	183 891 641	178 492 761	179 953 457
	Risk-weighted exposure amounts					
4	Total risk exposure amount	1 192 535 827	1 177 196 849	1 134 143 541	1 115 329 878	1 143 664 940
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	15,57%	15,45%	16,21%	16,00%	15,73%
6	Tier 1 ratio (%)	15,57%	15,45%	16,21%	16,00%	15,73%
7	Total capital ratio (%)	15,57%	15,45%	16,21%	16,00%	15,73%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,25%	1,25%	1,25%	1,25%	1,25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0,70%	0,70%	0,70%	0,70%	0,70%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0,55%	0,55%	0,55%	0,55%	0,55%
EU 7d	Total SREP own funds requirements (%)	9,25%	9,25%	9,25%	9,25%	9,25%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	-	-	-	-	-
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-	-	-
11	Combined buffer requirement (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 11a	Overall capital requirements (%)	10,50%	10,50%	10,50%	10,50%	10,50%
12	CET1 available after meeting the total SREP own funds requirements (%)	45 603 444	43 540 647	50 629 775	47 441 500	45 572 827
	Leverage ratio					
13	Total exposure measure	2 379 204 052	2 128 685 274	2 310 992 842	2 398 450 245	2 471 354 246
14	Leverage ratio (%)	7,81%	8,54%	7,96%	7,44%	7,28%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	of which: to be made up of CET1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	3,00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	-	-	-	-	-
EU 14e	Overall leverage ratio requirement (%)	3,00%	3,00%	3,00%	3,00%	3,00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1 873 704 318	1 602 228 714	1 624 636 843	1 809 459 723	1 948 665 180
EU 16a	Cash outflows - Total weighted value	421 307 801	179 362 676	202 571 799	147 928 138	240 753 491
EU 16b	Cash inflows - Total weighted value	48 600 145	129 737 720	80 067 500	47 540 754	31 003 291
16	Total net cash outflows (adjusted value)	372 707 655	49 624 955	122 504 299	100 387 384	209 750 200
17	Liquidity coverage ratio (%)	502,73%	3228,68%	1326,19%	1802,48%	929,04%
	Net Stable Funding Ratio					
18	Total available stable funding	5 547 371 740	5 814 132 888,3100	6 248 125 221,2000	6 167 941 036,6700	5 783 755 492,4200
19	Total required stable funding	3 863 318 344	3 564 548 745,7200	3 312 392 342,8500	3 162 558 663,8900	3 223 231 689,3900
20	NSFR ratio (%)	143,59%	163,11%	188,63%	195,03%	179,44%

EU OVC table - ICAAP information

Legal basis	Row number	
Article 438, point a), of the CRR	(a)	Equity capital adequacy assessment method: AFL has adopted the “augmented Pillar 1” method, which uses the Pillar 1 assessment for risks covered by Pillar 1. Other risks are assessed by applying stress scenarios.
Article 438, point c), of the CRR	(b)	AFL did not receive a request for the publication of the results of the institution’s internal equity capital adequacy assessment process.

Lastly, Agence France Locale - Société Territoriale, which does not hold funds in insurance or reinsurance companies or insurance holding companies, and does not publish the “EU INS1” and “EU INS2” tables.

IV. Publication of risk management objectives and policies

Table EU OVA - Institutional approach to risk management

<table>
<tr><th>Legal basis</th><th>Row number</th><th></th></tr>
<tr><td>Article 435, paragraph 1, point f), of the CRR.</td><td>(a)</td><td>Publication of a short risk statement approved by the management body:
In March 2022, the Management Board, the AFL Supervisory Board and the AFL-ST Board of Directors approved the following paragraph.
In line with the risk appetite validated by the AFL-ST Board of Directors and the AFL Supervisory Board, the AFL Group deploys a model with a conservative risk profile.
At 12/31/2021, AFL’s financial risk situation was good:
Credit exposures are mainly related to loans granted to AFL member local authorities. The average rating of the loan portfolio was 3.81 below 4.5 (risk appetite threshold). In 2021, the loading of the 2020 management accounts confirmed a deterioration reflecting the impact of the Covid-19 pandemic on the accounts of local authorities. The deterioration is significant for the largest authorities. Except in special cases, it is sustainable.
Credit exposures also come from exposures to sovereign agencies and, marginally, to banks linked to the liquidity reserve and interest rate hedging on the statement of financial position. The risk associated with these exposures is low.
Liquidity risk is tightly controlled. At 12/31/2021, the size of the liquidity reserve amounted to €2.3 billion and enabled it to cope with more than 12 months of activity without calls to the market. More than €1 billion is invested in an account opened at the Banque de France. In accordance with the Group’s risk appetite, the transformation - measured by the difference between the average life to maturity of assets and liabilities - is less than one year (it amounts to 0.68). Consolidated regulatory indicators are within their limit with an LCR of 929% (liquidity at 30 days) and an NSFR of 179% (stable funding).
In terms of interest rate risk, the sensitivity of the AFL Group’s net present value amounts to +2.0% under the assumption of a parallel translation of more than 100 basis points and +4.0% under the assumption of a shift of more than 200 basis points in the yield curve. It is lower than the regulatory limit of 15%.
As of 12/31/2021, AFL’s situation in terms of non-financial risks is good.
AFL has set up a global system designed to limit operational risks.
In 2021, no significant incident (i.e. impact of more than €500 thousand) was noted.
The TC1 ratio was 15.73%. Prudential capital increased sharply over the year (+20.6%), with more than €29.7 million in ICCs released.
Risk appetite is detailed in section 4.1.a of the annual report and risk exposure in section 4.1.b.</td></tr>
<tr><td>Article 435, paragraph 1, point b), of the CRR.</td><td>(b)</td><td>Information on the risk governance structure for each type of risk:
See section 4.1.d of the annual report</td></tr>
<tr><td>Article 435, paragraph 1, point e), of the CRR.</td><td>(c)</td><td>Statement approved by the management body on the adequacy of the risk management systems:
On 27 March 2022, the Management Board, the AFL Supervisory Board and the AFL-ST Board of Directors certified the adequacy of the AFL Group’s risk management system and ensured that the risk management systems put in place since AFL’s creation are appropriate in view of the Group’s risk profile and strategy.</td></tr>
<tr><td>Article 435, paragraph 1, point c), of the CRR.</td><td>(d)</td><td>Publication of the scope and nature of risk reporting and/or assessment systems:
The Global Risk Committee oversees all AFL risks, in terms of volume and in kind. It monitors and manages the institution’s risk measurement, monitoring and management systems.</td></tr>
</table>

Legal basis	Row number	
		It periodically analyzes and measures the risks incurred by AFL and assesses the level of control by AFL, in a cross-functional and prospective manner. It defines the scope of its monitoring and the frequency of monitoring of each of the risks it has identified. It has the measurement and control systems adapted to changes in risks, through action plans, the implementation of which it monitors. It ensures the existence of an appropriate system of limits and updates them, ensures compliance with existing limits and their periodic review. Risks are monitored using internal and regulatory indicators published at a frequency appropriate to the nature of the risk; these indicators are produced by the Commitments and Risk Department or by operational staff and controlled by the CRD. Non-financial risk indicators are mainly based on expert opinions by operational staff and the Commitments and Risk Department. The measurement of credit risk on local authorities is based on a rating model implemented by AFL since its creation. Each local authority is assessed by the AFL Commitments Division, which relies on the rating model. The rating[28] corresponds to an assessment of the financial health of the local authority and is a key element in the credit policy. This is based on a quantitative rating based, on the one hand, on financial indicators and, on the other hand, on socio-economic indicators. In addition, a qualitative analysis may be carried out depending on the risk profile or the amount granted. Moreover, the Commitments Division may have to propose to the Credit Committee an override of the system rating by downgrading or improving it. Overriding takes place exceptionally. The financial and socio-economic rating grids in place are common to all local authorities - with the exception of trade unions for which the socio-economic rating is not applied, making it possible to have homogeneous rating criteria, regardless of the type of community. The system rating (quantitative rating including socio-economic elements) is automatically generated by a rating tool on the basis of financial data (provisional data at mid-year n+1 and final data in January n+2) and socio-economic data (data available in September). In addition, AFL reserves the right to update the rating at its discretion, in accordance with the principles of monitoring and prudence. The rating model is an expert opinion model. It is undergoing maintenance work. Work to ensure the robustness and stability of the rating model is carried out at regular intervals. Liquidity and interest rate risks are monitored in ALCo on a monthly basis using indicators detailed below. Main identification and measurement tools non-financial risks are risk mapping and the incident reporting system. The objective of the risk mapping process is to consistently identify and assess the main risk areas for the entire AFL Group. To this end, it focuses on the main risks, with as criterion the importance of the potential impact and the frequency of occurrence. The exercise thus makes it possible to prioritize risks on an objective basis and to ensure coherence of evaluation between the various departments and functions involved. It is reviewed on a biannual basis.

[28] The score assigned to the local authorities follows a grid ranging from 1 (best score) to 7.

Legal basis	Row number	
		The incident collection system makes it possible to measure the impact and frequency of occurrence of the risks identified. The system provides for the systematic reporting of incidents within the AFL Group beyond predefined thresholds.
Article 435, paragraph 1, point c), of the CRR.	(e)	Information on the main characteristics of the information and risk assessment systems: The AFL information system is mainly based on a software architecture "Software As A Service" implemented in the cloud, managed by a set of service commitments signed with the various suppliers. The information system is based on two main business applications (Credit / Accounting and Market) whose data is poured into a single information center hosted in the cloud in "Infrastructure As A Service" mode at MS-Azure. Financial data and socio-economic data from local authorities are downloaded from open data and uploaded to the information center. A portal open to members and prospects makes it possible to manage loans, perform loan simulations and obtain information on AFL membership conditions. The main risk indicators are calculated using data from the information center. Certain liquidity and interest rate risk indicators are calculated using the Market Information System. Regulatory production is centralized in a repository, the data of which are produced by the information center.
Article 435, paragraph 1, point a), of the CRR.	(f)	Risk management strategies and processes implemented for each distinct risk category: The AFL Group's risk management system is detailed in section 5.3 of the annual report.
Article 435, paragraph 1, points a) and d), of the CRR.	(g)	Information on risk management, hedging and mitigation strategies and processes, as well as the monitoring of the effectiveness of hedges and mitigation techniques: AFL manages its activities over time so as not to exceed its risk mandate. In the event of overruns, for example due to external developments, corrective actions are initiated to comply with the mandate. These actions may be the disposal of positions or the implementation of hedges. Relevant information is provided to stakeholders.

Table EU OVB - Disclosure of information on governance arrangements

Legal basis	Row number	
Article 435, paragraph 2, point a), of the CRR.	(a)	Number of positions held by members of the management body: • For AFL, information relating to this Committee is detailed in the AFL Supervisory Board report on corporate governance. • For AFL-ST, this information is detailed in the AFL-ST Board of Directors' report on corporate governance.
Article 435, paragraph 2, point b), of the CRR.	(b)	Information concerning the recruitment policy for the selection of members of the management body as well as their knowledge, skills and expertise: • For AFL, information relating to this Committee is detailed in the AFL Supervisory Board report on corporate governance. • For AFL-ST, this information is detailed in the AFL-ST Board of Directors' report on corporate governance.
Article 435, paragraph 2, point c), of the CRR.	(c)	Information on the diversity policy applicable to the selection of members of the management body : • For AFL, information relating to this Committee is detailed in the AFL Supervisory Board report on corporate governance. • For AFL-ST, this information is detailed in the AFL-ST Board of Directors' report on corporate governance.
Article 435, paragraph 2, point d), of the CRR.	(d)	Information on whether or not the institution has set up a separate Risk Committee, and the frequency of its meetings: AFL and AFL-ST have each set up an Audit and Risk Committee. • For AFL, information relating to this Committee is detailed in the AFL Supervisory Board report on corporate governance. • For AFL-ST, information relating to this Committee is detailed in the AFL-ST Board of Directors' report on corporate governance.
Article 435, paragraph 2, point e), of the CRR.	(e)	Description of the flow of information on risks to the management body: • The Global Risk Committee aims to provide the Management Board with an aggregated and forward-looking view of all the risks incurred by the AFL Group. • The Committee meets at least quarterly, and covers all risks borne by the two legal entities; AFL and AFL-ST. • An annual update on the AFL Group's risk situation is made by the Management Board to the AFL Supervisory Board and its Audit and Risk Committee. • An annual update on the AFL Group's risk situation is provided to the AFL-ST Board of Directors and its Audit and Risk Committee. • This information is detailed in the AFL corporate governance report for the AFL Audit and Risk Committee and in the AFL-ST corporate governance report for AFL-ST's Audit and Risk Committee.

V. Publication of scope

Template EU LI1 - Differences between the accounting scope of consolidation and the prudential consolidation scope and mapping of financial statement categories to regulatory risk categories

		a	b	c	d	e	f	g
				Carrying values of items				
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset classes according to the balance sheet in the published financial statements							
1	Cash, central banks		1 134 411 385	1 134 411 385				
2	Financial assets at fair value through profit or loss		28 590 775		28 590 775			
3	Hedging derivative instruments		912 259 433		912 259 433			
4	Financial assets at fair value through other comprehensive income		707 305 727	707 305 727				
5	Securities at amortized cost		261 163 839	261 163 839				
6	Loans and receivables due from credit institutions and similar items at amortized cost		274 581 985	274 581 985				
7	Loans and receivables due from customers at amortized cost		4 690 414 562	4 690 414 562				
8	Revaluation adjustment on interest rate risk-hedged portfolios		-	-				
9	Current tax assets		1 534	1 534				
10	Deferred tax assets		7 158 527	2 342 932				4 815 595
11	Accruals and other assets		994 271	994 271				
12	Intangible assets		2 381 086					2 381 086
13	Property, plant and equipment		2 576 255	2 576 255				
14	Goodwill							
15	**Total assets**		**8 021 839 379**	**7 073 792 490**	**940 850 208**	**-**	**-**	**7 196 681**
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Central banks		-	-				
2	Financial liabilities at fair value through profit or loss		28 562 290		28 562 290			
3	Hedging derivative instruments		973 829 276		973 829 276			
4	Debt securities		6 589 082 209					
5	Due to credit institutions		102 376 786	102 376 786				
6	Deferred tax liabilities		961 470					
7	Accruals and other liabilities		3 461 213	3 461 213				
8	Provisions		140 079	140 079				
9	Equity		197 388 414					
10	Equity, Group share		197 388 314					
11	Share capital and reserves		217 658 200					
12	Consolidated reserves	-	18 029 799					- 18 029 799
13	Reevaluation reserve		-					
14	Gains and losses recognised directly in equity	-	5 015 478					- 5 015 478
15	Profit (loss) for the period		2 775 391					2 775 391
16	Non-controlling interests		100					
17	**Total liabilities**		**8 021 839 379**	**105 978 078**	**1 002 391 566**	**-**	**-**	**- 20 269 886**

Model EU LI2 - Main sources of differences between the regulatory exposure amounts and the carrying amounts of the financial statements

		a	b	c	d	e
			Items subject to			
		Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	8 014 642 698	7 073 792 490	-	940 850 208	-
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	8 042 109 265	105 978 078	-	1 002 391 566	-
3	**Total net amount under the scope of prudential consolidation**	6 906 273 054	6 967 814 412	-	- 61 541 358	-
4	**Off-balance-sheet amounts**	810 247 714	810 247 714	-	-	
5	*Differences in valuations*	-	-	-	-	
6	*Differences due to different netting rules, other than those already included in row 2*	-	-	-	-	
7	*Differences due to consideration of provisions*	-	-	-	-	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	-	-	-	-	
9	*Differences due to credit conversion factors*	- 64 941 076	- 64 941 076	-	-	
10	*Differences due to Securitisation with risk transfer*	-	-	-	-	
11	*Other differences*	- 2 373 407	- 158 261 499	-	155 888 092	
12	**Exposure amounts considered for regulatory purposes**	7 649 206 284	7 554 859 550	-	94 346 734	-

Template EU LI3 - Summary of the differences between the scopes of consolidation (entity by entity)

a	b	c	d	e	f	g	h
		Method of prudential consolidation					
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	Description of the entity
Agence France Locale - Société Territoriale	Full consolidation	X					Financial holding company
Agence France Locale	Full consolidation	X					Credit institution

Table EU LIA - Explanation of differences between accounting and regulatory exposure amounts

Legal basis	Row number	
Article 436, point b), of the CRR.	(a)	Differences between columns a) and b) in the EU LI1 model: There are no differences between columns a) and b) in the EU LI1 model.
Article 436, point d), of the CRR	(b)	Qualitative information on the main sources of differences between the accounting scope of consolidation and the regulatory scope of consolidation presented in the EU LI2 model: There are no differences between the accounting scope of consolidation and the regulatory scope of consolidation presented in the EU LI2 model.

Table EU LIB - Other qualitative information on the scope

Legal basis	Row number	
Article 436, point f), of the CRR	(a)	Obstacle to the rapid transfer of equity capital or the rapid redemption of commitments within the Group: There are no significant legal or factual impediments to the rapid transfer of equity capital or the rapid redemption of liabilities by its parent company, present or anticipated.
Article 436, point g), of the CRR	(b)	Subsidiaries not included in the scope of consolidation whose effective equity capital is lower than the regulatory equity capital: There are no subsidiaries not included in the scope of consolidation whose effective equity capital is lower than the regulatory equity capital.
Article 436, point h), of the CRR	(c)	Use of the exemption referred to in Article 7 of the CRR or the individual consolidation method provided for in Article 9 of the CRR: Agence France Locale has been authorized by the ACPR to use the exemption referred to in Article 7 of the CRR.
Article 436, point g), of the CRR	(d)	Total amount of any negative difference between the regulatory equity capital and the effective equity capital of all subsidiaries not included in the consolidation: There are no subsidiaries not included in the consolidation.

Mode EU PV1 - Value adjustments for prudent valuation purposes (PVA)

		a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					Category level AVA - Valuation uncertainty		Total category level post-diversification		
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	-	-	-	-	-	-	-	-	-	-
2	Not applicable										
3	Close-out cost	-	-	-	-	-	-	-	-	-	-
4	Concentrated positions	-	-	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-	-	-
7	Operational risk	-	-	-	-	-	-	-	-	-	-
8	Not applicable										
9	Not applicable										
10	Future administrative costs	-	-	-	-	-	-	-	-	-	-
11	Not applicable										
12	Total Additional Valuation Adjustments (AVAs)								-	-	-

VI. Disclosure of equity capital information

AFL-ST only holds Common Equity Tier 1 (CET1) equity capital.

As of December 31, 2022, AFL-ST did not include the profit(loss) for the period in the calculation of its prudential capital.

Template EU CC1 - Composition of regulatory equity capital

		(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	217 658 200	a
	of which: Instrument type 1	217 658 200	
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	- 18 019 772	b
3	Accumulated other comprehensive income (and other reserves)	- 5 025 505	c
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**194 612 923**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	- 707 306	
8	Intangible assets (net of related tax liability) (negative amount)	- 2 381 086	d
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	- 4 815 595	e1
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
EU-20c	of which: securitisation positions (negative amount)	-	
EU-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	e2
22	Amount exceeding the 17,65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments	- 982 532	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	- 8 886 519	d+e1+e2
29	**Common Equity Tier 1 (CET1) capital**	**185 726 404**	a+b+c+d+e1+e2

	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	217 658 200	a
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	
44	**Additional Tier 1 (AT1) capital**	-	f
45	**Tier 1 capital (T1 = CET1 + AT1)**	185 726 404	a+b+c+d+e+f
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	-	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
54a	Not applicable		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	
58	**Tier 2 (T2) capital**	-	g
59	**Total capital (TC = T1 + T2)**	185 726 404	a+b+c+d+e+f+g
60	**Total Risk exposure amount**	1 192 535 827	

Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	15,57%	
62	Tier 1 capital	15,57%	
63	Total capital	15,57%	
64	Institution CET1 overall capital requirements	7,00%	
65	of which: capital conservation buffer requirement	2,50%	
66	of which: countercyclical capital buffer requirement	0,00%	
67	of which: systemic risk buffer requirement	0,00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0,00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	0,70%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	8,57%	
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	14 377 784	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Template EU CC2 - Reconciliation between regulatory equity capital and statement of financial position in audited financial statements

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets - *Breakdown by asset clases according to the balance sheet in the published financial statements*				
1	Cash, central banks		1 134 411 385	
2	Financial assets at fair value through profit or loss		28 590 775	
3	Hedging derivative instruments		912 259 433	
4	Financial assets at fair value through other comprehensive income		707 305 727	
5	Securities at amortized cost		261 163 839	
6	Loans and receivables due from credit institutions and similar items at amortized cost		274 581 985	
7	Loans and receivables due from customers at amortized cost		4 690 414 562	
8	Revaluation adjustment on interest rate risk-hedged portfolios		-	
9	Current tax assets		1 534	
10	Deferred tax assets		7 158 527	e1+e2
11	Accruals and other assets		994 271	
12	Intangible assets		2 381 086	d
13	Property, plant and equipment		2 576 255	
14	Goodwill		-	
15	**Total assets**		**8 021 839 379**	
Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*				
1	Central banks		-	
2	Financial liabilities at fair value through profit or loss		28 562 290	
3	Hedging derivative instruments		1 099 866 919	
4	Debt securities		6 589 082 209	
5	Due to credit institutions		102 376 786	
6	Deferred tax liabilities		961 470	
7	Accruals and other liabilities		3 461 213	
8	Provisions		140 079	
9	**Total liabilities**		**7 824 450 966**	
Shareholders' Equity				
1	Share capital and reserves		217 658 200	a
2	Consolidated reserves	-	18 029 799	b
3	Reevaluation reserve		-	
4	Gains and losses recognised directly in equity	-	5 015 478	c
5	Profit (loss) for the period		2 775 391	
6	**Total shareholders' equity**		**197 388 414**	

Since its creation, Agence France Locale - Société Territoriale has only issued ordinary shares.

As such, it is not affected by the publication of the information in table EU CCA - Main characteristics of regulatory equity capital instruments and eligible liabilities.

VII. Disclosure of countercyclical equity capital buffer information

As of December 31, 2022, AFL did not hold exposures to counterparties located in countries applying a countercyclical capital buffer. Only exposures to France are significant and presented in the EU CCyB1 model below.

Model EU CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures - Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total			
010	Breakdown by country:													
1	France	33 220 557						966 783			966 783		65,44%	0,00%
020	Total	33 220 557	-	-	-	-	##########	966 783	-	-	966 783	12 084 790	65,44%	

Model EU CCyB2 - Amount of countercyclical equity capital buffer specific to the institution

		a
1	Total risk exposure amount	1 192 535 827
2	Institution specific countercyclical capital buffer rate	0,0000
3	Institution specific countercyclical capital buffer requirement	0,0000

VIII. Disclosure of leverage ratio information

At its meeting of March 11, 2021, the ACPR's College of supervisors recognized AFL's status as a public development lending institution.

This status allows institutions to deduct incentive loans from the denominator of their leverage ratio. In the case of AFL, these are medium-long-term loans that it grants to local authorities.

Model EU LR1 - LRSum: Summary of reconciliation between accounting assets and leverage ratio exposures

	Data as of 31/12/2022	a Applicable amount
1	Total assets as per published financial statements	7 922 388 914
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	99 450 477
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	65 389 250
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	628 982 194
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	-
12	Other adjustments	- 6 337 006 784
13	**Total exposure measure**	2 379 204 052

Model EU LR2 - LRCom: Leverage ratio - joint declaration

	Data as of 31/12/2022 (T) and 31/12/2021 (T-1)	CRR leverage ratio exposures	
		a	b
		T	T-1
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	6 798 267 481	6 767 896 520
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining Tier 1 capital)	- 2 389 058	- 3 084 749
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**6 795 878 423**	**6 764 811 772**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	60 866 874	75 495 513
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	35 904 002	30 088 434
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	-	-
EU-9b	Exposure determined under Original Exposure Method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**96 770 875**	**105 583 948**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**-**	**-**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	784 081 452	568 703 044
20	(Adjustments for conversion to credit equivalent amounts)	- 155 099 258	- 84 511 653
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**628 982 194**	**484 191 390**

	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	-	-
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)	- 5 142 427 441	- 4 883 232 863
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	-	-
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	**(Total exempted exposures)**	**- 5 142 427 441**	**- 4 883 232 863**
	Capital and total exposure measure		
23	Tier 1 capital	185 721 788	179 953 457
24	**Total exposure measure**	**2 379 204 052**	**2 471 354 246**
	Leverage ratio		
25	Leverage ratio (%)	7,81%	7,28%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	2,47%	2,45%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	7,81%	7,28%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-
EU-26b	of which: to be made up of CET1 capital	-	-
27	Leverage ratio buffer requirement (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3,00%	3,00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	NA	NA
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	-	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	2 379 204 052	2 471 354 246
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	2 379 204 052	2 471 354 246
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7,81%	7,28%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	7,81%	7,28%

Model EU LR3 - LRSpl: Breakdown of statement of financial position exposures (excluding derivatives, SFTs and exempt exposures)

	Data as of 31/12/2022 (T)	a CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	2 246 047 420
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	2 246 047 420
EU-4	Covered bonds	89 428 033
EU-5	Exposures treated as sovereigns	1 507 744 409
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	411 753 695
EU-7	Institutions	227 206 488
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporates	-
EU-11	Exposures in default	3 963 183
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	5 951 612

Table EU LRA: Publication of qualitative information on the leverage ratio

Row number	Topic addressed	A
(a)	Description of the procedures used to manage the risk of excessive leverage	Description of the procedures used to manage the risk of excessive leverage: In order to manage its leverage and avoid excessive leverage, the Commitments and Risks Department of AFL has created a simulation tool that allows it to estimate the leverage ratio over the long term with a monthly analysis step. This tool is based on a central scenario representing the AFL business plan and makes it possible to calculate the leverage according to several alternative scenarios. Endogenous items are updated monthly according to AFL's activity (loan production, size of the liquidity reserve, changes in the cost structure, publication of financial statements, etc.) to better reflect the institution's situation.
(b)	Description of the factors that had an impact on the leverage ratio during the period to which the leverage ratio reported by the institution relates	Description of the factors that had an impact on the leverage ratio during the period to which the leverage ratio reported by the institution relates: AFL is a specialized lending institution that only finances the investment budgets of French local authorities. Having obtained the status of a public development lending institution in 2021, the main factor that has an impact on the leverage ratio is the size of the liquidity reserve. The size of the liquidity reserve increases when AFL issues bonds and decreases with loan production.

IX. Disclosure of global systemically important indicators

Agence France Locale - Société Territoriale is not recognized as a global systemically important institution (G-SII).

As such, it is not concerned by the publication of this information.

X. Disclosure of liquidity requirements

Model EU LIQ1 - Quantitative information on the liquidity coverage ratio (LCR)

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	T	T-1	T-2	T-3	T	T-1	T-2	T-3
EU 1b	Number of data points used in the calculation of averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets (HQLA)**					**1 841 198 472**	**1 635 678 599**	**1 746 725 841**	**2 230 152 458**
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	121 847 191	61 725 998	112 195 769	258 666 667	121 847 191	61 725 998	112 195 769	258 666 667
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	-	-	-	-	-	-	-	-
8	Unsecured debt	121 847 191	61 725 998	112 195 769	258 666 667	121 847 191	61 725 998	112 195 769	258 666 667
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	790 938 031	696 374 828	389 740 473	418 273 268	128 904 631	120 380 108	102 846 063	111 540 068
11	Outflows related to derivative exposures and other collateral requirements	55 345 364	56 380 695	70 968 906	77 458 601	55 345 364	56 380 695	70 968 906	77 458 601
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	735 592 667	639 994 133	318 771 567	340 814 667	73 559 267	63 999 413	31 877 157	34 081 467
14	Other contractual funding obligations	2 743 333	4 339 333	38 945 272	21 086 723	1 733 333	3 329 333	37 935 272	20 076 723
15	Other contingent funding obligations	159 416 811	31 907 529	34 927 333	39 029 469	159 416 811	31 907 529	34 927 333	39 029 469
16	**TOTAL CASH OUTFLOWS**					**411 901 966**	**217 342 969**	**287 904 437**	**429 312 926**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	63 426 932	113 550 352	101 918 703	101 915 350	29 248 091	39 156 685	35 408 652	34 935 055
19	Other cash inflows	82 456 118	90 420 066	80 000 059	118 958 038	82 456 118	90 420 066	80 000 059	118 958 038
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	**145 883 050**	**203 970 418**	**181 918 762**	**220 873 387**	**111 704 208**	**129 576 751**	**115 408 711**	**153 893 092**
EU-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
EU-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
EU-20c	Inflows subject to 75% cap	145 883 050	203 970 418	181 918 762	220 873 387	111 704 208	129 576 751	115 408 711	153 893 092
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					1 841 198 472	1 635 678 599	1 746 725 841	2 230 152 458
22	TOTAL NET CASH OUTFLOWS					300 197 758	87 766 217	172 495 725	348 643 385
23	LIQUIDITY COVERAGE RATIO					657,32%	2195,13%	1108,60%	2647,04%

Table EU LIQB on qualitative information on the LCR ratio, supplementing the EU LIQ1 model

Row number	Topics	
(a)	Explanations concerning the main factors behind the results of the liquidity coverage ratio (LCR) calculation and the evolution over time of the contribution of the input data to the LCR calculation.	Explanations concerning the main factors behind the results of the liquidity coverage ratio (LCR) calculation and the evolution over time of the contribution of the input data to the LCR calculation: In line with the risk appetite framework validated by the AFL-ST Board of Directors and the AFL Supervisory Board, the AFL Group must hold a liquidity reserve to cover 100% of its 1-year liquidity needs, with a range of 80%-125%. Coupled with a prudent investment policy, favoring the sovereign and sub-sovereign sector classified as HQLA1 and 2A, AFL's LCR is still well above regulatory limits.
(b)	Explanations concerning changes in the LCR ratio over time.	Explanations concerning changes in the LCR ratio over time: The variability of the ratio is mainly due to two factors: bond debt repayments and loan disbursements. As loans to local authorities are seasonal in nature, they are concentrated in the last quarter of the year.
(c)	Explanations concerning the actual concentration of funding sources.	Explanations concerning the actual concentration of funding sources: AFL's sole source of stable funding is the bond market. AFL issues on different maturities, in different forms (benchmark, private placements) and in different currencies in order to broaden its investor base as much as possible, by category and geographical area.
(d)	High-level description of the composition of the institution's liquidity buffer.	High-level description of the composition of the institution's liquidity buffer: More than 80% of AFL's liquidity reserve consists of AA- rated debt securities and more than 80% of securities issued by sovereigns, agencies or supra. This reserve is sized to cover 12 months of activity. Within this cushion, a minimum amount of liquidity in the current account with the Banque de France is defined in order to secure in advance the redemption of future medium- to long-term issues.
(e)	Derivative exposures and potential collateral calls.	Derivative exposures and potential collateral calls: AFL hedges almost all of its statement of financial position (assets and liabilities) against interest rate risk. The notional amount of hedging derivatives is equivalent to twice the size of the statement of financial position. The residual position is broadly balanced. Potential security calls are made daily and on the first euro.
(f)	Currency mismatch in the LCR ratio.	Currency mismatch in the LCR ratio: AFL manages a statement of financial position in euros. Issues and reserve securities that are not denominated in euros are systematically asset-swapped, so that no residual foreign exchange position remains (excluding ineffective hedges).
(g)	Other items of the LCR ratio calculation not taken into account in the LCR disclosure model but that the institution considers relevant for its liquidity profile.	Other items of the LCR ratio calculation not taken into account in the LCR disclosure model but that the institution considers relevant for its liquidity profile: No additional information is relevant

Model EU LIQ2: net stable funding ratio

Data as of 31/12/2022		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
	(in currency amount)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments	185 726 404	-	-	-	185 726 404
2	*Own funds*	185 726 404	-	-	-	185 726 404
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		-	-	-	-
5	*Stable deposits*		-	-	-	-
6	*Less stable deposits*		-	-	-	-
7	Wholesale funding:		1 210 217 555	-	5 361 371 740	5 361 371 740
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		1 210 217 555	-	5 361 371 740	5 361 371 740
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	5 926 586	5 162 434	-	-	-
12	*NSFR derivative liabilities*	5 926 586				
13	*All other liabilities and capital instruments not included in the above categories*		5 162 434	-	-	-
14	**Total available stable funding (ASF)**					5 547 371 740
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					-
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		16 777 655	-	-	8 388 827
17	Performing loans and securities:		560 065 404	156 801 261	5 256 922 003	3 762 927 331
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		80 000 000	-	-	8 000 000
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		472 095 789	145 947 011	5 159 448 519	3 662 662 937
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		472 095 789	145 947 011	5 159 448 519	3 662 662 937
22	*Performing residential mortgages, of which:*		-	-	-	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		-	-	-	-
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		7 969 615	10 854 250	97 473 483	92 264 394
25	Interdependent assets		-	-	-	-
26	Other assets:					
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		40 185 594	-	-	34 157 755
29	*NSFR derivative assets*		-			-
30	*NSFR derivative liabilities before deduction of variation margin posted*		141 131 864			7 056 593
31	*All other assets not included in the above categories*		1 608 500	-	13 478 702	13 478 702
32	Off-balance sheet items		511 070 526	154 812 188	80 300 000	37 309 136
33	**Total RSF**					3 863 318 344
34	**Net Stable Funding Ratio (%)**					143,59%

Table EU LIQA - Liquidity risk management

Row number	Topics	
(a)	Liquidity risk management strategies and processes, including policies to diversify the sources and duration of planned financing.	As AFL refinancing mainly comes from issues carried out on the financial markets, AFL has a particularly conservative liquidity policy. AFL's financial strategy in terms of liquidity is based on three areas, the purpose of which is to limit the three components of liquidity risk: illiquidity risk, financing risk and liquidity transformation risk: A. The establishment of a significant liquidity reserve. • AFL has a liquidity reserve at its disposal at all times, the size of which represents one year of activity. The tool used to measure this objective is the NCRR (or "Net Cash Requirement Ratio"), which makes it possible to verify that the reserve of liquid assets makes it possible to meet 100% of its foreseeable needs over a rolling 12-month horizon with a range of 80% to 125%. • In order to secure the repayment of future medium- and long-term issues three months in advance, AFL undertakes to hold an amount

of cash in its Banque de France account corresponding to the debt repayments for the period net of certain cash inflows.

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

B. A diversified financing strategy.

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

C. Limiting the transformation of the statement of financial position;

- The statement of financial position includes amortizable loans on its assets side and debts on its liabilities side, in both cases hedged against interest and exchange rates. Unlike the loans on the assets side, the debts on the liabilities side are not amortizable, so AFL is subject to a transformation risk or price risk in liquidity. AFL severely limits its transformation into liquidity, measured by three main indicators:
  - Difference in average life to maturity or "ALT difference" corresponds to the average maturity difference between assets and liabilities and measures the transformation practiced by AFL; the activity will be managed in order to limit this difference to one year with potentially an additional buffer for limited periods raising the limit to 2 years (making it possible to absorb the possible drift of this indicator during the production of end-of-loan loans). The difference will return to 12 months by June 30 of the following year.
  - The "Net Stable Funding Ratio" or "NSFR" compares AFL's stable funding (at more than 12 months) to long-term funding requirements. The minimum regulatory requirement is 100%.
  - In addition to compliance with the average life to maturity gap, monitoring the liquidity transformation risk requires AFL to assess its liquidity by analyzing its maturity gaps (liquidity differences) arising from potential maturities of liabilities and assets, and likely to occur over different time horizons (time buckets). The liquidity difference is regulated via the definition of alert thresholds by buckets.

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

This policy, while conservative, cannot fully protect AFL from liquidity risks. It remains sensitive, for example, to refinancing risk, i.e. the risk of not being able to raise resources at competitive levels for long

		maturities, or to the liquidity risk associated with the margin calls inherent in the hedging derivatives required for its hedging policy.
(b)	Structure and organization of the liquidity risk management function (authority, Articles of Association, other provisions).	The AFL Group's liquidity risk management system is detailed in section 5.3 of the annual report.
(c)	Description of the degree of centralization of liquidity management and interaction between the group's units.	Due to the structure of the AFL Group, operational activities are carried out by AFL, a specialized lending institution. The AFL Group's liquidity is managed by AFL.
(d)	Scope and nature of liquidity risk reporting and assessment systems.	Regulatory ratios and the NCRR are produced by the Commitments & Risks Department from a tool dedicated to their production as well as to the production of Corep. A tool is used to identify and measure other liquidity risk indicators via AFL's market IT system; it is maintained by ALM. Four main metrics are used to monitor liquidity risks: A. Difference in average life to maturity or ALT difference: the difference in average maturity between assets and liabilities and measures the transformation into liquidity practiced by AFL. This indicator is monitored monthly in ALCo. B. NCRR or "Net Cash Requirement Ratio": the NCRR is a 12-month liquidity ratio specific to AFL. It is monitored quarterly. C. Liquidity gap: the liquidity gap measures the flow of assets and liabilities (in static view) during a given period in order to measure the refinancing risk carried on the statement of financial position. The liquidity gap is monitored monthly by the ALM Committee, and is governed by the implementation of alert thresholds. It is presented monthly in ALCo. D. Impact on equity capital of an increase in the cost of refinancing expressed as lost opportunity in NBI, and calculated from the sum of the negative liquidity gaps and a stress of 20 bps on the AFL refinancing cost. It is presented monthly in ALCo. E. The LCR (Liquidity Coverage Ratio), a liquidity ratio that must enable banks to withstand acute liquidity crises (both systemic and bank-specific) with a 30-day horizon, is calculated monthly.
(e)	Liquidity risk hedging and mitigation policies, and the strategies and processes put in place to monitor the continued effectiveness of these hedges and mitigation techniques.	These items are described in lines (a) and (d) of this table.
(f)	An overview of the bank's potential financing plans.	AFL's financing plan is updated annually when the budget for the following year is drawn up. AFL's financing plan is based exclusively on the financial markets and depends on anticipated activity.
(g)	An explanation of how stress tests are used.	Stress tests are carried out quarterly and their results are presented in ALCo. The results influence the completion of the year's financing program.
(h)	A statement on the adequacy of the institution's liquidity risk management systems, approved by the management body, which ensures that the liquidity risk management systems in place are appropriate in relation to the	See row (a) of the EU OVA table - "Institutional approach to risk management"

	profile and the institution's strategy.	
(i)	A brief statement on liquidity risk, approved by the management body, briefly describing the institution's overall liquidity risk profile associated with the business strategy. This statement contains key figures and ratios (other than those already covered in the EU LIQ1 model within the framework of this technical standard) that give external stakeholders a comprehensive overview of the liquidity risk management by the EU. institution, including how its liquidity risk profile interacts with the risk tolerance level set by the management body.	See row (c) of the EU OVA table - "Institutional approach to risk management"

XI. Disclosure of exposure to credit risk, dilution risk and credit quality

Table EU CRA: general qualitative information on credit risk

Row number	
(a)	Indicate how the business model gives rise to the components of the institution's credit risk profile: The business model aims to finance the investment budgets of French local authorities, their groups and LPEs. Credit risk is generated on the one hand by this financing activity and on the other hand by exposures from AFL's liquidity reserve.
(b)	Indicate the criteria and approach used to define the credit risk management policy and set credit risk limits: The credit risk management policy and credit risk limits reflect the institution's risk appetite.
(c)	Indicate the structure and organization of the credit risk management and control function: Information on the risk governance structure for each type of risk is provided in section 4.1.d of the annual report
(d)	Specify the links between the credit risk management, risk control, compliance and internal audit functions: Information on the risk governance structure for each type of risk is provided in section 4.1.d of the annual report

Table EU CRB: additional disclosures on the credit quality of assets

Row number	
(a)	Scope and definitions: AFL has aligned the accounting and prudential definitions of past due, impaired and defaulted exposures with the definition in Article 178 of the CRR. Past due exposures are identified based on significant, non-technical past-due payments of more than 90 days. The definitions of "impaired" and "defaulted" exposures are identical and include, in

	addition to “past due” exposures, exposures for which AFL has doubts about the borrower’s solvency.
(b)	Significance of exposures past due (more than 90 days) not considered as impaired and the reasons for this: AFL has no post due exposures (significant past due for more than 90 days) not considered to be impaired. Downgrading to default is decided by the Credit Committee before the end of the 90-day period. The only reason which could delay the downgrading to default would be the “technical” nature of an outstanding payment, unrelated to the borrower’s solvency.
(c)	Description of the methods used to determine the adjustments for general and specific credit risk: AFL does not calculate an adjustment for general credit risk. For exposures representing a downgraded risk (stage 2 & 3 of IFRS 9), AFL calculates the adjustments for specific risk in accordance with IFRS 9.
(d)	Definition of restructured exposures : AFL applies the definition of restructured exposures as specified by the EBA Guidelines on default in accordance with Article 178 of the CRR, set out in Appendix V of Implementing Regulation (EU) No. 680/2014 of the Commission.

Model EU CR1: performing and non-performing exposures and corresponding provisions.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	1 151 268 932	1 151 268 932	-	-	-	-	- 97 981	- 97 981	-	-	-	-	-	-	-
010	Loans and advances	4 767 160 515	4 686 219 124	80 941 391	3 850 137	-	3 850 137	- 375 575	- 188 917	- 186 658	- 1 611	-	- 1 611	-	-	-
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	*4 686 941 612*	*4 606 000 221*	*80 941 391*	3 850 137	-	3 850 137	- 375 575	- 188 917	- 186 658	- 1 611	-	- 1 611	-	-	-
040	*Credit institutions*	*80 218 903*	*80 218 903*	-	-	-	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
080	*Households*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	968 729 765	968 729 765	-	-	-	-	- 260 188	- 260 188	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	*594 165 785*	*594 165 785*	-	-	-	-	- 122 291	- 122 291	-	-	-	-	-	-	-
120	*Credit institutions*	*374 563 980*	*374 563 980*	-	-	-	-	- 137 897	- 137 897	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	***810 247 714***	***810 247 714***	-	-	-	-	***16 386***	***16 386***	-	-	-	-		-	-
160	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	*General governments*	***810 247 714***	***810 247 714***	-	-	-	-	***16 386***	***16 386***	-	-	-	-		-	-
180	*Credit institutions*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
200	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
210	*Households*	-	-	-	-	-	-	-	-	-	-	-	-		-	-
220	***Total***	***7 697 406 926***	***7 616 465 535***	***80 941 391***	***3 850 137***	-	***3 850 137***	***- 717 358***	***- 530 700***	***- 186 658***	***- 1 611***	-	***- 1 611***	-	-	-

Model EU CR1-A: maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	194 195 294	590 171 119	1 546 991 559	3 265 139 713	- 631 501 139	4 964 996 547
2	Debt securities	-	29 051 247	507 890 617	411 337 172	- 94 253 960	968 469 578
3	***Total***	**194 195 294**	**848 726 275**	**2 054 882 176**	**3 676 476 884**	**- 94 885 461**	**5 933 466 125**

Model EU CR2: changes in the stock of non-performing loans and advances

		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	3 877 155,1
020	Inflows to non-performing portfolios	698 153,5
030	Outflows from non-performing portfolios	- 725 171,5
040	Outflows due to write-offs	-
050	Outflow due to other situations	- 725 171,5
060	**Final stock of non-performing loans and advances**	3 850 137,1

Model EU CQ1: credit quality of renegotiated exposures

		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	67 674 072	375 000	375 000	375 000	- 172 146	- 209	-	-
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	67 674 072	375 000	375 000	375 000	- 172 146	- 209	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	-	-	-	-	-	-	-	-
070	*Households*	-	-	-	-	-	-	-	-
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	-	-	-	-	-	-	-	-
100	***Total***	**67 674 072**	**375 000**	**375 000**	**375 000**	**- 172 146**	**- 209**	-	-

Model EU CQ3: credit quality of performing and non-performing exposures by number of days past due

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	1 151 268 932	1 151 268 932	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	4 767 160 515	4 767 160 515	-	3 850 137	3 600 137	-	-	250 000	-	-	-	3 850 137
020	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
030	*General governments*	4 686 941 612	4 686 941 612	-	3 850 137	3 600 137	-	-	250 000	-	-	-	3 850 137
040	*Credit institutions*	80 218 903	80 218 903	-	-	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
070	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-
080	*Households*	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	968 729 765	968 729 765	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	594 165 785	594 165 785	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	374 563 980	374 563 980	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	810 247 714			-								-
160	*Central banks*	-			-								-
170	*General governments*	810 247 714			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	-			-								-
200	*Non-financial corporations*	-			-								-
210	*Households*	-			-								-
220	**Total**	7 697 406 926	6 887 159 212	-	3 850 137	3 600 137	-	-	250 000	-	-	-	3 850 137

EU CQ4 model: quality of non-performing exposures by geographical location

		a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	***On-balance-sheet exposures***	***5 739 740 417***	***3 850 137***	***3 850 137***	***5 739 740 417***	***- 637 374***		***-***
020	*France*	4 968 621 275	3 850 137	3 850 137	4 968 621 275	- 482 015		-
030		-	-	-	-	-		-
040		-	-	-	-	-		-
050		-	-	-	-	-		-
060		-	-	-	-	-		-
070	*Other countries*	771 119 142	-	-	771 119 142	- 155 359		-
080	***Off-balance-sheet exposures***	***810 247 714***	***-***	***-***			***16 386***	
090	*France*	810 247 714	-	-			-	
100								
110								
120								
130								
140	*Other countries*	-	-	-			16 386	
150	***Total***	***6 549 988 131***	***3 850 137***	***3 850 137***	***5 739 740 417***	***- 637 374***	***16 386***	***-***

Model EU CQ5: credit quality of loans and advances granted to non-financial companies by industry

		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	-	-	-	-	-	-
020	Mining and quarrying	-	-	-	-	-	-
030	Manufacturing	-	-	-	-	-	-
040	Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
050	Water supply	-	-	-	-	-	-
060	Construction	-	-	-	-	-	-
070	Wholesale and retail trade	-	-	-	-	-	-
080	Transport and storage	-	-	-	-	-	-
090	Accommodation and food service activities	-	-	-	-	-	-
100	Information and communication	-	-	-	-	-	-
110	Financial and insurance actvities	-	-	-	-	-	-
120	Real estate activities	-	-	-	-	-	-
130	Professional, scientific and technical activities	-	-	-	-	-	-
140	Administrative and support service activities	-	-	-	-	-	-
150	Public administration and defense, compulsory social security	-	-	-	-	-	-
160	Education	-	-	-	-	-	-
170	Human health services and social work activities	-	-	-	-	-	-
180	Arts, entertainment and recreation	-	-	-	-	-	-
190	Other services	-	-	-	-	-	-
200	*Total*	-	-	-	-	-	-

Model EU CQ7: security interests obtained by taking possession and execution

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
010	Property, plant and equipment (PP&E)	-	-
020	Other than PP&E	-	-
030	*Residential immovable property*	-	-
040	*Commercial Immovable property*	-	-
050	*Movable property (auto, shipping, etc.)*	-	-
060	*Equity and debt instruments*	-	-
070	*Other collateral*	-	-
080	*Total*	-	-

XII. Disclosure of information on the use of credit risk mitigation techniques

Table EU CRC - Qualitative disclosure requirements for CRM techniques

Legal basis	Row number	
Article 453, point a), of the CRR	(a)	Description of the main characteristics of the policies and procedures applied in terms of on- and off-balance sheet netting and the extent to which institutions use this type of netting: AFL uses balance sheet netting for swap positions with counterparties with which it has signed an ISDA contract or equivalent. AFL does not compensate for off-balance sheet items.
Article 453, point b), of the CRR	(b)	Main features of the policies and procedures applied in terms of valuation and management of eligible collateral: AFL accepts only cash collateral for margin calls in its derivative transactions. No other eligible security is accepted by AFL.
Article 453, point c), of the CRR	(c)	Description of the main types of collateral accepted by the institution to mitigate credit risk: AFL accepts only cash collateral for margin calls in its derivative transactions. No other eligible security is accepted by AFL.
Article 453, point d), of the CRR	(d)	Main categories of guarantors and credit derivatives counterparties: On an exceptional basis, AFL accepts guarantees from member local authorities on credit exposures. Only one case has been identified to date, the guarantor is a local authority classified as a regional or local government according to the CRR.
Article 453, point e), of the CRR	(e)	Information on concentrations of market risk or credit risk in the context of credit risk mitigation operations: AFL does not engage in credit risk mitigation.

Model EU CR3 - Overview of CRM techniques: information to be published on the use of CRM techniques

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances	5 920 319 955	1 959 629	-	1 959 629	-
2	Debt securities	968 729 765	-	-	-	
3	Total	6 889 049 720	1 959 629	-	1 959 629	-
4	*Of which non-performing exposures*	3 850 137	-	-	-	-
EU-5	*Of which defaulted*	3 850 137	-			

XIII. Publication of information on the use of the standardized approach

Model EU CC1 - Composition of regulatory equity capital, complying with Article 444 §e is presented in the paragraph “D. Publication d’informations sur les fonds propres”en page 158 and following.

Table EU CRD - Qualitative disclosure requirements for the standardized approach

Legal basis	Row number	
Article 444, point a), of the CRR	(a)	Names of external credit assessment agencies (ECAIs): AFL uses the services of OEEC Moody's for risk assessment. Certain public information of S&P and Fitch may be consulted for analysis. AFL does not use the services of any ECA. No change occurred during the period.
Article 444, point b), of the CRR.	(b)	Categories of exposures for which each ECAI or ECA is used: AFL uses the services of OEEC Moody's for all exposure categories.
Article 444, point c), of the CRR	(c)	Description of the process applied to transfer the issuer's credit ratings: AFL does not hold a trading book. When available, AFL uses the credit rating of the exposure, otherwise it uses the credit rating of the issuer.
Article 444, point d), of the CRR	(d)	The association between the external rating performed by each ECAI or ECA designated and the risk weightings: AFL complies with the standard association published by the EBA.

EU CR4 models - Standardized approach - Credit risk exposure and CRM effects

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	1 326 170 215	-	1 326 170 215	-	12 888 696	0,97%
2	Regional government or local authorities	4 765 345 530	784 081 452	4 765 345 530	628 982 194	1 043 187 460	19,34%
3	Public sector entities	129 268 343	-	129 268 343	-	9 245 022	7,15%
4	Multilateral development banks	154 686 941	-	154 686 941	-	-	0,00%
5	International organisations	70 270 547	-	70 270 547	-	-	0,00%
6	Institutions	227 209 629	-	227 209 629	-	58 134 251	25,59%
7	Corporates	-	-	-	-	-	
8	Retail	-	-	-	-	-	
9	Secured by mortgages on immovable property	-	-	-	-	-	
10	Exposures in default	3 963 183	-	3 963 183	-	5 944 775	150,00%
11	Exposures associated with particularly high risk	-	-	-	-	-	
12	Covered bonds	89 504 350	-	89 504 350	-	8 950 435	10,00%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	
14	Collective investment undertakings	-	-	-	-	-	
15	Equity	-	-	-	-	-	
16	Other items	3 570 526	-	3 570 526	-	3 570 526	100,00%
17	TOTAL	6 769 989 265	784 081 452	6 769 989 265	628 982 194	1 141 921 166	15,43%

EU CR5 model - Standardized approach

	Exposure classes	Risk weight															Total	Of which unrated
		0	0,02	0,04	0,1	0,2	0,35	0,5	0,7	0,75	1	1,5	2,5	3,7	12,5	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	1 288 670 451	-	-	-	35 156 832	-	-	-	-	-	-	2 342 932	-	-	-	1 326 170 215	-
2	Regional government or local authorities	178 511 340	-	-	-	5 215 797 781	-	-	-	-	-	18 602	-	-	-	-	5 394 327 724	5 215 797 781
3	Public sector entities	83 043 231	-	-	-	46 225 112	-	-	-	-	-	-	-	-	-	-	129 268 343	-
4	Multilateral development banks	154 686 941	-	-	-	-	-	-	-	-	-	-	-	-	-	-	154 686 941	-
5	International organisations	70 270 547	-	-	-	-	-	-	-	-	-	-	-	-	-	-	70 270 547	-
6	Institutions	-	-	-	-	184 901 878	-	42 307 751	-	-	-	-	-	-	-	-	227 209 629	115 000 000
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	3 963 183	-	-	-	-	3 963 183	3 963 183
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	89 504 350	-	-	-	-	-	-	-	-	-	-	-	89 504 350	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	-	-	-	-	-	3 570 526	-	-	-	-	-	3 570 526	3 570 526
17	TOTAL	1 775 182 511	-	-	89 504 350	5 482 081 603	-	42 307 751	-	-	3 570 526	3 981 786	2 342 932	-	-	-	7 398 971 459	13 022 760 406

XIV. Disclosure of information on the use of the IRB approach for credit risk

Agence France Locale - Société Territoriale does not use the Internal Ratings-Based (IRB) approach for credit risk.

As such, it is not concerned by the publication of this information.

XV. Information on specialized financing exposures and exposures in the form of equities under the simple weighting method

Agence France Locale - Société Territoriale has no specialized financing exposures or equity exposures under the simple weighting method.

As such, it is not concerned by the publication of this information.

XVI. Disclosure of counterparty credit risk exposures

AFL uses the standardized approach (SA-CCR) to calculate its exposure to counterparty credit risk.

Table EU CCRA - Qualitative information on CCR

Row number	Legal basis	
a)	Article 439, point a), of the CRR Description of the equity capital allocation methodology and credit limit setting for counterparty credit exposures, and in particular the methods for setting limits for central counterparty exposures.	AFL's interest rate risk management policy provides for almost complete variability of the institution's asset and liability exposures against Euribor3M or €ster. Exposures from derivative contracts are subject to limits via the investment and counterparty risk management policy. AFL does not set limits on its exposures with central counterparties. AFL does not allocate equity capital to these transactions.
b)	Article 439, point b), of the CRR. Description of policies relating to guarantees and other credit risk mitigation measures, such as the policies applied to obtain collateral and build up credit reserves.	AFL has set up daily margin call procedures, at the first Euro with all its derivative counterparties.
c)	Article 439, point c), of the CRR Description of policies relating to correlation risk, within the meaning of Article 291 of the CRR.	AFL has no trading book and is not exposed to correlation risk.
d)	Article 431, points 3) and 4), of the CRR Other risk management objectives and relevant policies related to counterparty credit risk (CCR).	AFL has no other risk management objectives and relevant policies related to counterparty credit risk (CCR).
e)	Article 439, point d), of the CRR The amount of collateral that the institution would have to provide if its credit rating were downgraded.	AFL uses a "Clearing Broker" for its derivatives business with clearing houses. This intermediary applies a "credit buffer" to the amount of IMR claimed by the clearing house. In the event of a deterioration in AFL's credit rating, this buffer could increase, without this being mandatory, in proportions left to the discretion of the clearing broker.

Model EU CCR1 - Analysis of CCR exposures by approach

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	43 516 416	23 874 108		1.4	94 346 734	94 346 734	94 346 734	8 301 547
2	IMM (for derivatives and SFTs)			-	-	-	-	-	-
2a	*Of which securities financing transactions netting sets*			-		-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*			-		-	-	-	-
2c	*Of which from contractual cross-product netting sets*			-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					-	-	-	-
5	VaR for SFTs					-	-	-	-
6	Total					94 346 734	94 346 734	94 346 734	8 301 547

Template EU CCR2 - Transactions subject to CVA risk equity capital requirements CVA

	Fixed format	a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)		-
3	(ii) stressed VaR component (including the 3× multiplier)		-
4	Transactions subject to the Standardised method	17 235 807	14 862 984
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	17 235 807	14 862 984

Model EU CCR3 - Standardized approach - CCR exposures by regulatory exposure class and risk weighting

	Exposure classes	Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	77 110 927	-	-	6 195 240	11 040 559	-	-	-	-	-	94 346 734
7	Corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-t	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	-	77 110 927	-	-	6 195 248	11 040 559	-	-	-	-	-	94 346 734

Model EU CCR5 - Composition of collateral for CCR exposures

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash - domestic currency	102 376 634	-	177 450 594	-	-	-	-	-
2	Cash - other currencies	-	-	-	-	-	-	-	-
3	Domestic sovereign debt	-	-	-	-	-	-	-	-
4	Other sovereign debt	-	-	-	-	-	-	-	-
5	Government agency debt	-	-	-	-	-	-	-	-
6	Corporate bonds	-	-	-	-	-	-	-	-
7	Equity securities	-	-	-	-	-	-	-	-
8	Other collateral	-	-	-	-	-	-	-	-
9	**Total**	**102 376 634**	-	**177 450 594**	-	-	-	-	-

Model EU CCR8 - CCP exposures

		a	b
		Exposure value	RWEA
1	**Exposures to QCCPs (total)**		1 542 218
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	77 110 927	1 542 218
3	(i) OTC derivatives	77 110 927	1 542 218
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	-	-
9	Prefunded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		6 759 329
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	17 235 807	6 759 329
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	17 235 807	6 759 329
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Agence France Locale - Société Territoriale does not use the internal IRB rating approach. As such, it is not affected by the publication of the EU CCR4 model - IRB approach - CCR exposures by exposure category and PD scale.

Agence France Locale - Société Territoriale does not use credit derivatives. As such, it is not affected by the publication of the EU CCR6 - Credit derivative exposures model.

Agence France Locale - Société Territoriale does not use internal models. As such, it is not affected by the publication of the EU CCR7 model - Flow statements of RWEAs relating to CCR exposures in the context of IMM.

XVII. Disclosure of exposure to securitization positions

Agence France Locale - Société Territoriale has no exposure to securitization positions.

As such, it is not concerned by the publication of this information.

XVIII. Disclosure of information on the use of the standardized approach and internal models for market risk

Agence France Locale - Société Territoriale is not exposed to market risks.

As such, it does not publish the following tables:

- Table EU MR1: Market risk under the standardized approach

- Table EU MRA: Qualitative disclosure requirements on market risk
- Table EU MRB: Qualitative disclosure requirements for institutions using internal market risk models
- Model EU MR2-A - Market risk under the Internal Models Approach (IMA)
- Model EU MR2-B - Flow statements of RWEAs relating to market risk exposures under the IMA
- Model EU MR3 - MAI values for trading books
- Model EU MR4 - Comparison of VaR estimates with profit / loss

XIX. Disclosure of operational risk

XX. Standardized approaches

Table EU ORA - Qualitative information on operational risk

Legal basis	Row number	
Article 435, paragraph 1, points a), b), c) and d), of the CRR.	(a)	Publication of risk management objectives and policies: In order to best prevent the materialization of operational risks and the consequences of their possible occurrence, Agence France Locale has an internal control framework and risk management system. These systems aim to ensure the identification, measurement and early treatment of operational risks. These systems, which were built in compliance with best market practices, involve regular assessment of risks and the effectiveness of controls to minimize those risks and the implementation of an improvement/remediation action plan where necessary. The Management Board, through the Global Risk Committee, oversees the operational risk and the action plans to be implemented to improve the system. In accordance with regulatory requirements, the AFL Supervisory Board, assisted by its Audit and Risk Committee, as well as the AFL-ST Board of Directors, assisted by its Audit and Risk Committee, are informed of the essential elements and the main lessons that can be drawn from the risk analysis and monitoring. To this end, they are sent a report extracted from the reports of the Global Risk Committee detailing the main risks and their treatment methods. It also receives an extract from the internal control reports. The systems are based on the four lines of defense of internal controls (business lines – operational risk monitoring function – second-level permanent control – periodic control).
Article 446 of the CRR.	(b)	Publication of approaches for the assessment of minimum equity capital requirements: AFL uses the Basic Indicator Approach (BIA) to assess minimum equity capital requirements for operational risks.

Model EU OR1 - Operational risk equity capital requirements and risk-weighted exposure amounts

	Banking activities	a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	13 788 932	13 989 523	16 141 751	2 196 010	27 450 129
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-
3	*Subject to TSA:*	-	-	-		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

XXI. AMA models

Agence France Locale - Société Territoriale does not use AMA models to calculate equity capital requirements for operational risk.

In this respect, the parts of tables "EU ORA, rows c and d" and "EU OR1" concerning the AMA method are not provided.

XXII. Disclosure of interest rate exposures for positions not held in the trading book

AFL uses the standardized method and the simplified standardized methodology for NPV sensitivity referred to in Article 84, paragraph 1, of Directive 2013/36/EU.

Table EU IRRBBA - Qualitative information on interest rate risks of non-trading book activities

Row number			Legal basis
(a)	A description of how the institution defines IRRBB for purposes of risk control and measurement.	Interest rate risk (IRRBB) corresponds to the potential loss caused by adverse movements in market rates due to all of the bank's balance sheet and off-balance sheet transactions. It materializes the risk incurred on the bank's results, in particular via the Net Interest Margin (NIM), and on the economic value of its equity in the event of a change in interest rates.	Article 448.1 (e), first paragraph
(b)	A description of the institution's overall IRRBB management and mitigation strategies.	To hedge against interest rate risk, AFL implements a quasi-systematic micro-hedging policy for its debts and part of its assets (mainly loans and securities making up the liquidity reserve) at a fixed rate. to convert them into floating rate debt and assets using 3 month Euribor fixed/floating rate swaps. In addition to this central micro-hedging policy, there is a macro-hedging policy, in particular fixed-rate loans for low unit amounts granted to local authorities. A few balance sheet items (e.g., bonds and notes) are not subject to this variability through swaps against 3-month Euribor: Current accounts, fixed-rate loans/securities in lieu of a portion of equity...). The amounts allocated to these components are steered and monitored monthly by the AL Committee, subject to the sensitivity of the NPV and the sensitivity of the NIM.	Article 448.1 (f)

(c)	The periodicity of the calculation of the institution's IRRBB measures, and a description of the specific measures that the institution uses to gauge its sensitivity to IRRBB.	As part of interest rate risk monitoring, two main metrics are used: 1°) The Sensitivity of the Net Present Value (NPV) to various standard rate shocks: the change in the rate curve impacts the economic value of the AFL. The NPV is calculated by summing the discounted fixed rate flows of all assets and liabilities except net equity. The sensitivity of the NPV represents the change in economic value due to an immediate interest rate shock (parallel movements of the curve, deformations such as steepening/flattening of the curve) in static view. This metric is very sensitive to a change in long-term balance sheet positions and is one of the indicators monitored monthly in ALCO. 2°) AFL monitors the sensitivity of the net interest margin to different rate scenarios. This measure, calculated on a constant balance sheet basis, reflects the impact of interest rate movements on the 12-month net interest margin. The metric is monitored quarterly in ALCO. To measure the interest rate risk, a 3rd metric is also monitored in ALCO: the fixed rate gap which measures the difference between the assets and the liabilities whose income is fixed for a given period of time so as to measure the refinancing risk. and the replacement risk carried on the balance sheet. This gap is by nature limited due to AFL's balance sheet variability policy, with the exception of a few non-swap fixed rate exposures. Finally, AFL is also exposed to a certain number of residual risks: the basis risk induced by the use of different indexation references (Euribor 3Mois, Ester mainly) and the fixing risk linked to the use of different fixing dates. Reports relating to these 2 risks are monitored monthly by ALCo.	Article 448.1 (e) (i) and (v); Article 448.2
(d)	A description of the interest rate shock and stress scenarios that the institution uses to estimate changes in the economic value and in net interest income (if applicable).	To estimate changes in economic value and net interest income, AFL uses standardized rate scenarios as defined by IRRBB.	Article 448.1 (e) (iii); Article 448.2
(e)	A description of the key modelling and parametric assumptions different from those used for disclosure of template EU IRRBB1 (if applicable).	Optional elements and in particular early repayments are not currently modeled, given the lack of historical depth at this stage. In addition, customers wishing to repay a loan before maturity must pay a penalty for early repayment equivalent to the difference between the loan rate and the replacement rate on the market until maturity applied to the remaining notionnal. In this, the AFL does not suffer any loss in the event of early repayment.	Article 448.1 (e) (ii); Article 448.2
(f)	A high-level description of how the bank hedges its IRRBB, as well as the associated accounting treatment (if applicable).	The strategy of variabilization of almost the entire balance sheet involves a strategy of systematic micro-hedging of debts and part of the assets. In addition, a macro-hedging strategy is deployed for fixed-rate loans of low unit amounts granted to local authorities for which micro-hedging is too costly in order to transform them into variable-rate loans on a 3-month Euribor reference as well as for amortizing loans of the constant maturity type, given their characteristics and loans with a tailor-made profile that cannot be swapped in compensation.	Article 448.1 (e) (iv); Article 448.2
(g)	A description of key modelling and parametric assumptions used for the IRRBB measures in template EU IRRBB1 (if applicable).	The NPV (Net Present Value) of AFL is calculated by summing the discounted fixed rate flows of all assets and liabilities except net equity, based on a 3-month euribor swap curve. For non-scheduled balance sheet items, outflow agreements are validated annually by ALCO. This mainly concerns nostri accounts and current accounts at the Banque de France, for which the rate revision period is daily.	Article 448.1 (c); Article 448.2

(h)	Explanation of the significance of the IRRBB measures and of their significant variations since previous disclosures	As of 12/31/2022, the economic value of equity is relatively insensitive to parallel movements in the yield curve. Over the year 2022, the difference between the average duration of assets and that of liabilities has been reduced. The economic value of equity is sensitive to a drop in short rates, due to the proportion of cash on the balance sheet (liquidity constraints).	Article 448.1 (d)
(i)	Any other relevant information regarding the IRRBB measures disclosed in template EU IRRBB1 (optional)		
(1) (2)	Disclosure of the average and longest repricing maturity assigned to non-maturity deposits	For AFL, unscheduled deposits correspond to nostri accounts or current accounts at the central bank. For these assets, the rate reset period is defined as daily.	Article 448.1 (g)

Template EU IRRBB1 - Interest rate risks of non-trading book activities

Supervisory shock scenarios		a	b	c	d
		Changes of the economic value of equity		Changes of the net interest income	
		Current period	Last period	Current period	Last period
1	Parallel up	0,07%	3,85%	3,72%	4,78%
2	Parallel down	0,86%	-3,76%	-3,72%	-2,36%
3	Steepener	-4,20%	-3,95%		
4	Flattener	4,30%	4,62%		
5	Short rates up	3,99%	5,50%		
6	Short rates down	-4,11%	-5,67%		

XXIII. Publication of information on the compensation policy

Table EU REMA - Compensation policy

Line		
(a)	Information on the bodies that supervise compensation.	The components of compensation and the criteria for determining them are presented to the Appointments, Remuneration and Corporate Governance Committee and to the Supervisory Board of AFL in accordance with the applicable provisions of the French Monetary and Financial Code. The related information is specified in the AFL corporate governance report.
(b)	Information on the design and structure of the compensation system for identified staff.	AFL's compensation policy is built in compliance with regulations, in particular with the French Monetary and Financial Code and the amended Decree of November 3, 2014 on the internal control of companies in the banking, payment services and investment services sector subject to control by the ACPR. The compensation policy applies to all employees of Agence France Locale. Agence France Locale's compensation policy is based on six main principles: 1. Compliance with regulations; 2. Alignment with the economic strategy, objectives, values and long-term interests of Agence France Locale and, more broadly, of the Agence France Locale Group; 3. Consistency with sound risk management and financial balances and the strengthening of its financial base; 4. The ability to attract talent and involve them in the development and sustainability of AFL, with a view to building employee loyalty; 5. Recognition of the key role of a compensation policy in employee motivation in the banking sector; 6. Compensation policy and practice are based on the principle of equal compensation for men and women workers for the same work or work of the same value. AFL has long-term objectives and specificities (bank, local sector, VSE). Its compensation policy has been designed in line with AFL's economic strategy, objectives, values and long-term interests, which are the long-term financing of the French local sector. Talent is attracted on the basis of fixed compensation corresponding to market standards for similar positions. AFL is a specialized lending institution, composed of qualified people, recognized in their functions, and whose image must enable local authorities to benefit from the technical expertise of their pooled financing tool. From 2021, AFL set up a profit-sharing scheme for all employees excluding the Chairperson of the Management Board. Variable compensation is a key element in a company. AFL implements a policy that values the efforts made to serve the Company.
(c)	Description of the way in which current and future risks are taken into account in the compensation process. The information to be published includes an overview of the main risks, their	Agence France Locale awards variable compensation based on the following criteria:

	assessment and how this assessment affects compensation.	a. Achievement of objectives set, individual and collective, quantitative and qualitative; b. The combined assessment of the individual's performance, the department to which they belong and the performance and financial trajectory of AFL as a whole; c. Assessment of the need to comply with regulatory requirements and best practices in terms of internal control, risk management and compliance; d. Performance measurement takes into account the risks taken or likely to be taken by AFL, liquidity requirements and the cost of capital; e. Depending on the performance and financial trajectory, the qualitative and quantitative results obtained by AFL, the Management Board sets a variable compensation package attributable for the year to all employees.
(d)	Ratios between the fixed and variable components of the compensation defined in accordance with point g) of Article 94, paragraph 1, of the CRD.	As part of its compensation policy, AFL caps each variable compensation at 15% of the employee's fixed salary.
(e)	Description of how the institution seeks to link compensation levels to the performance achieved during a performance measurement period.	The limit on variable compensation to 15% of the fixed salary of each AFL employee is a ceiling particularly low in the professions held by these categories of employees in the banking sector. However, this amount appears to be large enough to motivate the staff of Agence France Locale to make the necessary efforts to benefit from it. If the maximum is paid, this may correspond to more than a month and a half of annual salary. This very limited cap aims to differentiate Agence France Locale from its competitors, both private and public; it is a strong focus of professional ethics which is one of the essential foundations of the Agence France Locale Group's creation. This cap of 15% and the other factors to which the allocation of variable compensation is linked does not encourage excessive risk-taking.
(f)	Description of how the institution seeks to adjust compensation to reflect long-term performance.	In accordance with the requirements of the regulations, for employees having a significant impact on the Company's risk and those having a significant role, Agence France Locale sets up a deferred payment of variable compensation in accordance with the provisions expressly contained in their employment contract for those whose annual variable compensation exceeds €50 thousand euros. To date, given the amount of fixed salaries at AFL coupled with the limit of 15% for the variable salary, this deferral will not be activated. This deferred payment, adapted to the size and internal organization of Agence France Locale as well as the nature, scope and complexity of the activities carried out, takes the following form: - The deferral is only triggered when the variable amount exceeds €50 thousand; - The amount of the variable compensation less than or equal to the threshold of €50 thousand is paid at the beginning of year n+1, subject to the employee's presence in the AFL workforce on the date of payment of the variable compensation; - The variable amount above the €50 thousand threshold is deferred and paid at the beginning of year n+2 and at the beginning of year n+3, then at the beginning of year n+4 for 33% at each of these financial years subject to the condition of the employee's presence in

		the AFL workforce on the payment date of the variables for years n+1, n+2 or n+3, n+4. The population of individuals with an impact on risk and employees with a significant role in AFL include: - The Members of the Supervisory Board, - The Members of the Management Board, namely the Chairperson of the Management Board, the Chief Financial Officer and the Head of Commitments and Risks, and Head of Membership and Credit, - The Secretary General, - The General Counsel, - The Accounting Director, - Head of Treasury and Short-Term Financing, Head of Long-Term Financing in the Finance Department, - The ALM manager, - The Head of the Prudential and Financial Risks division, - The Head of the Non-Financial Risks and Compliance division, - The Head of the Commitments division in the Commitments and Risks Department.
(g)	The description of the main parameters and rationale for any variable-component scheme and non-cash benefits, in accordance with Article 450, paragraph 1, point f), of the CRR.	The Agence France Locale Group does not grant any shares or options to its employees or executives.
(h)	At the request of the Member State concerned or the relevant competent authority, the total compensation for each member of the management body or senior management.	These elements are presented in the AFL corporate governance report for the AFL management body and in the AFL-ST corporate governance report for AFL-ST's management body.
(i)	Information on whether the institution benefits from an exemption under Article 94, paragraph 3, of the CRD in accordance with Article 450, paragraph 1, point k), of the CRR.	Due to the level of compensation granted to AFL, it benefits from an exemption under b of Article 94, paragraph 3, of the CRD. All employees and managers are concerned.
(j)	Large institutions publish quantitative information on the compensation of their collective management body, distinguishing between executive and non-executive members, in accordance with Article 450, paragraph 2, of the CRR.	AFL is not considered to be a large institution.

Model EU REM1 - Compensation granted for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	8	7	-	8
2		Total fixed remuneration	33 750	1 163 022	-	925 773
3		Of which: cash-based		1 163 022	-	925 773
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff	8	7	-	8
10		Total variable remuneration	118 750	218 115	-	152 367
11		Of which: cash-based	118 750	218 115	-	152 367
12		Of which: deferred		25 731	-	
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	Total remuneration (2 + 10)		152 500	1 381 137	-	1 078 140

Model EU REM2 - Special payments to staff whose professional activities have a significant impact on the institution's risk profile (identified staff)

		a	b	c	d
		MB Supervisory function	MB Management function	Other senior management	Other identified staff
	Guaranteed variable remuneration awards				
1	Guaranteed variable remuneration awards - Number of identified staff	8	7	-	8
2	Guaranteed variable remuneration awards -Total amount	-	-	-	-
3	Of which guaranteed variable remuneration awards paid during the financial year, that are n	-	-	-	-
	Severance payments awarded in previous periods, that have been paid out during the financial year				
4	Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	-	-	-
5	Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	-	-	-
	Severance payments awarded during the financial year				
6	Severance payments awarded during the financial year - Number of identified staff	-	-	-	-
7	Severance payments awarded during the financial year - Total amount	-	-	-	-
8	Of which paid during the financial year	-	-	-	-
9	Of which deferred	-	-	-	-
10	Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	-	-	-	-
11	Of which highest payment that has been awarded to a single person	-	-	-	-

Model EU REM3 - Deferred compensation

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function								
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	MB Management function	95 880	53 205	42 675				28 500	42 675
8	Cash-based	95 880	53 202	42 675				28 500	42 675
9	Shares or equivalent ownership interests								
10	Share-linked instruments or equivalent non-cash instruments								
11	Other instruments								
12	Other forms								
13	Other senior management	10 566	7 066	3 500				4 250	3 500
14	Cash-based	10 566	7 066	3 500				4 250	3 500
15	Shares or equivalent ownership interests								
16	Share-linked instruments or equivalent non-cash instruments								
17	Other instruments								
18	Other forms								
19	Other identified staff	11 300	9 300	2 000				3 400	2 000
20	Cash-based	11 300	9 300	2 000				3 400	2 000
21	Shares or equivalent ownership interests								
22	Share-linked instruments or equivalent non-cash instruments								
23	Other instruments								
24	Other forms								
25	Total amount	117 746	69 571	48 175				36 150	48 175

Model EU REM5 - Information on the compensation of staff whose professional activities have a significant impact on the institution's risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						Total
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	
1	**Total number of identified staff**										**15**
2	Of which: members of the MB	8	7	7							
3	Of which: other senior management										
4	Of which: other identified staff					6			2		
5	**Total remuneration of identified staff**	**152 500**	**1 381 137**	**1 381 137**		**783 837**			**294 303**		
6	Of which: variable remuneration	118 750	218 115	218 115		110 067			42 300		
7	Of which: fixed remuneration	33 750	1 163 022	1 163 022		673 770			252 003		

Agence France Locale - Société Territoriale did not pay compensation of €1 million or more per financial year.

In this respect, the EU REM4 Model - Compensation of €1 million or more per financial year is not provided.

XXIV. Disclosure of encumbered and unencumbered assets

Model EU AE1 - Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the disclosing institution	153 119 512	26 470 125			6 859 602 585	1 695 137 932		
030	Equity instruments								
040	Debt securities	26 470 125	26 470 125	26 470 125	26 470 125	955 652 391	799 775 788	955 652 391	799 775 788
050	of which: covered bonds								
060	of which: securitisations								
070	of which: issued by general governments					488 169 131	488 169 131	488 169 131	488 169 131
080	of which: issued by financial corporations					168 822 667	13 747 985	168 822 667	13 747 985
090	of which: issued by non-financial corporations					2 000 965	-	2 000 965	-
120	Other assets	126 649 387	-			5 789 691 740	895 362 144		

Model EU AE2 - Collateral received and own debt securities issued

		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the disclosing institution	51 188 317	-	-	-
140	Loans on demand				
150	Equity instruments				
160	Debt securities				
170	of which: covered bonds				
180	of which: securitisations				
190	of which: issued by general governments				
200	of which: issued by financial corporations				
210	of which: issued by non-financial corporations				
220	Loans and advances other than loans on demand				
230	Other collateral received	51 188 317	-		
240	Own debt securities issued other than own covered bonds or securitisations				
241	Own covered bonds and securitisations issued and not yet pledged				
250	TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED				

Model EU AE3 - Sources of asset encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	Carrying amount of selected financial liabilities	51 188 317	51 188 317

Table EU AE4 - Additional descriptive information

Row number	
(a)	General descriptive information on asset encumbrance: The only source of congestion is the payment of daily margin calls and initial margin calls to derivative counterparties and clearing houses.
(b)	Descriptive information on the impact of the business model on asset encumbrance: AFL's business model requires all assets and liabilities of the institution to be hedged against Euribor. The notional amount of derivatives is therefore significant. The residual position requiring the encumbrance of assets (variation margin and initial margin) is relatively balanced due to the hedging of both assets and liabilities.

XXV. Statement on the adequacy of the AFL Group's risk management systems

We certify the adequacy of the AFL Group's risk management system and ensure that the risk management systems put in place since the creation of the AFL are appropriate, given the risk profile of the AFL Group and its strategy.

Yves Millardet
Deputy Chief Executive Officer of Agence France Locale – Société Territoriale
The Management Board of Agence France Locale