

Annual report of AFL for
the period from January
1 to 31 December 2023

Editorial by the Chairman of the Executive Board

Yves Millardet, Chairman of AFL's Executive Board

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

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

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

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

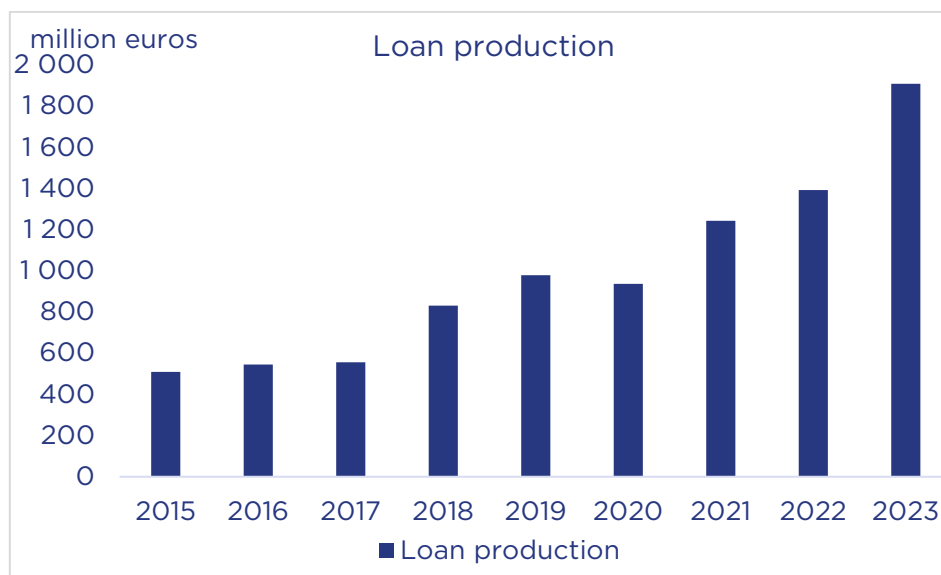
The year 2022 marked a new turning point, with the end of unconventional monetary policies triggered by the very rapid rise in inflation following the outbreak of the conflict in Ukraine. Interest rates rose sharply and central banks tightened credit considerably. For AFL, as for all issuers of debt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

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

Activities in 2023

Loan origination

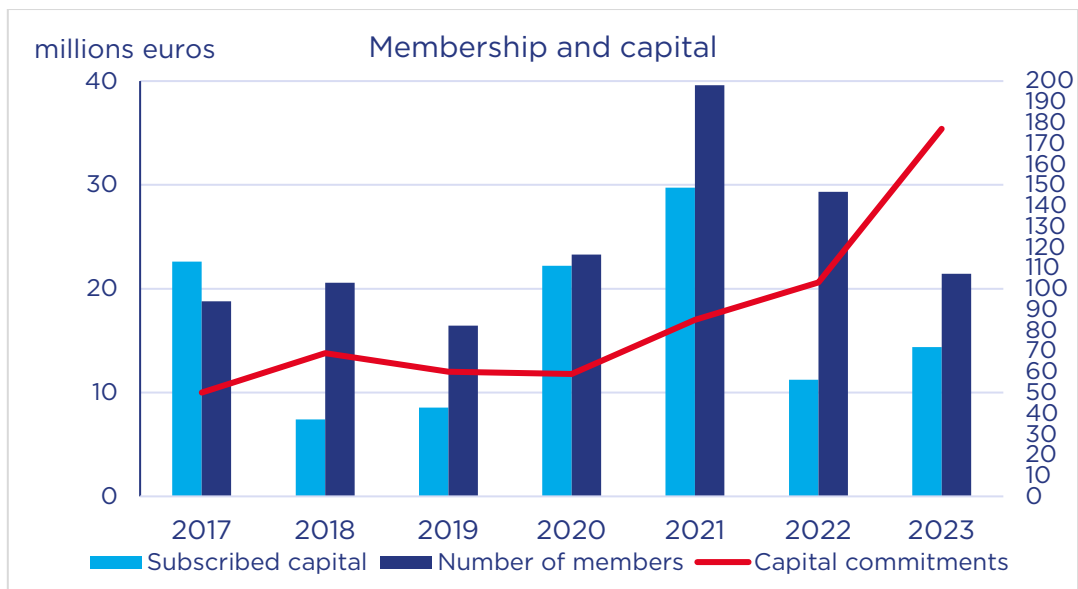
Origination of loans by AFL amounted to €1.907 billion in 2023. Since the creation of AFL, loan origination has grown strongly and steadily, reaching a total of €7.8 billion in signed loans. The growth in loan origination is emblematic of the success AFL has enjoyed with French local authorities since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



Memberships

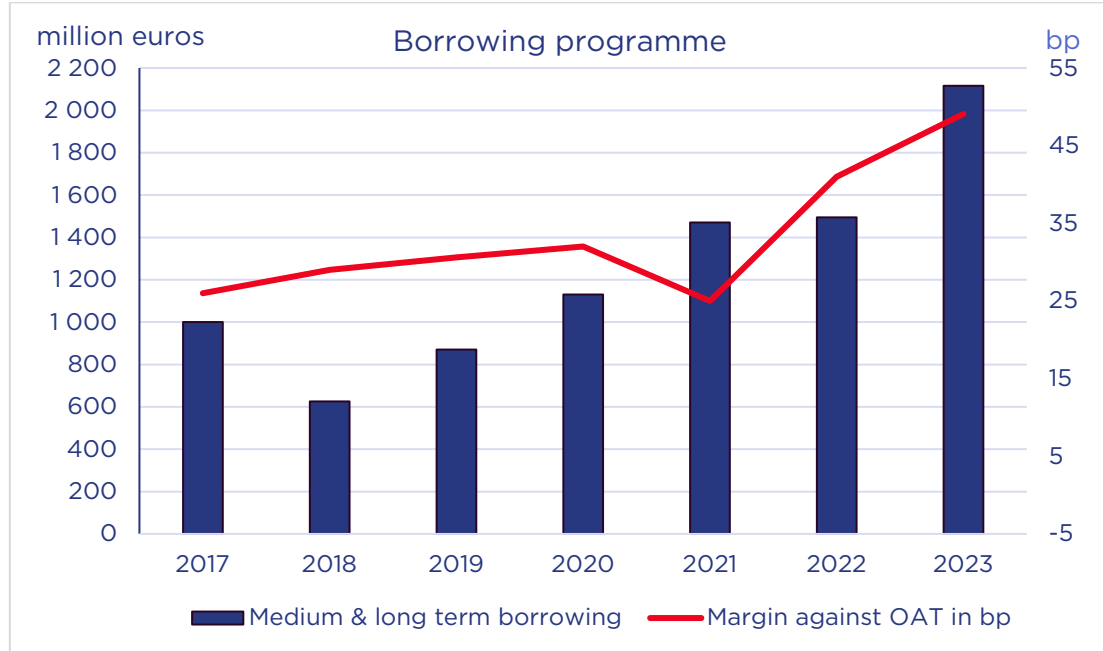
In 2023, the number of new members reached 177 local authorities, bringing the total number of local authority members to 776. As a result, pledged capital rose by €21.4 million to €293.6 million and paid-up share capital by €14.4 million to €232 million. At 31 December 2023, five metropolitan regions,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

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



Resources

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



Key figures [on 31/12/2023]

776 local authority members

294 million euros of pledged capital

9 billion of loans granted since its creation

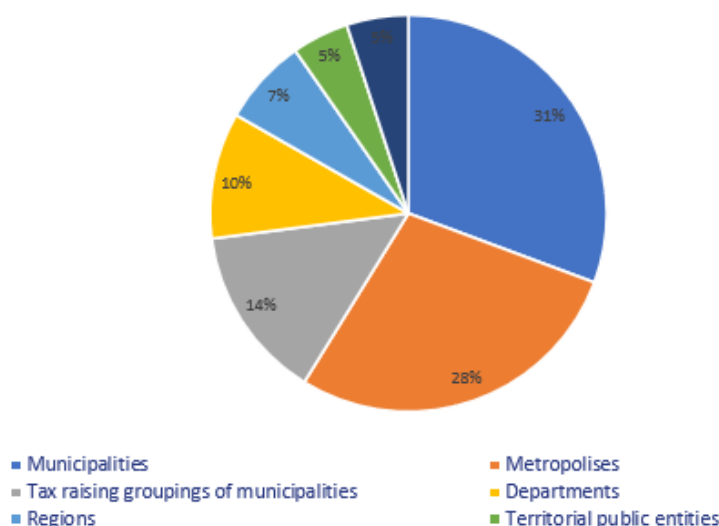
85% success rate with member local authorities in 2023 by number of consultations and 55% by volume¹

8.5 billion euros of outstanding debt raised on the markets

Balance sheet and results

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

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



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

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

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

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

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

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

TABLE OF CONTENTS	I. THE COMPANY'S ACTIVITY	10
1. DEVELOPMENT STRATEGY AND MODEL		10
1.1 A robust structure		10
1.1 A highly prudent liquidity policy		11
1.2 A customer-centric model		11
1.3 Rating of bonds issued by AFL		12
1.4 General ESEF information		12
2. REVIEW OF ACTIVITIES OVER THE 2023 FINANCIAL YEAR AND HIGHLIGHTS		12
2.1 Economic and financial environment		12
2.1 Loan origination		14
2.2 Membership		14
2.3 CSR strategy		15
2.4 Influence strategy		16
2.5 The Company's financial market operations		16
2.6 Results of the past financial year – Key figures pursuant to IFRS standards		16
3. SIGNIFICANT EVENTS SINCE THE END OF THE FINANCIAL YEAR		17
3.1 Market operations		17
3.2 Increase in share capital		18
3.3 Capital markets		18
4. EXPECTED SITUATIONS AND FUTURE PROSPECTS		18
II. BALANCE SHEET ASSETS AT 31 DECEMBER 2023 (IFRS STANDARDS)		19
1. LOANS GRANTED TO LOCAL AUTHORITIES		19
2. LIQUIDITY RESERVE		22
3. MARGIN CALLS PAID		24
4. SUBSIDIARIES AND SHAREHOLDINGS		25
4.1. ACTIVITIES OF COMPANY SUBSIDIARIES AND COMPANIES UNDER ITS CONTROL		25
4.2. EQUITY INVESTMENTS AND TAKEOVERS		25
4.3. CROSS-SHAREHOLDINGS		25
5. INDICATOR OF RETURNS ON ASSETS		25
III. BALANCE SHEET LIABILITIES AND DEBT MANAGEMENT (IFRS)		25
1. FINANCIAL DEBT OF AFL		26
2. BREAKDOWN OF ACCOUNTS PAYABLE		27
3. MARGIN CALLS RECEIVED		29
IV. NET INCOME FOR THE PERIOD ENDED 31 DECEMBER 2023		30
1. FRENCH GAAP FINANCIAL STATEMENTS		30
Key events of the past financial year		30
2. IFRS FINANCIAL STATEMENTS		32
Key events of the past financial year		32
3. PROPOSED ALLOCATION OF NET INCOME		34

4.	DIVIDENDS DISTRIBUTED (ARTICLE 243 BIS OF THE FRENCH GENERAL TAX CODE)	34
5.	NON-TAX-DEDUCTIBLE EXPENSES (ARTICLES 39-4 AND 39-5 OF THE FRENCH GENERAL TAX CODE)	34
V.	RISK MANAGEMENT	34
1.	RISK APPETITE	34
2.	FINANCIAL RISKS.....	42
3.	NON-FINANCIAL RISKS	46
3.	PRUDENTIAL RATIOS AND EQUITY	47
4.	RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM	49
VI.	AFL RESEARCH AND DEVELOPMENT ACTIVITY	60
VII.	DATA ON SHARE CAPITAL AND SHARES	60
1.	SHAREHOLDING STRUCTURE AND CHANGES DURING THE FINANCIAL YEAR	60
2.	EMPLOYEE SHARE OWNERSHIP	61
3.	COMPANY SHARE BUYBACKS	61
4.	TRANSACTIONS ON AFL SECURITIES BY ITS OFFICERS	61
5.	STOCK MARKET POSITION OF AFL	61
VIII.	OTHER KEY PERFORMANCE INDICATORS	62
1.	ENVIRONMENT	62
2.	EMPLOYEES	63
ANNEX 1		69
	TABLE OF RESULTS FOR THE PAST FIVE FINANCIAL YEARS.....	69
ANNEX 2		71
	REPORT OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE	71
ANNEX 3		145
	TEXT OF THE RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF SHAREHOLDERS OF AGENCE FRANCE LOCALE ON 6 MAY 2024.....	145
	ANNEX 4: PROVISIONAL FINANCIAL COMMUNICATION SCHEDULE FOR THE FINANCIAL YEAR 2024	155
	RESPONSIBILITY FOR THIS MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023	156
	STATUTORY SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH FRENCH GAAP AND IFRS AND THE RELEVANT STATUTORY AUDITORS' REPORTS	157
	CONSOLIDATED PILLAR III REPORT	158

GLOSSARY

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

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

The Company's Activity

1. Development strategy and model

Authorised by Law No. 2013-672 of 26 July 2013, on the separation and regulation of banking activities and created on 22 October 2013, the Agence France Locale Group (“**AFL Group**”) is organised around a dual structure consisting of Agence France Locale - Société Territoriale (“**AFL-ST**”, the parent company with the status of financial holding company) and Agence France Locale (“**AFL**”, the subsidiary, a specialised credit institution). The Agence France Locale Group is formed by the combination of these two companies. The purpose of its two-tier governance is to separate the operational management, handled by the specialised credit institution (AFL), from the shareholder representation, management of guarantees and the definition of strategic policies, handled by Société Territoriale (AFL-ST). This separation of responsibilities makes it possible to prevent conflicts of interest that could arise in the form of intervention by the member local authorities in the day-to-day management activities of AFL, to ensure that the involved parties are accountable in the context of their missions and lastly to have adequate control and monitoring mechanisms.

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

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

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

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

1.1 A robust structure

AFL is an investment financing facility for local authorities in which they are the exclusive shareholders through Société Territoriale (AFL-ST), its majority shareholder, which holds a stake of over 99.9%. The optimisation of the cost of financing on the capital markets is the result of AFL’s high credit quality, which is supported by the quality of the assets on its balance sheet, prudent financial policies and a double mechanism of explicit, irrevocable and on demand guarantees.

- On the one hand, the “**Member Guarantees**” granted by local authorities that are AFL-ST shareholders to the benefit of any financial creditor of AFL allow the local authority shareholders to be called on directly as guarantors. The amount of this guarantee is intended to be equal to the total amount of outstanding loans with a maturity of more than 364 days contracted by each member local authority with AFL. In this way, a creditor can call the guarantee from several local authorities. A local authority whose guarantee has been called by a creditor has the obligation to inform AFL-ST, which may in turn call all other member guarantees in proportion to the amount of their credits contracted with AFL. This guarantee is organised to create solidarity between the member regional and local authorities in the payment of the amounts due while the liability of each is limited to the size of its own outstanding medium- to long-term loan. In order to have sufficient liquidity, the amounts borrowed by AFL are intended to be higher than the amounts it lends to

members, and the securities issued by AFL are not fully covered by the Member Guarantee mechanism:

- On average, between 70% and 80% of the total amount of AFL's borrowings on the markets are used to grant medium and long-term loans to members;
- As a result, around 20% to 30% of the total amount of borrowings issued by AFL on the markets are retained, both to ensure AFL's liquidity, in accordance with its regulatory obligations and good management practice, and to offer cash loans to members under the conditions and within the limits set by AFL's financial policies.

On the other hand, the “**ST Guarantee**”, granted by AFL-ST for the benefit of any of AFL's financial creditors, enables the creditor(s) to call on AFL-ST directly for a guarantee. The ceiling of the “ST Guarantee” is set by the Board of Directors. It was increased from €5 billion to €10 billion by the Board of Directors on 28 September 2018, then to €15 billion by the Board of Directors on 13 June 2022. It covers all of the commitments of its AFL subsidiary to its beneficiary creditors. At 31 December 2023, the amount of guaranteed securities issued by AFL, corresponding to debt issues and financial transactions with counterparties, amounted to €11.9 billion.

This two-part mechanism allows the beneficiaries of these guarantees² to have both the option of (i) calling on the local authorities that are Group members as guarantors, and/or (ii) being able to operate the “ST Guarantee” which offers the advantage of simplicity in the form of a single point of contact.

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

1.1 A highly prudent liquidity policy

AFL has a liquidity policy with three objectives:

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

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

1.2 A customer-centric model

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

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

Firstly, through AFL's unique status as shareholder borrower, which enables borrowers to ensure that their interests are at the heart of the AFL Group's objectives, through its position as shareholder of

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

AFL-ST. AFL-ST's responsibility is to pursue the Group's strategy, defend the interests of all borrowers and pool each one's interests for the benefit of all local authorities.

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

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

1.3 Rating of bonds issued by AFL

Since its creation, AFL has benefited from an excellent rating, which represents recognition of the solidity of the model that it embodies.

AFL's bond issuance program has received the same rating from Moody's and Standard & Poor's rating agencies.

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

1.4 General ESEF information

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

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

2.1 Economic and financial environment

Economic and market situation

2023 can be divided into 2 periods.

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

scheduled end of securities purchase programmes, with the aim of rapid withdrawal of excess liquidity from the market. All in all, this situation is resulting in an increase in the cost of refinancing for all economic agents, including governments such as France, whose indebtedness continues to rise, in a much less favourable interest rate environment, with the fear of a sharp future rise in the cost of debt over the coming years.

This context of tightening of monetary policy is taking place at a time when commodity prices, particularly for gas and oil, are stabilising, albeit at levels close to their highs, raising fears of a sharp slowdown in economic activity.

In geostrategic terms, the war in Ukraine remains at the heart of the news, with the first half of 2023 being marked by a resumption of the initiative by Ukraine and a wave of optimism regarding its capacity to recover its territory. In parallel, the consequences of the war on the economies are beginning to find solutions for their resolution. Diversification of supplies and measures to reduce gas and electricity consumption are being implemented.

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

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

Financial position of local authorities

As in 2022, in 2023, local authorities evolved in an environment marked, on the one hand, by the consequences of the Russian-Ukrainian conflict, reflected in a deterioration in economic activity and high inflation and, on the other, by the full effects of measures and reforms specific to local authorities (increase in the index point, changes in the local tax basket, etc.).

According to provisional data provided by the Direction Générale des Finances Publiques (DGFIP)³, the 2023 budget year represents a break with the two previous years. It was characterised by:

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

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

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

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

2.1 Loan origination

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

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

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

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

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

2.2 Membership

Continuous development

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

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

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

⁴ The pledged capital means the amount of capital contributions voted by local authorities when they joined AFL-ST. For each local authority, the pledged capital corresponds to a capital commitment, the amount and the terms of payment of which are set out in the Company’s Articles of Association.

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

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

2.3 CSR strategy

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

This strategy is based on a roadmap structured in accordance with the recommendations of the TCFD (Task Force on Climate Related Financial Disclosures).

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

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

2.4 Influence strategy

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

2.5 The Company's financial market operations

▪ The Company's borrowing program

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

▪ Bond issues

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

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

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

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

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

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

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

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

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

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

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

General operating expenses for the period represented €14.513 million at 31 December 2023, compared with €12.513 million for the previous financial year, once restated for the application of the IFRIC⁵ relating to software used in SaaS mode. After depreciation of €1.081 million, compared with €866,000 at 31 December 2022, gross operating income was €7.619 million, compared with €4,190 million at 31 December 2022.

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

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

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

3. Significant events since the end of the financial year

3.1 Market operations

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

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

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

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

3.2 Increase in share capital

On 31 January 2024, AFL Group launched its 39th capital increase, which closed on 18 March 2024. This new capital increase resulted in the arrival of 61 new Member local authorities, bringing the total number of Members to [XXX] and AFL-ST's share capital to [XXX]. The share capital of AFL is therefore [XXX].

The new local authorities joining AFL as a result of this capital increase include, by way of example, [XXX].

3.3 Capital markets

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

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

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

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

4. Expected situations and future prospects

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

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

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

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

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



Balance sheet assets at 31 December 2023 (IFRS standards)

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

Extracts from the main asset items (IFRS)

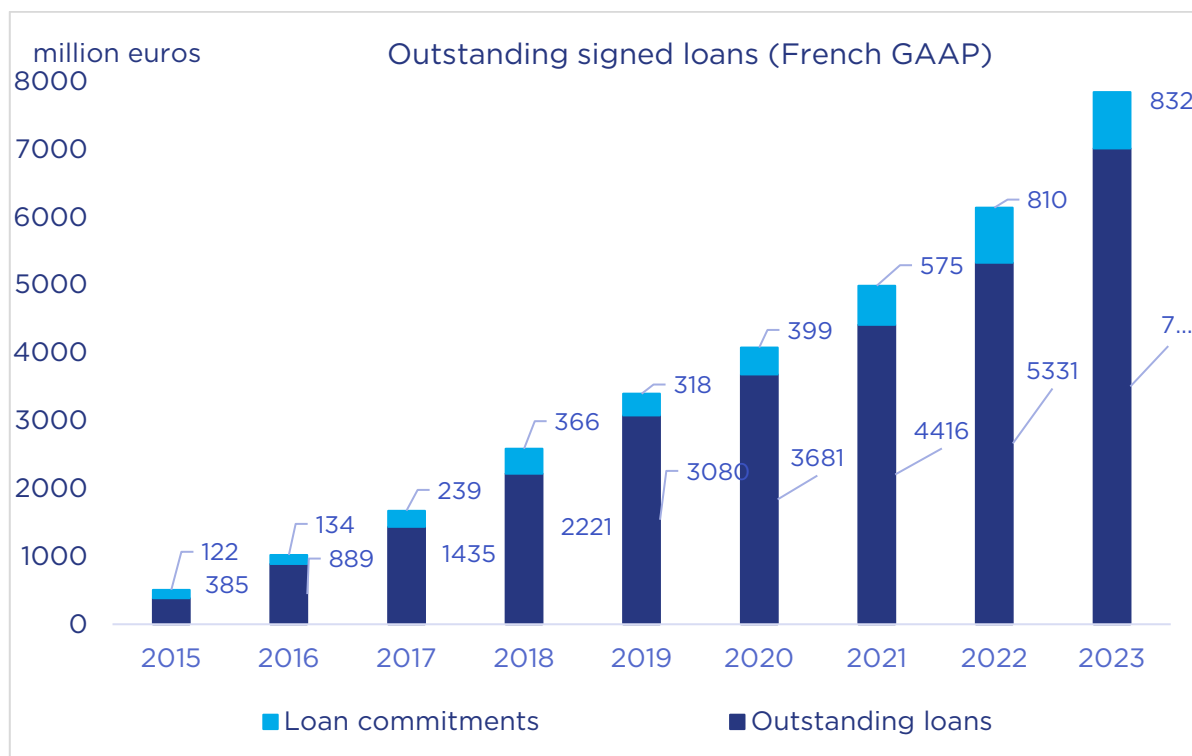
In thousands of euros	Dec. 31 2023	Dec. 31 2022	Dec. 31 2021	Dec. 31 2020	Dec.31 2019
Loans and customer transactions	6 576 479	4 690 415	4 431 048	3 831 563	3 160 500
Securities at fair value through other comprehensive income	591 496	707 306	721 146	614 697	535 900
Securities held at amortized cost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

1. Loans granted to local authorities

The loan portfolio, recorded on the assets side of AFL's balance sheet, recognised at amortised cost, represented an outstanding amount of €6.576 million at 31 December 2023, compared with €4.690 million at 31 December 2022, after taking into account the consequences of the changes in interest rates due to hedge accounting. This portfolio must be supplemented by loans signed but not disbursed and which appear off-balance sheet, in order to have an overall view of AFL's outstanding loans. At 31 December 2023, off-balance sheet financing commitments amounted to €832 million, compared with €810 million at 31 December 2022. In this way, at 31 December 2023, AFL's total loan commitments to local authorities amounted to €7.409 billion, compared with €5.501 billion at 31 December 2022. This 35% increase in outstanding loans in 2023 was due to a record number of new local authority memberships and dynamic loan origination across all AFL members, as well as to the impact on outstanding loans of the fall in interest rates during the last part of 2023, as a result of hedge accounting.

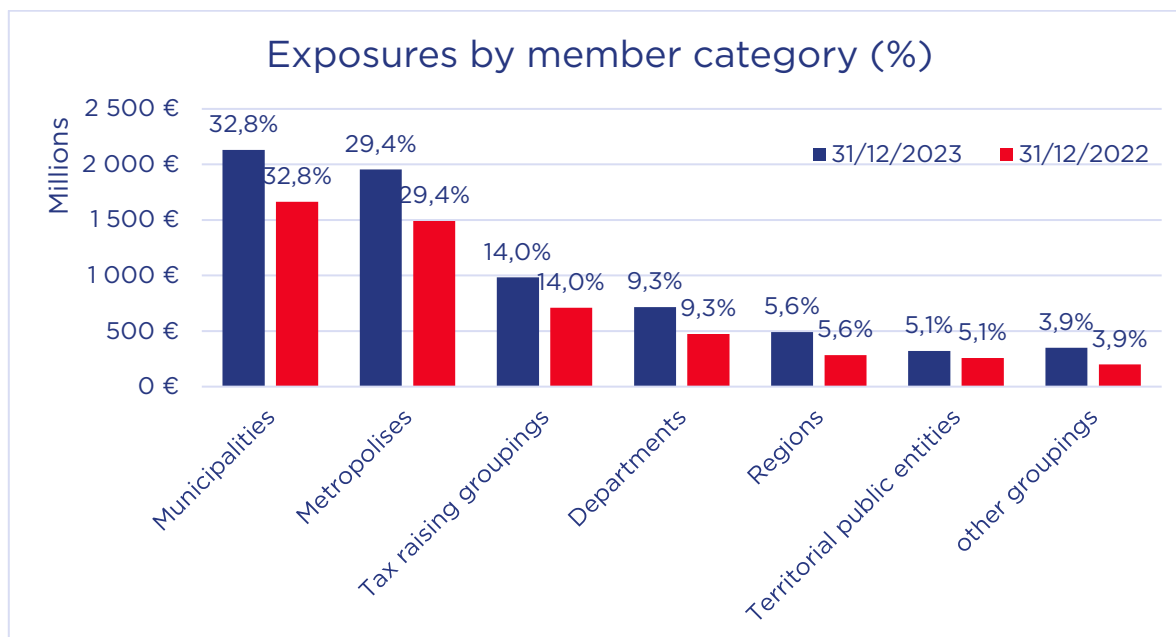
The following graph shows the change in the outstanding loan portfolio.

Outstanding loans at 31 December 2023



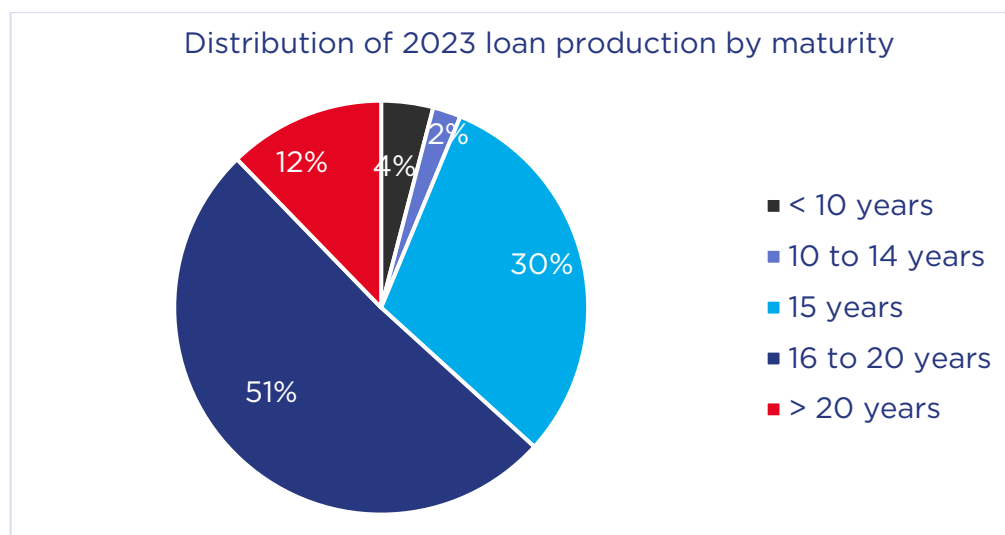
AFL lends exclusively to French local authorities, to their groupings and to the local public bodies that are shareholders in AFL-ST (the “members”). As indicated in the following graph on the breakdown of exposures by category of local authority in percentage terms and in millions of euros, the composition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

Exposures by type of member



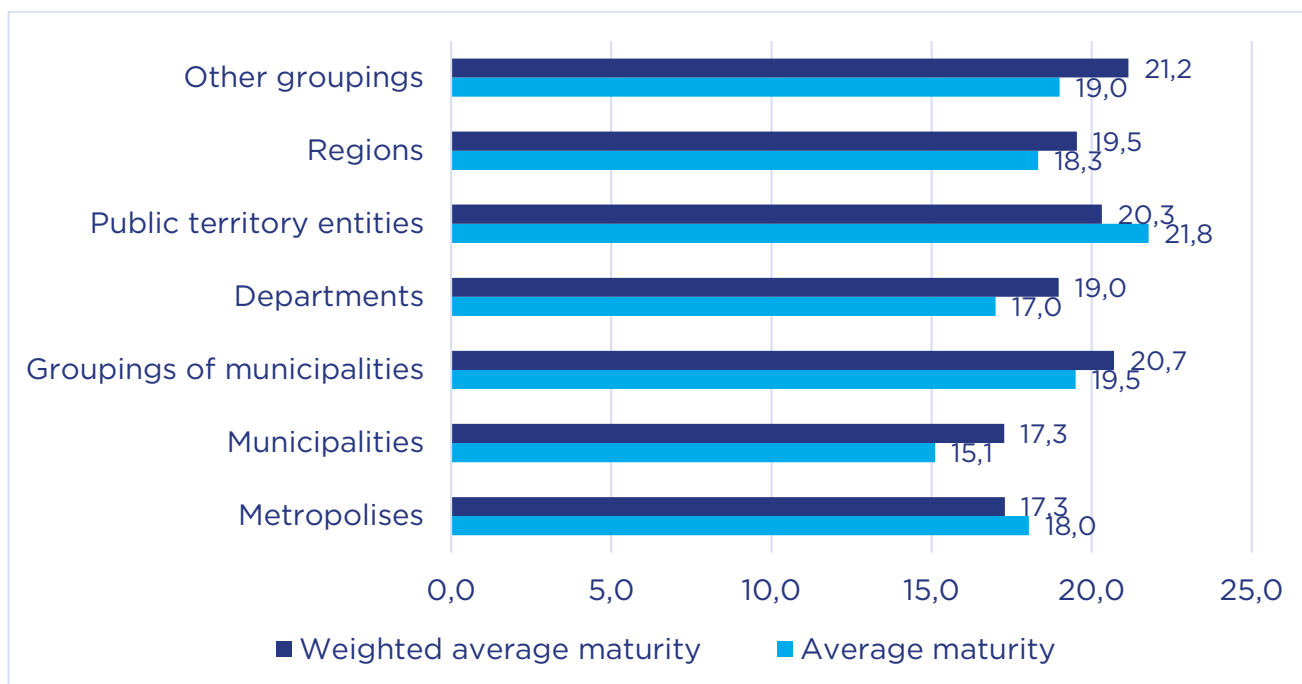
As shown in the chart below, 83% of the loans originated by AFL in 2023 had a maturity of between 10 and 20 years, including 30% at 15 years, compared to 21% in 2022. 4% of origination was for loans maturing in less than 10 years, against 2% in 2022, and 12% for loans maturing in over 20 years, against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

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



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

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



2. Liquidity reserve

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

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

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

- A segment invested in very short-term instruments and consisting of debt securities, deposits on *nostris* accounts, term accounts and deposits with the Banque de France amounting to €1.047 billion⁶;
- A segment mainly but not exclusively consisting of securities benefiting from the HQLA label, due to their rating quality and high degree of liquidity, amounting to €920.7 million⁷.

Due to the investments made as part of the liquidity reserve, AFL bears a credit risk on the issuers of assets that it acquires or on the exposures that it takes. This credit risk is nevertheless limited in view of the quality of the counterparties, which all enjoy excellent rating levels from the major rating agencies. At 31 December 2023, €1.711 billion, or 90% of the liquidity reserve, consisted of HQLA assets, mainly sovereign and supranational issuers and public agencies or development banks. The remaining 10% principally represents *nostris* accounts, term deposits with banks, as well as some securities exposures to the banking sector. The securities acquired as part of the liquidity reserve include securities issued or guaranteed by the French State, or States of the European Economic Area or third

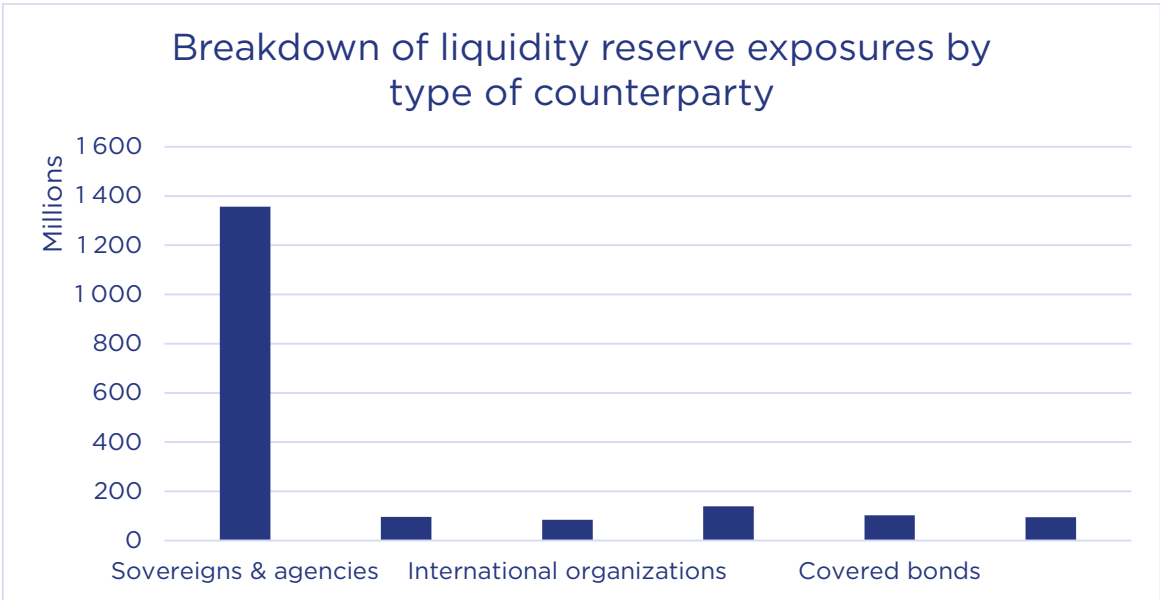
⁶ €975 million in central bank deposits and €175 million in bank deposits, including €104 million in margin calls.

⁷ €591 million of securities at fair value through equity and €329 million of securities at amortised cost.

countries with very high credit ratings, or supranational institutions with high ratings, as well as securities issued by financial institutions, some of which are guaranteed by European States.

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

Breakdown of liquidity reserve exposures by type of counterparty⁸

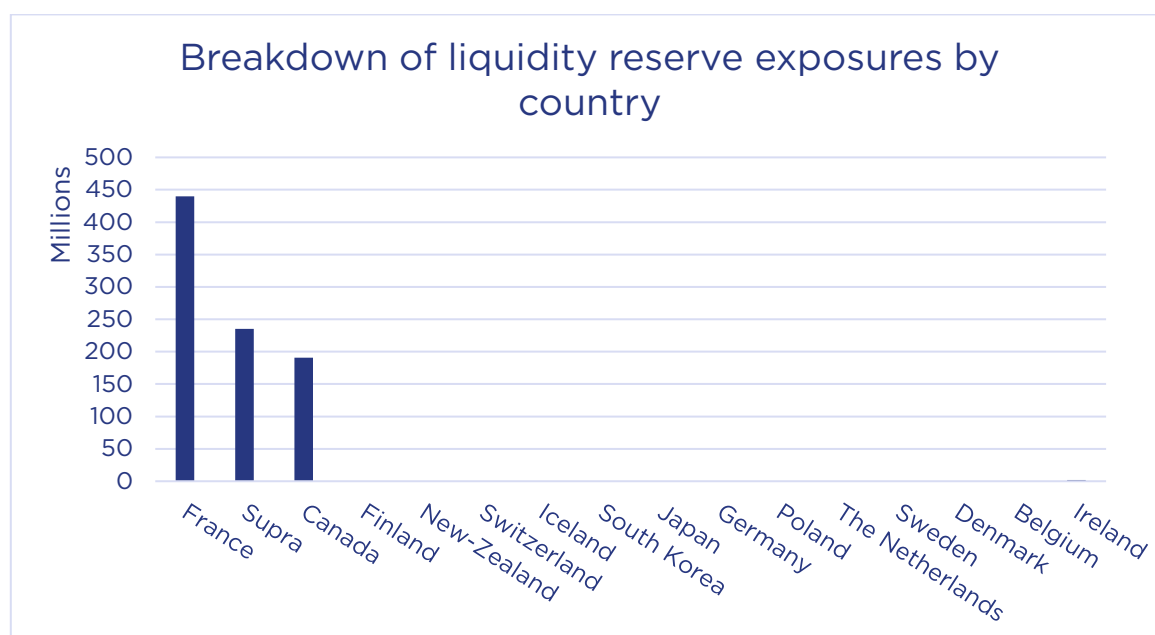


As shown in the following graphs, the assets comprising the liquidity reserve relate mainly to French issuers but also include European and international issuers. France’s high proportion is explained by deposits with the Banque de France, which account for €975 million out of a total of €1.967 billion.

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

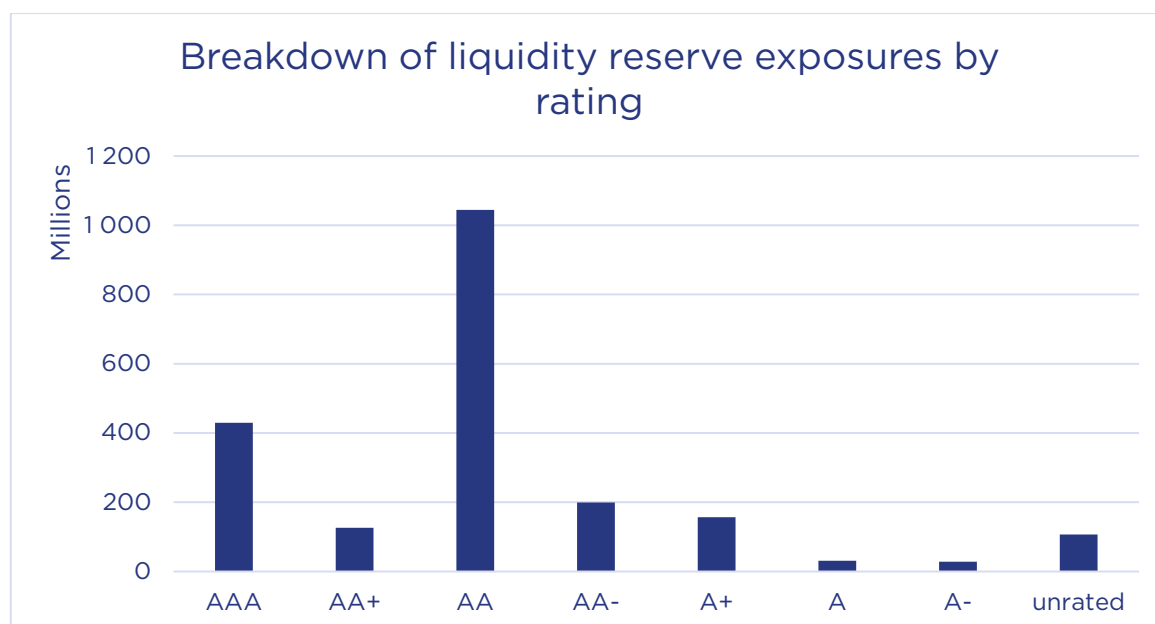
⁸ “Promotional” banks or “public development credit institutions” (see the Delegated Act on the LCR liquidity coverage ratio, issued by the European Commission on 10 October 2014 and CRR2 published on 7 June 2019), represent a category of financial institutions eligible for the HQLA standard in view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

Breakdown of liquidity reserve exposures by country



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

Breakdown of liquidity reserve exposures by rating



3. Margin calls paid

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

4. Subsidiaries and shareholdings

4.1. Activities of Company subsidiaries and companies under its control

AFL has no subsidiaries or holdings in other companies.

4.2. Equity investments and takeovers

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

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

4.3. Cross-shareholdings

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

5. Indicator of returns on assets

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



Balance sheet liabilities and debt management (IFRS)

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

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

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

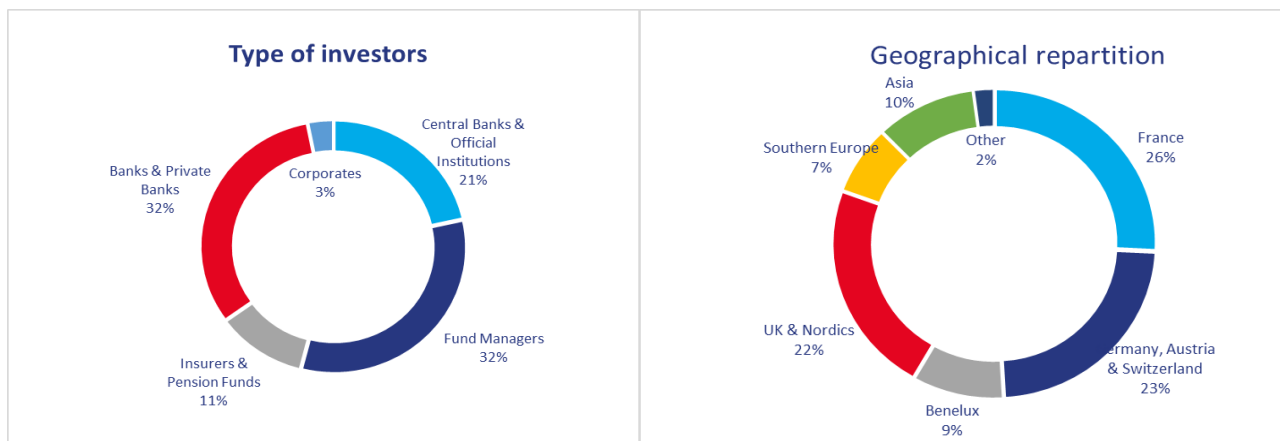
Extracts from the main liability items (IFRS)

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

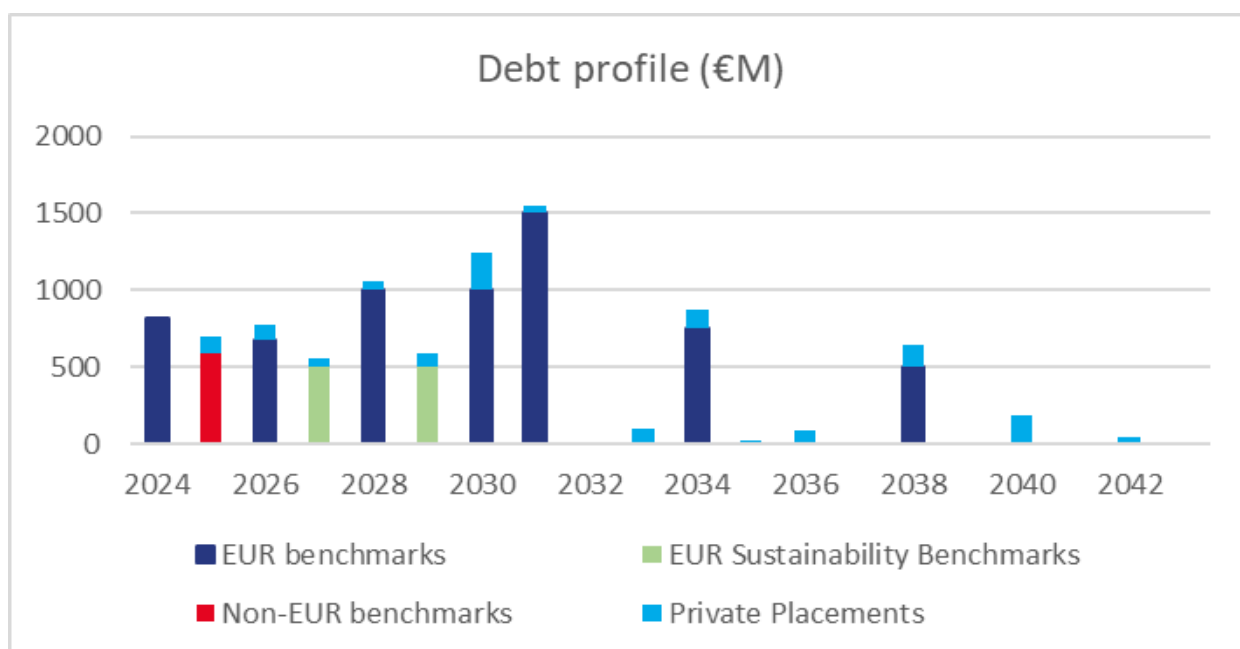
1. Financial debt of AFL

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

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



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



2. Breakdown of accounts payable

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

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

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

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

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

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

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

Invoices overdue during the financial year						
	Article D.441-6 II : Invoices received having experienced a payment delay during the financial year					
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total invoices (1 day or more)
(A) Late payment tranches						
Number of invoices concerned	1 152	26	12	3	14	55
Total amount of invoices concerned excl. tax	8 430 486 €	172 049 €	37 951 €	10 369 €	9 770 €	230 138 €
Percentage of the total amount of purchases excl. tax for the financial year	97,34%	1,99%	0,44%	0,12%	0,11%	2,66%
Percentage of revenue excl. Tax for the financial year	60,73%	1,24%	0,27%	0,07%	0,07%	1,65%
(B) Invoices excluded from (A) relating to disputed or unrecognised debts						
Number of invoices excluded						
Amount of invoices excluded						
(C) Reference payment periods used (contractual or legal period - Article L.441-6 or Article L.443-1 of the French Commercial Code)						
Payment periods used to calculate late payments	Contractual					

3. Margin calls received

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

IV.

Net income for the period ended 31 December 2023

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

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

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

1. French GAAP financial statements

Key events of the past financial year

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

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

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

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

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

- Firstly, income relating to the loan portfolio of €221.566 million, after hedging effects, compared with €31.182 million at 31 December 2022, is up sharply due to the rapid increase in outstanding loans and above all the sharp rise in the 3-month Euribor rate, to which most of AFL's loan portfolio is indexed through hedging derivatives, automatically resulting in an increase in interest income.
- Secondly, income from the liquidity reserve, which amounted to €84.138 million, compared with €2.641 million at 31 December 2022, showed a similar trend, again due to the sharp rise in the 3-month Euribor rate and the ECB deposit rate, to which these assets are indexed. In this regard, we should also note a reduction in the cost of carrying of liquidity due to the higher profitability of Banque de France deposits, with the deposit rate actually rising faster than market expectations of rate rises.

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

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

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

- Staff costs rose from €1.198 million to €7.351 million at 31 December 2023 due to new recruitment and increases in fixed salaries and in variable remuneration.
- External services, net of rebilling between AFL and AFL-ST and deferred charges, increased by €615,000 to €5,722 million at 31 December 2023, compared with €5,107 million at 31 December 2022. The increases principally derived from IT system operating costs, an increase in the use of non-legal advisers and from marketing and communication expenses.
- An increase in taxes and compulsory contributions of €196,000 to €1.364 million at 31 December 2023, compared with €1.169 million at 31 December 2022. The main component of this increase was the €158,000 contribution sociale de solidarité des sociétés [company social solidarity contribution] (C3S).

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

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

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

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

Reconciliation of French GAAP accounts with IFRS standards

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

2. IFRS financial statements

Key events of the past financial year

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

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

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

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

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

- Firstly, income from the loan portfolio, which amounted to €221.566 million after hedging effects, compared with €31.182 million at 31 December 2022, rose sharply due to the rapid increase in outstanding loans and above all, the sharp rise in the 3-month Euribor rate, to

which most of AFL's loan portfolio is indexed through hedging derivatives, leading mechanically to an increase in interest income;

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

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

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

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

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

- Staff costs increased by €1.219 million to €7.343 million at 31 December 2023, due to new recruitment, higher fixed salaries and higher variable remuneration.
- External services net of rebillings between AFL and AFL-ST increased by €586,000 to €5.806 million at 31 December 2023, compared with €5.220 million at 31 December 2022. The increases principally derived from IT system operating costs, an increase in the use of non-legal advisers and from marketing and communication expenses.
- An increase in taxes and compulsory contributions of €196,000 to €1.364 million at 31 December 2023, compared with €1.169 million at 31 December 2022. The main component of this increase was the €158,000 *contribution sociale de solidarité des sociétés* [Company social solidarity contribution] (C3S).

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

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

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

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

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

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

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

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

3. Proposed allocation of net income

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

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

No dividends were distributed by way of the financial year ending 31 December 2022 and none were distributed over the previous three financial years.

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

During the financial year ended 31 December 2023, AFL did not incur any expenses, as defined by Articles 39-4 and 39-5 of the French General Tax Code.



Risk management

1. Risk appetite

Since its creation, the AFL Group has implemented a comprehensive risk management system, which aims to identify, measure, manage and control the risks of all kinds that affect its activity. This system covers all risks to which the AFL Group is subject.

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

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

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

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

Rating of French local authorities

- Each local authority that is a member of AFL is rated before any loan is granted. The assessment of a member's credit quality is based on a quantitative rating based, on the one hand, on financial indicators and, on the other hand, on socio-economic indicators (**NSE**). This quantitative rating, consisting of two scores, is applied to all credit applications and is used to obtain a system score. In addition, a qualitative analysis may be carried out depending on the risk profile or the amount granted.
- AFL takes into account the environmental, social and governance (ESG) factors and risks likely to have an impact on the creditworthiness of borrowers in its lending policy, as follows:
 - AFL takes social risks into account in its policy for granting loans via the rating, the NSE impact of the rating of local authorities, incorporating social factors, such as the unemployment rate or per capita income;
 - AFL takes governance risks into account in its credit granting policy via the rating. The qualitative approach developed for certain local authorities includes aspects of local authority governance, even though local public management is generally considered to be robust and stable due to a particularly restrictive legal and budgetary framework;
 - In order to integrate the environmental factor into its lending policy, AFL has developed a Climate vulnerability index. At this stage, this index applies exclusively to municipalities. It allows for the incorporation of an assessment of the vulnerability of a local authority to climatic hazards.

Credit risk for French local authorities

All French local authorities - regions, departments, municipalities, their groupings and local public bodies regardless of their size - can join Agence France Locale, provided that they have a sound financial position. This financial position is assessed on the basis of an AFL internal rating system and, since May 2020, on the basis of two criteria established by decree.⁹

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

- Its debt reduction capacity, calculated over the average of the last three years, must be less than 9 years for regions and single territorial authorities, 10 years for departments and the Metropolis of Lyon, and 12 years for municipalities, the City of Paris and local public groupings and establishments.
- If the first criterion does not meet the threshold of the Decree, its current cash flow, also calculated on the average of the last three years, must be less than 100%.

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

The following limits govern the granting of a loan.

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

AFL offers its members a range of simple loans: medium- and long-term fixed-rate or variable-rate loans over the entire term of the loan, with or without a mobilisation phase, and cash lines. The distribution of any structured product is prohibited.

Shareholder membership of AFL-ST is a necessary but not a sufficient condition for obtaining a loan from AFL. In particular, member local authorities with a final rating of 6 or more will not receive any loan from AFL.

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

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

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

Credit risks linked to the liquidity reserve

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

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

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

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

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

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

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

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

This management, while defensive, cannot exclude the default of a counterparty or an issuer.

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

Liquidity risk

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

- The establishment of a significant liquidity reserve.
 - AFL has a liquidity reserve at its disposal at all times, the size of which represents one year of activity. The tool used to measure this objective is the NCRR (or "Net Cash Requirement Ratio"), which verifies that the reserve of liquid assets is sufficient to meet foreseeable needs over a rolling 12-month horizon. The minimum that AFL intends to achieve is 100%, with a range of 80-125%.
 - In order to secure the repayment of future medium- and long-term issues three months in advance, AFL undertakes to hold an amount of cash in its Banque de France account, corresponding to the debt repayments for the period net of certain cash inflows.
 - At the same time, the regulatory LCR ratio must be respected ("Liquidity Coverage Ratio"); this makes it possible to verify that AFL's reserve will allow it to meet its 30-day liquidity requirements under stress assumptions. The regulatory requirement is 100%.
- A diversified financing strategy.
 - Agence France Locale pursues an issuance strategy that aims to diversify its sources of financing by type of investor, maturity, geographical area and currency in order to avoid any excessive concentration of refinancing falls and to limit its financing risk. These issues mainly comprise bonds traded on a regulated market, in the form of benchmarks or private placements, under an EMTN (Euro Medium Term Note) program, but also, and to a lesser extent, money market negotiable debt securities, under an ECP (Euro Commercial Paper) program. AFL may also issue debt repayable before maturity for a maximum of 10% of its liabilities.
- Limiting the transformation of the statement of financial position;
 - The statement of financial position includes amortisable loans on its assets side and debts on its liabilities side, in both cases hedged against interest and exchange rates. Unlike the loans on the assets side, the debts on the liabilities side are not amortisable, so that AFL is subject to a transformation risk or price risk in liquidity. AFL severely limits its transformation, measured by two ratios:
 - The average life gap corresponds to the average maturity gap between assets and liabilities and measures the transformation practised by AFL; the activity is steered to limit this gap to one year. The 12-month limit may nevertheless be exceeded, for example during peaks in loan origination. These overshoots must be temporary and limited to a period of no more than 6 months from the date on which the overshoot is recorded. In such cases, the average life gap must never exceed 24 months.
 - The "Net Stable Funding Ratio" or "NSFR" compares AFL's stable funding (at more than 12 months) to long-term funding requirements. The regulatory requirement is 100%.
 - Over a 20-year period, the nominal value of loans granted by AFL after amortisation must not exceed the amount of ICCs promised.

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

Interest rate and foreign exchange risks

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

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

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

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

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

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

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

Non-financial risks

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

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

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

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

In accordance with regulations, AFL has set up a system for the systematic analysis of operational incidents, which provides for the reporting of significant incidents to the supervisory bodies according to criteria set by them and reviewed every year. The threshold for reporting significant incidents is set at €500,000, a level that is more conservative than the minimum level required by the regulations.

Calculated according to the standard regulatory approach, the equity capital requirement for operational risk represents 15% of the average of its net banking income over the last three years and amounted to €2.2 million at 31 December 2022.

Solvency and leverage ratio floor requirements

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

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

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

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

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

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

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

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

1. Strategic risks

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

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

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

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

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

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

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

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

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

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

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

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

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

Although AFL was created by law and satisfies a strong and consistent demand in recent years by a significant number of local authorities, the development of AFL's activities depends on the interest of the model used by AFL for local authorities. In 2023, AFL accounted for a market share estimated at nearly 55% of its members' financing needs.

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

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

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

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

AFL has been benefited from authorisation by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) since 12 January 2015 as a specialised lending institution. This authorisation is indispensable for the exercise

of AFL's activity. This authorisation subjects AFL to a certain number of regulatory requirements, including the obligation to comply with specific textual provisions and prudential ratios.

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

Directive 2014/59/EU of May 15, 2014, as amended (the "**RRD**"), and Regulation No. 806/2014 of 15 July 2014, as amended by Regulation (EU) 2019/877 of 20 May 2019 on the single resolution mechanism (the "**SRM**"), establish a framework for the recovery and resolution of lending institutions and investment firms that aims to enable a wide range of actions which may be taken by the competent regulatory authorities in connection with lending institutions and investment firms that are considered to be at risk of default. The objective of the RRD is to provide the resolution authorities, including the ACPR in France, with common and effective tools and powers for tackling banking crises in advance, preserving financial stability and minimising the exposure of taxpayers to losses.

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

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

- Disposal on normal terms either of the institution itself or of all or part of its business, without the consent of the shareholders;
- Bridge institutions - allow resolution authorities to transfer all or part of the institution's activities to the "bridge institution" (an entity under public control);
- Separation of assets - allows resolution authorities to transfer impaired or toxic assets to a structure that can manage and ultimately restore them; and
- Bail-in - allows resolution authorities to write down certain subordinated and non-subordinated debt (including principal and interest on the notes) of a defaulting institution and/or convert them into equity securities, which may then also form the object of other reduction or impairment measures.

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

The Agence France Locale Group has already imposed an internal solvency ratio limit of 12.5% since its creation. This will be raised to 13% from 31 March 2024 onwards.

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

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

The powers granted to the resolution authorities, or the non-compliance by AFL with the minimum capital requirements and eligible liabilities, could have an influence on the form of its management, as well as on its financial position and its business plan.

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

2. Financial risks

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

- Liquidity price risk: this is the risk of a deterioration in the refinancing conditions of certain assets that could generate a loss in net banking income due to a mismatch between the maturity of refinanced assets and that of the liabilities; this mismatch most commonly occurs with assets with a longer maturity than the liabilities. At 31 December 2023, the average maturity difference between AFL's assets and liabilities was 1.27 years and the NSFR ratio was 231%.
- Financing risk: this is the risk that AFL will be unable to raise the liquidity it needs to meet its commitments and the financing requirements associated with its development. At 31 December 2023, AFL had a liquidity reserve of €1.967 billion, corresponding to an NCRR ratio of 80%. The regulatory 30-day liquidity ratio (LCR) was 541%.
- Illiquidity risk: this is the risk of a disruption in short-term cash flow, notably linked to the risk that AFL may be unable to sell an asset on a market without suffering an impairment loss. At 31 December 2023, for the portfolio of financial assets at fair value through equity alone, the net balance sheet value of which was €592 million, the impact of gains and losses recognised directly in equity amounted to -€3.123 million, net of deferred tax.

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

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

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

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

Interest rate risk

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

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

AFL's interest rate risk hedging policy consists of micro-hedging or quasi-systematic macro-hedging of AFL debts, loans granted by AFL and securities held in the liquidity reserve to transform them into variable-rate instruments indexed to the 3-month Euribor reference, or debts issued by the Issuer to transform them into variable-rate instruments indexed to the €STR benchmark, using interest rate swaps. The hedge in place protects AFL against a uniform rise in the yield curve and the basis risk associated with the indexation of certain parts of its balance sheet against €STR; it generates a liquidity risk, depending on changes in rates, due to margin calls, as well as a credit risk of the banks that are counterparties to the swaps or the clearing house LCH Clearnet.

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

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

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

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

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

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

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

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

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

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

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

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

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

Foreign exchange risk

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

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

At 31 December 2023, the notional amount outstanding on currency swaps was €1.21 billion. The hedges implemented generate a liquidity risk, considering margin calls sensitive to changes in currency rates, as well as a credit risk on the swap counterparty banks.

The amount of margin calls paid, net of margin calls received, by way of these hedging instruments amounted to €101.4 million at 31 December 2023.

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

The credit risk of its borrowers

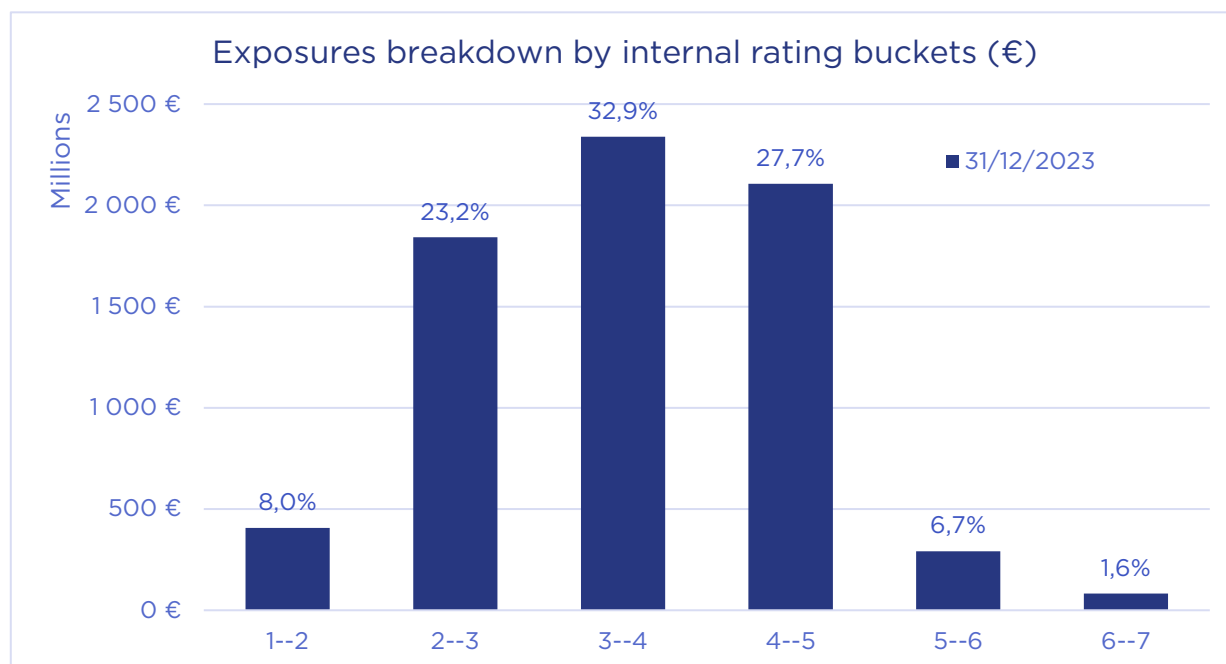
Pursuant to Article L. 1611-3-2 of the French General Local and Regional Authorities Code (CGCT), AFL carries out its activities for the exclusive benefit of the local authorities that are shareholders of AFL's parent company and guarantors of the debt securities issued by AFL up to the amount of their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

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

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

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

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



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

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

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

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

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

The credit risk of its counterparties

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

The ratings of AFL's exposures are of very high quality, with 85% of exposures rated Aa2 or above by Moody's at 31 December 2023. The average weighted risk of this portfolio was 3.5%.

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

D. Financial risk due to the effects of climate change

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

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

3. Non-financial risks

AFL is exposed to non-financial risks

▪ A. AFL is exposed to risks linked to human resources

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

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

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

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

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

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

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

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

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

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

AFL did not form the object of any litigation with one of its counterparties during the financial year ended 31 December 2023. It nevertheless cannot be excluded that litigation may arise in the context of its activities, in particular with a local authority member, which would damage AFL's reputation and could result in a loss of value for AFL.

3. Prudential ratios and equity

- **Capital requirements**

AFL is monitored for capital consumption at consolidated level. Since its creation, the AFL Group has imposed an internal solvency ratio limit of 12.5%. This will rise to 13% from 31 March 2024 onwards.

On 22 December 2023, the ACPR confirmed the AFL Group's obligation to hold capital enabling it to comply with a total prudential capital requirement of 9.25%, including:

- A minimum capital requirement of 8%; and
- An additional equity capital requirement, known as Pillar 2, of 1.25%.

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

- **MREL:**

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

- **Methods for calculating capital ratios**

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

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

- **Prudential ratios and equity at 31 December 2023**

AFL reports regulatory equity capital to the ACPR on a consolidated basis only, in accordance with IFRS

accounting standards, regarding its parent company, AFL-ST.

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

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

4. Risk management and internal control system

4.1 General principles

1.1. Definition and objectives

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

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

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

1.2. Applicable legal and regulatory context

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

1.3. Group organisation and responsibilities

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

- it implements the necessary means to ensure that AFL complies with the applicable regulatory provisions;
- it guarantees that the systems implemented within the AFL Group enable the risks incurred by the AFL Group to be measured, monitored and controlled;
- it verifies the implementation of an organisation and control system, as well as the adoption, within AFL, of adequate procedures for the production of information and intelligence useful for the purposes of monitoring the AFL Group.

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

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

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

1.4.Governance

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

The Supervisory Board

The AFL Supervisory Board notably:

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

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

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

The Executive Board

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

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

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

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

- defining and communicating to employees AFL's main values and expectations in this area, which must be reflected in everyone's behaviour;
- a positive attitude towards risk control, compliance verification and internal audit within AFL;

- an environment of open communication and effective questioning, in which decision-making processes encourage a broad exchange of opinions, test current practices, stimulate a constructive and critical attitude among staff and promote a climate of open and constructive participation throughout the organisation.

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

The Commitments and Risks Department

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

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

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

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

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

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

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

Internal committees

Chaired by the Chairman of the Executive Board, two committees were established to direct the internal control and risk monitoring system:

- The **Global Risk Committee**, which meets quarterly, is responsible for monitoring the exposure of AFL to risks of all kinds. On an annual basis, it validates risk appetite, risk policies, measurement indicators and the management of these risks. It also oversees the risk management system and decides on the associated action plans;

- The **Internal Control Committee**, which meets half-yearly, is responsible for overseeing the control system across all its functions and for assessing its effectiveness.

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

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

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

In the first two operational committees, the Director of Climate Commitments & Risks and Sustainable Financing has a right of veto. In the event that this is exercised, the decision is either postponed to a subsequent Committee, or is subject to a decision by the Executive Board in a vote for which, in the event of a tie, the Chairman of the Executive Board has the casting vote.

2. Internal control functions

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

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

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

- AFL's business lines are responsible for managing the risks to which they are exposed while conducting their activities. They identify the risks associated with their activity and comply with the procedures and limits set; the Commitments and Risk Department assists them in defining the risks related to their activity and the controls to be considered.
- A first level of permanent control is exercised by employees carrying out operational activities; they must have the means of control for this purpose.

- A second level of permanent control is carried out by employees who work in the Commitments & Risks Department. In particular, these employees check that the risks have been identified and managed by the first level of control, according to the provided rules and procedures. This second level of control is carried out by the Risk management function and the Compliance Audit function, whose missions are specified below.

2.1. The Risk management function

Objectives

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

Scope

The Risk management function:

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

In this capacity, it implements and maintains the following in operational condition:

- Response and business continuity plans which guarantee that AFL responds appropriately to emergencies and is able to maintain its most important activities in the event of disruption to its ordinary operating procedures;
 - Recovery plans for critical resources which enable the institution to restore its ordinary operating procedures within an appropriate time frame;
 - AFL insurance coverage.
6. **The risk management function is in charge of the incident system;** it carries out the following:
 - The collection and monitoring of incidents reported by the business lines and, more specifically, significant incidents pursuant to the Decree of 3 November 2014;
 - The overall monitoring of incidents and resulting action plans through the Internal Control Committee and feeds the risk mapping with regard to these elements;
 - Feedback on these analyses in the form of regular reporting and recommendations to strengthen the risk management system.
 7. **The Risk management function assesses the amounts of appropriate internal capital** given the nature and level of risks to which AFL could be exposed, with this validated by the Executive Board.
 8. **In order to carry out these missions, the risk management function performs second-level permanent control reviews.**

Organisation

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

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

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

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

Associated resources

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

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

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

Activities of the Risk Management function in 2023

The main activities of the risk management department relate to:

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

2.2. The Compliance function

Objectives

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

Scope

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

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

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

1. **The Compliance function is in charge of managing the New Products - Significant Changes system.** On this subject, the Compliance function performs a systematic prior assessment and provides a documented, written opinion for new products or significant changes to existing products.
2. **The Compliance function is responsible for managing the updating of the body of procedures,** listing all existing procedures (describing, in particular, the procedures for recording, processing and reporting information, accounting schemes and procedures for validating transactions), notably ensuring:
 - its completeness at all times;
 - its validation as part of the Organisation and Process Committee by all stakeholders; and
 - it draws on the operational departments to execute the said procedures.

It keeps the policies and procedures available to employees in a documentary database, so that anyone can refer to them whenever significant changes are made.
3. **The Compliance function can be contacted by any manager or employee on possible compliance issues** according to the process specified by the Ethics Manual. These malfunctions are centralised in a database.
4. The Compliance Function is responsible for **second-level permanent control missions targeting risk of non-compliance** and ensures their consistency and effectiveness.
5. As part of the various compliance recommendations and regulations (Monetary and Financial Code, GAFI, ACPR and AMF regulations and positions), **the Compliance function defines and implements an anti-money laundering and anti-terrorist financing system and a system for due diligence and reporting of suspicious transactions.**

Organisation

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

Associated resources

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

- External reference texts (legal provisions, regulations, standards, opinions of the authorities) monitored as part of its watch;
- Internal reference texts (policies, procedures, accounting schemes, etc.);
- a permanent control system.

Activities of the Compliance Function in 2023

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

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

- The system for combating money laundering and the financing of terrorism and for compliance with embargoes;
- The system for the prevention of market abuses;
- The system for managing conflicts of interest;
- The regulatory monitoring and compliance system.

2.3. Permanent operational and accounting control system

Permanent accounting control

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

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

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

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

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

i. Organisation of the accounting system

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

ii. Permanent accounting controls (levels 1 and 2)

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

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

On a daily basis:

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

On a monthly basis:

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

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

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

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

In detail, this involves:

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

Permanent operational control

The permanent operational control framework covers the daily performance of the controls necessary for the proper functioning of AFL's various activities, with the aim of learning lessons which provide:

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

Permanent control is based on:

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

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

The control tools used are, in particular:

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

Organisation

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

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

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

Permanent control activities in 2023

In 2023, the permanent control system was strengthened. The body of rules governing AFL's activities (policies, procedures, operating methods) was maintained, as part of an extensive updating plan. The first-level control system was extended (functional extension, automation). Lastly, the Permanent Control Plan approved by the Internal Control Committee was implemented exhaustively, enabling all AFL processes to be examined in accordance with procedures adapted to the perceived risk.

2.4. The Internal Audit function

Objectives

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

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

It assesses whether the internal control system of the institution is effective and efficient, and notably assesses:

- the adequacy of the institution's governance framework;
- whether existing policies and procedures are adequate and comply with legal and regulatory requirements, as well as the institution's risk appetite and risk strategy;
- the compliance of the procedures with the applicable legislation and regulations and with the decisions of the Executive Board, the Supervisory Board and the Board of Directors;
- whether the procedures are implemented appropriately and effectively;
- the adequacy, quality and effectiveness of the controls carried out and the reports submitted by the operational units of the first line of defence and the risk management and compliance functions;
- the integrity of the processes guaranteeing the reliability of AFL's methods and techniques, as well as the quality and use of the qualitative risk detection and assessment tools and the risk mitigation measures adopted.

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

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

Scope

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

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

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

Organisation

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

In this way, the Internal Audit function is completely independent of the other functions within the scope of the system.

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

Activities of the internal audit function in 2023

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

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

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

VI.

AFL Research and Development activity

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

VII.

Data on share capital and shares

1. Shareholding structure and changes during the financial year

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

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

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

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

The Annual General Meeting of Shareholders of AFL shall be called on this point to renew the delegation of powers to the Company's Executive Board to carry out capital increases up to an overall limit of €150 million, with the cancellation of shareholders' preferential subscription rights for the benefit of AFL-ST.

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

2. Employee share ownership

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

Consequently:

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

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

3. Company share buybacks

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

4. Transactions on AFL securities by its officers

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

5. Stock market position of AFL

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



Other Key Performance Indicators

Financial information appears elsewhere in the document

1. Environment

▪ Digitalisation of business processes

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

▪ Taking account of environmental issues in the organisation of work.

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

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

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

IT infrastructure of "serverless" type means that computer servers can be moved to the Cloud and shared, reducing the electricity consumption of the computer room and allowing IT resources to be managed as closely as possible to requirements. The ergonomic design of workstations has led to a reduction in the number of screens, all of which have the Energy Star label, promoting energy savings.

Actions to reduce the environmental impact realised in 2023	
Reduction of environmental impact and greenhouse gas emissions	<p>AFL has launched multiple projects to cut the energy consumption of its premises:</p> <ul style="list-style-type: none">- Continuation of the plan to replace multi-screen workstations with wide single-screen workstations, which consume less energy;- Turning off the hot water in bathrooms;- Regulation of the heating temperature in the premises;- Reinforcement of the selective sorting system;

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

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

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

2. Employees

Total workforce - AFL Group:

- Within AFL-ST

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

- Within AFL

Breakdown of employees by geographical area

Year 2023	Headquarters (Lyon)	Other
Staff	44	0

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

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

Recruitment:

Employee movement

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

Working hours

At 31 December 2023, 33 employees, i.e. 75% of the total workforce, are subject to the daily fixed rate and enjoy autonomy during the daily attendance time slot, in compliance with the legal guarantees provided in terms of daily and weekly rest and paid leave. Employees on a fixed day plan benefit from days of rest, the number of which is established in accordance with the Collective Agreement. On the other hand, 5 senior managers and 1 company officer fall outside the working time regulations.

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

Work organisation

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

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

Professional equality

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

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

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

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

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

	Year 2023
Gender equality index for equal pay	87/100

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

For example, all eligible employees among AFL's staff at 31 December 2023 have signed the remote working charter.

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

Breakdown of employees by gender

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

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

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

2023	0	3
TOTAL	12	15

- Well-being of employees

Teleworking system

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

- Training

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

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

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

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

- Employment and integration of disabled people

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

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

* Employment assistance establishment and service

** Declaration in June 2024

- Promotions

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

- Professional integration of young people

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

Compensation

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

Retirement benefits

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

Retirement benefits	
Year 2023	0

Absenteeism

Year 2023	0.67%
------------------	-------

Stoppages	Year 2023
Work accidents	0
Commuting accidents	0
Diseases	13
Occupational illnesses	0

(13 stoppages, total 92 days)

27 March 2024,

Yves Millardet
AFL Chairman of the Executive Board

ANNEX 1

TABLE OF RESULTS FOR THE PAST FIVE FINANCIAL YEARS

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

Separate financial statements at December 31:

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

ANNEX 2

REPORT OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE

Dear Shareholders,

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

This report notably includes the information required pursuant to Articles L.225-68, paragraph 6, L.225-37-4, and L.22-10-20 of the French Commercial Code, article L.511-100 of the French Monetary and Financial Code, and the provisions of the AFEP-MEDEF Corporate Governance Code, to which Agence France Locale adheres on a voluntary basis.

Table of contents

1.	<u>Declaration of compliance with the Corporate Governance</u>	
Code		75
2.	<u>Assessment of the collective functioning of the Supervisory Board and of the individual contribution of the members</u>	75
3.	<u>Composition and functioning of company bodies</u>	76
3.1.	<u>The Supervisory Board</u>	76
3.1.1.	<u>Composition</u>	76
3.1.2.	<u>Rules applicable to the appointment of members of the Supervisory Board</u>	91
3.1.3.	<u>Knowledge, skills, and experience of the Supervisory Board members</u>	92
3.1.4.	<u>Independence of the members of the Supervisory Board</u>	93
3.1.5.	<u>Balanced composition of the Board and Committees and objectives pursued</u>	97
3.1.6.	<u>Conditions for preparing and organising the Board's work</u>	98
3.2.	<u>The specialised committees of the Supervisory Board</u>	102
3.2.1.	<u>The Audit and Risk Committee</u>	103
3.2.2.	<u>The Appointments, Compensation and Corporate Governance Committee (ACCGC)</u>	104
3.2.3.	<u>Strategy and Responsible Commitments Committee</u>	105
3.2.4.	<u>Attendance of members at meetings of the Supervisory Board and specialised committees: attendance at meetings of members of the Supervisory Board and its specialised committees during the financial year 2023</u>	107
3.3.	<u>The Executive Board</u>	109
4.	<u>Compensation</u>	113
4.1.	<u>Members of the Supervisory Board and its specialised committees</u>	113
4.2.	<u>Executive Board</u>	Erreur ! Signet non défini.
4.3.	<u>Company employees cited in Article L.511-71 of the French Monetary and Financial Code, known as "risk takers"</u>	133
4.4.	<u>Company incentive plan</u>	133
5.	<u>General Meeting of Shareholders</u>	135

5.1.	<u>Special terms for shareholder participation in the General Meeting or provisions of the Articles of Association providing for these procedures</u>	135
5.2.	<u>Rules on amendments to the Articles of Association</u>	135
6.	<u>Regulated agreements</u>	135
7.	<u>Share capital, shareholding structure, and control of the Company</u>	137
7.1.	<u>Structure of the Company's share capital</u>	137
7.2.	<u>Restrictions on the exercise of voting rights and on share transfers</u>	137
7.3.	<u>Securities conveying special control rights</u>	138
7.4.	<u>Employee share ownership</u>	138
7.5.	<u>Summary table of the use of delegations granted for the execution of capital increases by the General Meeting of Shareholders, by way of application of Articles L.225-129-1 and L.225-129-2, and pursuant to the provisions of Article L.225-37-4, 3 of the French Commercial Code</u>	139
8.	<u>Observations of the Supervisory Board on the management report issued by the Executive Board for the financial year 2023 and on the separate financial statements established for the financial year ended on 31 December 2023</u>	141
	<u>Annex 1 - The following table details the independence criteria stipulated in Article 10 of the AFEP-MEDEF Code</u>	142
	<u>Annex 2 - Criteria for allocating the compensation of the members of the Executive Board for the financial year 2023</u>	143
	<u>Annex 3 - Criteria for allocating the compensation of the members of the Executive Board for the financial year 2024</u>	144

GLOSSARY

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

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

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

1. **Declaration of compliance with the Corporate Governance Code**

In accordance with the provisions of articles L.22-10-10, 4 of the French Commercial Code and 28.1 of the AFEP-MEDEF Corporate Governance Code, the Company declares that it adheres to, applies and voluntarily adopts the recommendations issued by the AFEP-MEDEF within the code of the same name, as a reference framework for corporate governance. The Internal Regulations of the Company's Supervisory Board include the main provisions of the said Code¹⁰.

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

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

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

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

The AFL has chosen not to apply the provisions of Article 9 of the AFEP-MEDEF Code: in view of its light business model, notably its limited workforce of around thirty permanent employees, its Articles of Association do not provide for the possibility of appointing employee representatives to the Supervisory Board¹¹.

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

Pursuant to Article L.511-100 of the French Monetary and Financial Code and Article 11 of the AFEP-MEDEF Code, it is the responsibility of the ACCGC to review the following periodically, at least once a year:

- (i) the composition and functioning of the Supervisory Board;
 - (ii) the knowledge, skills and experience of the members of the Supervisory Board;
- and to report on these to the Board (*Assessment by the Board*).

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

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

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

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

In summary, this review revealed:

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

3. Composition and functioning of company bodies

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

3.1. The Supervisory Board

3.1.1. Composition

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

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

In this way, in accordance with the Company's amended Articles of Association¹², the Supervisory Board has a minimum of eight members and at most eighteen members, and comprises, as a minimum:

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

¹² Article 15.1 of the Articles of Association.

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

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

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

These rules are designed to ensure the competence and independence of AFL's Supervisory Board, a key element in guaranteeing the good governance and management autonomy of AFL with regard to AFL-ST¹³.

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

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

- **Non-voting directors**

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

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

In this way, under the terms of the Company's amended Articles of Association, the Supervisory Board has the option of appointing up to three individuals as non-voting members of the Supervisory Board¹⁴.

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

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

Composition of the Supervisory Board at 31 December 2023:

At 31 December 2023, the Supervisory Board had 12 members.

As previously indicated, no member of the Board holds any shares in the Company's share capital - *see point 1 of this report*.

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

¹³ See point 3.1.4 of this Report.

¹⁴ Article 15.12 of the Articles of Association

Mr Sacha Briand

Chairman of the Supervisory Board

Date of Birth: 11 December 1969

Nationality: French

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

Reappointment: AGM of 6 May 2021

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

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

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

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

Other areas of expertise and experience

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

Mrs Marie Ducomin

Deputy Chairwoman of the Supervisory Board

Date of Birth: 11 August 1967

Nationality: French

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

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

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

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

- 1998-2020: History and geography teacher

Other areas of expertise and experience

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

Mr Olivier Landel

Member of:

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

Date of Birth: 9 January 1963

Nationality: French

1st appointment:

In the Articles of Incorporation of 17 December 2013

Renewals: AGMs of 5 May 2017 and 6 May 2021

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- Chief Executive Officer, AFL-ST

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

- 2015-June 2023: Executive Director of France Urbaine

Other areas of expertise and experience

- 2002-2015: General Delegate of the Association of Urban Communities of France (ACUF), which became France urbaine in 2016
- 2010-2015: General Delegate of the Study Association for the Local Authorities Funding Agency
- 2009-2013: Guest speaker, Master's Program in Territorial Development and Urban Strategies (STU), Education: Sciences-Po
- 2009-2013: Chairman of the Association of Auditors of IHEDATE
- 2001-2002: Senior Manager, Intercommunity, Management, Finance, Business Intelligence, Ernst & Young
- 1996-2001: Organisational, finance and local authority management consulting, Puyo Consultants/Objectif M+
- 1994-1996: Accounting, finance, local authorities and IT consulting, Olivier Landel Conseil/Objectif M14
- 1991-1994: Deployment of financial management software for local authorities, GFI solution (formerly SINORG)
- 1986-1991: Foreign Services of the Treasury, Accounting for local authorities, Trésor Public (French public revenue office)

Mr François Drouin

Chairman of the Audit and Risk Committee

Date of birth: 7 August 1951

Nationality: French

1st appointment:

In the Articles of Incorporation of 17 December 2013

Renewals: AGMs of 5 May 2017 and 6 May 2021

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

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

Other areas of expertise and experience

- Chairman, Autoroutes et Tunnel du Mont Blanc SA
- Chairman of the Supervisory Board of GEIE du Tunnel du Mont Blanc
- 2013-2017: Chairman, Autoroutes et Tunnel du Mont Blanc (ATBM)
- 2013-2017: Chairman of the Société française du tunnel routier du Fréjus
- 2007-2013: Chairman & MD, Oséo
- 2003-2007: Chairman of the Executive Board, Crédit Foncier de France
- 1991-2003: Chairman of the Executive Board, Caisse d'épargne de Midi-Pyrénées
- 1989-1992: Chairman of the Executive Board, Société régionale de financement (Sorefi), Caisses d'épargne de Midi-Pyrénées
- 1986-1989: Regional director, CDC et Crédit local de France pour la Bourgogne
- 1985-1986: Regional director, CDC pour la Haute-Normandie
- 1980-1985: Head of the territorial district of Valenciennes for the departmental office of infrastructure for the North, and the regional navigation division of the Nord-Pas-de-Calais region.

Mrs Victoire Aubry-Berrurier

Member of the Audit and Risk Committee

Date of Birth: 5 June 1966

Nationality: French

1st appointment:

In the Articles of
Incorporation of 17
December 2013

Renewals: AGMs of 5 May
2017 and 6 May 2021

Expiry of term of office:
AGM 2025

Business address: 112, rue
Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

- None

Other areas of expertise and experience

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

Mr Nicolas Fourt

Member of the Strategy and Responsible Commitments Committee

Date of Birth: 22
September 1958

Nationality: French

1st appointment:

In the Articles of
Incorporation of 17
December 2013

Renewals: AGMs of 5 May
2017 and 6 May 2021

Expiry of term of office:
AGM 2025

Business address: 112, rue
Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

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

Other areas of expertise and experience

- 2009-2013: Consultant to companies and local authorities, Alfafinance - AMF regulated
- 1986-2008: Fixed income and equity financial markets (CDC then Ixis then Natixis) - ACPR regulation

Mr Lars Andersson

Chairman of the Strategy and Responsible Commitments Committee

Date of Birth: 27 March 1952

Nationality: Swedish

1st appointment:

In the Articles of Incorporation of 17 December 2013

Renewals: AGMs of 5 May 2017 and 6 May 2021

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

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

Other areas of expertise and experience

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

Mrs Sophie L'Hélias

Chairwoman of the Appointments, Remuneration and Corporate Governance Committee

Date of Birth: 30
December 1963

Nationality: French

1st appointment:

AGM of 4 February 2021

Expiry of term of office:
AGM 2025

Business address: 112, rue
Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Since December 2022: Member of the Board of Directors of IWG Plc
- Since 2021:
 - Independent director of Herbalife Nutrition Ltd.
 - Member of the Board of Directors of the European Corporate Governance Institute (ECGI)
 - Member of the High Committee of Corporate Governance (HCGE)
- Since 2020: Independent consultant at ImpactXXchange SAS
- Since 2018:
 - Member of the Board of Directors of SICAV Échiquier Positive Impact
 - Independent director and member of the Governance, Strategy and CSR Committee of Africa50 Infrastructure fund
- Since 2015: Fellow, The Conference Board, ESG Center
- Since 2000: Founder and Chairman of LeaderXXchange

Mandates expiring during the last five years

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

Other areas of expertise and experience

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

Mrs Delphine Cervelle

Member of the Strategy and Responsible Commitments Committee

Date of Birth: 16 June 1976

Nationality: French

1st appointment:

Co-opted by the
Supervisory Board on 28
March 2022

Expiry of term of office:
AGM 2025

Business address: 112, rue
Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

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

Other areas of expertise and experience

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

Mrs Marie Lemarié

Member of the Audit and Risk Committee

Date of Birth: 04 January 1972

Nationality: French

1st appointment:

Co-opted by the Supervisory Board on 28 September 2022

Expiry of term of office: AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

- None

Other areas of expertise and experience

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

Mrs Sophie Souliac-Dallemagne

Member of the Appointments, Remuneration and Corporate Governance Committee

Date of Birth: 30 April 1970

Nationality: French

1st appointment:
AGM, 5 December 2022

Expiry of term of office:
AGM 2025

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

- Since 2017: Chief Executive Officer of Hiram Finance France

Mandates expiring during the last five years

- None

Other areas of expertise and experience

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

Mr Julien Denormandie

Member of the Strategy and Responsible Commitments Committee

Date of Birth: 14 August 1980

Nationality: French

1st appointment:
AGM, 5 December 2022

Expiry of term of office:
AGM 2025

Business address: 112, rue
Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

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

Other areas of expertise and experience

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

Mrs Lydie Assouline

Board advisor - non-voting member

Date of Birth: 11 March 1960

Nationality: French

1st appointment:

Appointed by the Supervisory Board on 4 December 2023

Expiry of term of office: June 2024¹⁵

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- None

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

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

Other areas of expertise and experience

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

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

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

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

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

- **Members of the Supervisory Board**

In accordance with the legal provisions in effect, the appointment of Supervisory Board members is a matter for the Ordinary General Meeting of shareholders.

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

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

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

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

- **Non-voting directors**

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

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

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

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

All these key skills are represented on the Supervisory Board.

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

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

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

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

- Training of Board members

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

- Conflicts of interest:

The Code of Ethics for the members of the Supervisory Board¹⁶ details all of the rights and obligations incumbent upon the members of the Supervisory Board, both collectively and individually, particularly with regard to the management of conflicts of interest and the duty to alert in the event of wrongdoing.

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

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

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

3.1.4. Independence of the members of the Supervisory Board

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

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

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

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

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

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

¹⁶ Last update approved by the Supervisory Board on 27 March 2023 and appended to the Internal Regulations of the Supervisory Board.

¹⁷ And appearing in the Annex of this Report.

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

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

Criteria¹⁸	Criterion 1 – AFEP-MEDEF Code Salaried Board director/Executive officer/director of the company or its parent company or the consolidated company during the five years preceding their appointment	Criterion 2 – AFEP-MEDEF Code Cross-directorships	Criterion 3 – AFEP-MEDEF Code Significant business relationships	Criterion 4 – Family ties	Criterion 5 – AFEP-MEDEF Code Statutory auditors	Criterion 6 – AFEP-MEDEF Code Term of office exceeding 12 years	Criterion 7 – AFEP-MEDEF Code Non-executive director status	Criterion 8 – AFEP-MEDEF Code Status of major shareholder	Criterion specific to the AFL Group: Elected official or employee of a local authority which is a shareholder of the AFL Group¹⁹
Sacha Briand <i>Non-independent</i>	X ²⁰	X See the previous column	✓	✓	✓	✓	✓	X ²¹	X
Marie Ducamin <i>Non-independent</i>	X ²²	X See the previous column	✓	✓	✓	✓	✓	X ²³	X
Olivier Landel <i>Non-independent</i>	X ²⁴	X See the previous column	✓	✓	✓	✓	✓	✓	✓
Delphine Cervelle <i>Independent</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lars Andersson <i>Independent</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
Victoire Aubry <i>Independent</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
François Drouin <i>Independent</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nicolas Fourt <i>Independent</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sophie L'Hélias <i>Independent</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
Marie Lemarié <i>Independent</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sophie Souliac <i>Independent</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
Julien Denormandie <i>Independent</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lydie Assouline	✓	✓	✓	✓	✓	✓	✓	✓	✓

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

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

Agence France Locale has set targets to ensure a balance between men and women on its Supervisory Board, voluntarily applying the rules for having 40% representation of women on the Supervisory Board in Article L.225-69-1, 1 of the French Commercial Code and in Article 8 of the AFEP-MEDEF Code (even though the Company does not fall within the field of application of these texts). In this way, the internal regulations of the Supervisory Board, as updated by the Supervisory Board on 27 March 2023, affirmed the objective of achieving a balanced representation of men and women on the Board²⁵.

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

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

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

¹⁸ ✓ represents a criterion of independence met and X a criterion of independence not met

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

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

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

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

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

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

²⁵ Article 2.6 of the Board's internal regulations

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

- Overview of the duties of the Supervisory Board:

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

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

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

- transfers of property assets, total or partial transfers of shareholdings and establishment of security interests;
- decisions relating to the Company's major strategic, economic, financial or technological policies and the definition of its annual financing policy;
- the strategic plan and the decisions relating notably to the launch of new activities, acquisitions of companies, entry into any alliance or partnership, transfers of assets (including universal transfers of assets) of a significant amount and, more generally, any significant investment or disinvestment;
- decisions relating to the granting of options to subscribe for or purchase shares or equivalent securities to company officers and/or executives, as well as the allocation of free shares;
- decisions relating to financing that may substantially alter the financial structure of the Company, which were not considered when the annual financing policy was defined;

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

- Organisation of meetings:

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

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

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

Supervisory Board meetings are called by the Chairman of the Supervisory Board or, if he is unable to attend, by the Deputy Chairman. Meetings of the Supervisory Board may be called by any means. The notice period for calling a meeting is eight calendar days, which may be shortened in event of a duly justified emergency. The Supervisory Board may validly deliberate, even in the absence of a notice of calling, if all of its members are present, regarded as present or represented.

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

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

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

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

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

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

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

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

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

- **Strategy:**
 - Membership development strategy;
 - CSR strategy, including approval and monitoring of the Sustainable Finance Climate Roadmap;
- **Budget and financial and commercial outlook:**
 - Validation of the business plan;
 - Examination of the outlook for the previous financial year, validation of the provisional budget for the coming financial year;
 - Opinion on the draft annual review of the *k* factor to be submitted to the AFL-ST Board of Directors;
- **Review of financial policies:**
 - Liquidity policy;
 - Interest rate and foreign exchange risk hedging policy;
 - Policy on investment (including responsible investment) and management of credit risk from market activities;
 - Lending policy;
 - Credit rating policy;
 - Financial strategy and risk appetite;
- **Debt programs (EMTN and ECP):**
 - Approval of the borrowing program and the issuance ceiling for the coming financial year;

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

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

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

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

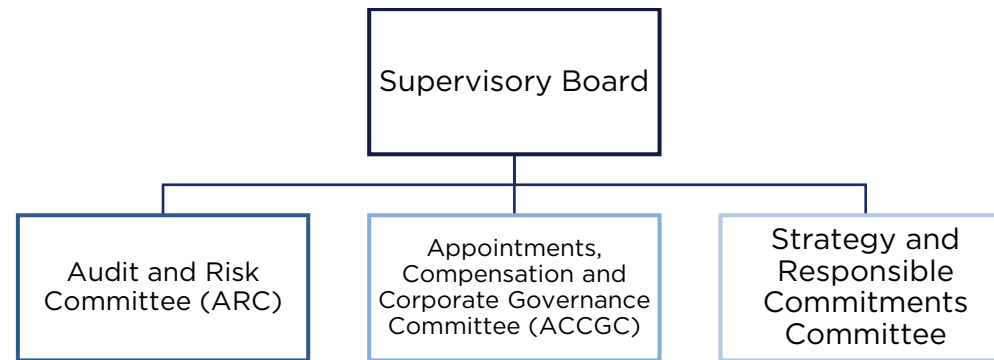
- Review of IS and ISS security policy;
- **Periodic control activities:**
 - Half-yearly reports (including recommendations, implementation of remedial measures, and follow-up of their implementation);
 - Information on the call for tenders carried out to select the new service provider in charge of the outsourced periodic audit;
 - Approval of the periodic audit plan for the financial year 2024;
- **Governance:**
 - Work on the composition of the Supervisory Board, including the introduction of non-voting members;
 - Approval of the AFL Ethics Manual and Ethics Charter;
 - Evaluation of the collective operation of the Supervisory Board and its committees, as well as the experience and skills of individual Supervisory Board members, and assessment of the absence of conflicts of interest;
 - Review of gender representation on the Company's Supervisory Board;
 - Review of the diversity policy within the governing bodies;
 - Work on the CSR attributions and name of the Strategy Committee (now the Strategy and Responsible Commitments Committee);
 - Work on the functioning and future composition of the Audit and Risk Committees;
 - Creation of the internal regulations of the Executive Board;
 - Approval of this Corporate Governance Report.

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

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

3.2.The specialised committees of the Supervisory Board

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



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

3.2.1. The Audit and Risk Committee

a) Composition of the Audit and Risk Committee

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

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

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

The principal mission of the Audit and Risk Committee is:

- (i) to monitor the preparation and dissemination process for accounting and financial information, to assess the relevance and permanence of the accounting policies and principles adopted for the preparation of the annual and interim financial statements;
- (ii) to verify the effectiveness of the internal control and risk management procedures;
- (iii) to ensure by any means the quality of the financial, accounting or risk management information provided to the Supervisory Board;
- (iv) to give the committee its assessment of the work performed by the Statutory Auditors and its opinion on the renewal of their mandate.

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

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

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

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

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

During the financial year 2023, the Audit and Risk Committee met four times. Its work addressed all the points falling within its remit before submission to the Supervisory Board.

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

a) Composition

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

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

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

The ACCGC's primary mission is:

- (i) to examine any candidatures for the position of Supervisory Board member and the composition of the Board and its committees;
- (ii) to make recommendations on the appointment or succession of executive directors;
- (iii) to ensure compliance with the rules of governance and the proper functioning of the corporate bodies, in particular, by conducting an annual review of the functioning of the Supervisory Board and its Committees, and proposing any areas for improvement;
- (iv) to assess the collective competence and ensure the experience and individual skills of the members of the Supervisory Board, guaranteeing the collective functioning of the Board, and to discuss annually the qualification of "independent" member; and
- (v) to examine annually the Company's compensation policy, and formulate an opinion, notably on the compensation and performance objectives allocated to Board directors and risk-takers.

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

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

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

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

In particular, during the financial year 2023, the ACCGC:

- worked on the creation of internal regulations for the Executive Board²⁶,
- specified the procedures for identifying, selecting and appointing non-voting members of the Supervisory Board, enabling the first non-voting member to join the Board in 2023; and refined and completed the Supervisory Board's skills matrix, as part of the Board's succession plan with a view to its renewal in 2025;
- clarified the changes to the remit and name of the Strategy and Responsible Commitments Committee (formerly the Strategic Committee) in terms of CSR;
- examined the training system for Supervisory Board members.
- examined the remuneration policy and remuneration benchmarking.

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

3.2.3. Strategy and Responsible Commitments Committee

a) Composition

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Strategy and Responsible Commitments Committee examines on a recurring basis certain major themes for defining the AFL Group's strategy, including:

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

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

- The Climate and Sustainable Finance Roadmap for 2024;

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

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

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

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

*Director whose resignation was noted by the Supervisory Board on 23 May 2023.

**Director co-opted by the Supervisory Board on 23 May 2023.

***Director whose resignation was noted by the Supervisory Board on 4 December 2023.

3.3.The Executive Board

a) Composition

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

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

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

Mr Yves Millardet

Chairman of the Executive Board

Date of Birth: 24 August 1964

Nationality: French

1st appointment:

Supervisory Board meeting of 17 December 2013

Reappointment:

Supervisory Board meeting of 26 March 2020

Expiry of term of office:
AGM 2026

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

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

Offices and positions held outside the Group

Offices currently held

- Since 2021:
 - Manager of SCI 3 plage
 - Manager of SCI 13 Koz-Ker
- Since 2020: Permanent representative of the AFL, member of the Bureau of the Board of Directors of the OCBF, mission delegated to Ariane Chazel.

Mandates expiring during the last five years

- None

Other areas of expertise and experience

- 2022: Approval of the 4 training modules on information systems security (ISS) designed by the ANSSI training centre (CFSSI) – MOOC SecNumacadémie
- 2007-2013: Senior Banker, Natixis
- 2001-2007: Senior Banker, ABN AMRO
- 1996-2001: Originator, Caisse des Dépôts et Consignations
- 1993-1996: Consultant, FCL Group
- 1989-1992: Consultant, Cailliau Dedouit & Associés

Mrs Laurence Leydier

Member of the Executive Board

Date of Birth: 13 May 1974

Nationality: French

1st appointment:

Supervisory Board
meeting of 28
September 2022

Expiry of term of office:
AGM 2028

Business address: 112, rue
Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

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

Offices and positions held outside the Group

Offices currently held

- None

Mandates expiring during the last five years

- None

Other areas of expertise and experience

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

Mr Thiébaud Julin

Member of the Executive Board

Date of Birth: 16
September 1961

Nationality: French

1st appointment:

Supervisory Board
meeting of 25 March 2014

Reappointment:

Supervisory Board
meeting of 26 March 2020

Expiry of term of office:

AGM 2026

Business address: 112, rue
Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

- Chief Executive Officer and Chief Financial Officer of AFL

Offices and positions held outside the Group

Offices currently held

- None

Mandates expiring during the last five years

- None

Other areas of expertise and experience

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

Mrs Arione Chazel

Member of the Executive Board

Date of Birth: 16 March 1970

Nationality: French

1st appointment:

Supervisory Board meeting of 5 June 2014

Reappointment:

Supervisory Board meeting of 26 March 2020

Expiry of term of office:

AGM 2026

Business address: 112, rue Garibaldi, 69006 Lyon

Offices and positions held within the Group since its incorporation

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

Offices and positions held outside the Group

Offices currently held

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

Mandates expiring during the last five years

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

Other areas of expertise and experience

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

b) Powers of the Executive Board

The members of the Executive Board collectively manage the Company.

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

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

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

duties of the Executive Board and its members and its interactions with the Supervisory Board.

4. Compensation

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

4.1. Members of the Supervisory Board and its specialised committees

4.1.1. Principles and terms of payment of remuneration

- **Members of the Supervisory Board**

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) For the Chairperson of the Supervisory Board:

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

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

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

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

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

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

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

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

• Non-voting directors

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

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

4.1.2. Amount of compensation allocated

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

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

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

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

		specialised committee		
J. Denormandie - Member of the Strategy and Responsible Commitments Committee	5,000	10,000+5,000 in his capacity as member of a specialised committee	20,000	N/A
S. Souliac - Member of the ARC	5,000	10,000+5,000 in his capacity as member of a specialised committee	20,000	N/A
Total	45,000	145,500	190,500	140,000²⁸

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

4.2. Executive Board

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

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

Mr Thiébaut Julin,
Member of the Executive Board – Chief Financial Officer

Start of term of office: 25 March 2014

End of term of office: General Meeting in 2026 to approve the financial statements for the financial year 2025

Employment contract	Yes	Thiébaut Julin holds the position of Chief Financial Officer, in accordance with the terms of an employment agreement concluded with the Company. Thiébaut Julin serves as an unpaid member of the Executive Board. Thiébaut Julin's position as a member of the Executive Board is governed by the sections of the Articles of Association relating to the functioning and powers of the Executive Board.
Supplementary pension scheme	No	As an employee of the Company, Thiébaut Julin benefits from the pension scheme applicable to all employees of the Company.
Compensation or benefits that are or may be due as a result of termination or change of duties	No	No benefits or compensation of this type are mentioned in the provisions of the Articles of Association, or are provided by decision of the Supervisory Board, which is competent to rule on the components of compensation of the members of the Executive Board with regard to the termination of the duties of a member of the Executive Board of the Company.
Compensation relating to a non-competition clause	No	Thiébaut Julin is not subject to any non-competition clause, either by virtue of his employment agreement, or by the provisions of the Articles of Association applicable to the duties of a member of the Executive Board or a subsequent decision to that effect by the Supervisory Board.

Mrs Ariane Chazel,
Member of the Executive Board-Director of Commitments and Risks, Climate and Sustainable Financing

Start of term of office: 5 June 2014

End of term of office: General Meeting in 2026 to approve the financial statements for the financial year 2025

Employment contract	Yes	<p>Ariane Chazel holds the position of Director of Commitments and Risks, Climate and Sustainable Finance under the terms of an employment contract with the Company.</p> <p>Ariane Chazel serves as an unpaid member of the Executive Board. Ariane Chazel's duties as a member of the Executive Board are governed by the statutory rules relating to the functioning and powers of the Executive Board.</p>
Supplementary pension scheme	No	As an employee of the Company, Ariane Chazel benefits from the pension scheme applicable to all employees of the Company.
Compensation or benefits that are or may be due as a result of termination or change of duties	No	No benefits or compensation of this type are mentioned in the provisions of the Articles of Association, or are provided by decision of the Supervisory Board, which is competent to rule on the components of compensation of the members of the Executive Board with regard to the termination of the duties of a member of the Executive Board of the Company.
Compensation relating to a non-competition clause	No	Ariane Chazel is not subject to any non-competition clause, pursuant to her employment contract, the provisions of the Articles of Association applicable to the duties of a member of the Executive Board or subsequent to a decision to that effect by the Supervisory Board.

Mrs Laurence Leydier,
Member of the Managing Board - Membership and Credit Director

Start of term of office: 28 September 2022

End of term of office: General Meeting in 2028 to approve the financial statements for the financial year 2027

Employment contract	Yes	<p>Laurence Leydier serves as Chief Financial Officer under the terms of an employment contract concluded with the Company.</p> <p>Laurence Leydier serves as an unpaid member of the Executive Board. Laurence Leydier's position as a member of the Executive Board is governed by the sections of the Articles of Association relating to the functioning and powers of the Executive Board.</p>
Supplementary pension scheme	No	As an employee of the Company, Laurence Leydier benefits from the pension scheme applicable to all employees of the Company.
Compensation or benefits that are or may be due as a result of termination or change of duties	No	No benefits or compensation of this type are mentioned in the provisions of the Articles of Association, or are provided by decision of the Supervisory Board, which is competent to rule on the components of compensation of the members of the Executive Board with regard to the termination of the duties of a member of the Executive Board of the Company.
Compensation relating to a non-competition clause	No	Laurence Leydier is not subject to any non-competition clause, pursuant to her employment contract, the provisions of the Articles of Association applicable to the duties of a member of the Executive Board or a subsequent decision to that effect by the Supervisory Board.

4.2.1. Principles and terms of payment of remuneration

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

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

The payment of remuneration of members of the Executive Board forms part of the remuneration policy for all salaried employees of the Company.

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

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

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

– Mr Yves Millardet

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

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

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

The pension scheme applicable to Yves Millardet is based on the one provided for all the company’s employees (i.e. contribution to the Agirc/Arrco schemes calculated on the basis of gross annual compensation). As such, he does not benefit from any “top-up pension”.

²⁹ See section 6 of this Report.

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

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

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

The non-competition clause adopted is as follows:

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

– Mr Thiébaud Julin

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

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

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

– Mrs Ariane Chazel

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

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

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

– Mrs Laurence Leydier

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

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

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

4.2.2. Amount of compensation allocated

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

It should be noted that:

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

Summary table of compensation per executive director³⁰

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

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

³⁰ The amount of the incentive will be definitively calculated on the basis of the audited financial statements for the year ended 31 December 2023.

³¹ Mr Millardet does not receive any specific remuneration for his duties at AFL-ST.

³² Corresponding to assumption of the specific insurance mentioned above

³³ Corresponding to the valuation of the company car

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

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

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

Principle of staggered variable compensation

In view of the regulations in effect found primarily in the French Monetary and Financial Code, for employees who have a significant impact on the company's risk and those with a significant role, (the “**risk-takers**”), which includes members of the Executive Board, AFL's 2023 compensation policy provides for the implementation of a deferred payment of variable compensation components, the principles of which are as follows:

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

The payment threshold of €50,000 (formerly €15,000) relates specifically to the variable compensation allocated for financial year N, and the total amount corresponding to variable compensation components actually paid in a given year for previous financial years may therefore exceed the amount of €50,000.

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

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

Name and function of the executive director	Financial year by way of which variable compensation is staggered and total amount of this variable compensation (€)	Amounts paid corresponding to variable compensation for previous financial years (€)									
		Financial year 2018	Financial year 2019	Financial year 2020	Financial year 2021	Financial year 2022	Financial year 2023	Financial year 2024	Financial year 2025	Financial year 2026	Financial year 2027
Mr Yves Millardet Chairman of the Executive Board	Financial year 2017 – Total amount allocated by way of variable compensation: €16,000	15,000	500	500	-	-	-				
	Financial year 2018 – Total amount allocated by way of variable compensation: €19,000	-	15,000	2,000	2,000	-	-				
	Financial year 2019 – Total amount allocated by way of variable compensation: €19,500	-	-	15,000	2,250	2,250	-				
	Financial year 2020 – Total amount allocated by way of variable compensation: €39,000	-	-	-	15,000	12,000	12,000	-			
	Financial year 2021 – Total amount allocated by way of variable compensation: €69,550	-	-	-	-	50,000	6,516	6,516	6,516		
	Financial year 2022 – Total amount allocated by way of variable compensation: €75,731	-	-	-	-	-	50,000	8,577	8,577	8,577	

	Financial year 2023- Total amount allocated by way of variable compensation: €82,030	-	-	-	-	-	-	50,000	10,677	10,677	10,677
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Name and function of the executive director	Financial year by way of which variable compensation is staggered and total amount of this variable compensation (€)	Amounts paid corresponding to variable compensation for previous financial years (€)									
		Financial year 2018	Financial year 2019	Financial year 2020	Financial year 2021	Financial year 2022	Financial year 2023	Financial year 2024	Financial year 2025	Financial year 2026	Financial year 2027
Mr Thiébaud Julin Member of the Executive Board Chief Financial Officer	Financial year 2018 – Total amount allocated by way of variable compensation: €16,500	-	15,000	750	750	-	-				
	Financial year 2019 – Total amount allocated by way of variable compensation: €17,500	-	-	15,000	1,250	1,250	-				
	Financial year 2020 – Total amount allocated by way of variable compensation: €28,500	-	-	-	15,000	6,750	6,750				
	Financial year 2021 – Total amount allocated by way of variable compensation: €29,500	-	-	-	-	29,500	-	-	-		

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

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

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

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

4.3.1. Principle

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

AFL identifies among its employees, on the basis of the criteria defined by the regulations, those having a significant impact on the Company’s risk and those having a significant role within the Company. The list of risk takers is updated annually. At 31 December 2023, 14 employees, including the members of the Company’s Executive Board and the main managers of the Company’s control, support, credit and market functions, qualified as risk-takers.

4.3.2. Terms of payment and allocation of payment

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

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

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

The payment threshold of €50,000 specifically concerns the variable compensation allocated for financial year N. The total amount actually paid during a given financial year, corresponding to elements of variable compensation allocated for previous financial years, is therefore likely to exceed this amount by €50,000.

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

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

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

4.4. Company incentive plan

4.4.1. Principle

The Company has set up a profit-sharing agreement, pursuant to Article L.3312-5 of the French Labour Code, for the financial years 2021, 2022 and 2023, approved by the Supervisory Board on 29 March 2021 after approval by the ACCGC. It aims to reflect the contribution of employees to the growth of the Company’s economic and financial

profitability, to the growth of its results, but also to the Company's commitment to social responsibility.

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

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

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

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

4.4.2. Beneficiaries

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

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

4.4.3. Terms of payment and allocation of payment

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

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

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

5. General Meeting of Shareholders

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

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

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

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

5.2. Rules on amendments to the Articles of Association

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

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

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

6. Regulated agreements

Regulated agreements are the agreements cited in Articles L.225-86 et seq. of the French Commercial Code, in particular, those concluded directly or through an intermediary between the AFL and one of the members of the Executive Board or the Supervisory Board, the conclusion of which must be authorised by the Supervisory Board and which must be reviewed by the Supervisory Board on an annual basis³⁴.

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

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

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

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

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

	<ul style="list-style-type: none"> – Employment contract for Mrs Laurence Leydier approved on 28 September 2022 by the Supervisory Board. 		Value-sharing bonus: €4,153 Mrs Laurence Leydier, Membership and credit director: Annual amount paid during the financial year 2023: Fixed portion: €153,750 gross Variable portion: €19,375 gross Exceptional bonus: €15,000 Value-sharing bonus: €3,567
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7. **Share capital, shareholding structure, and control of the Company**

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

7.1. Structure of the Company's share capital

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

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

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

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

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

▪ Statutory restrictions

The Company's provisions of the Articles of Association do not provide for any restriction on the exercise of shareholders' voting rights, since the voting right attached to the shares composing the capital is proportional to the percentage of the capital that they represent. Each share entitles the holder to one vote at the General Meetings.

The Company's Articles of Association stipulate that shares that have not been fully paid-up are not accepted for transfers.

In view of the shareholder structure of AFL-ST, the share capital of which is held exclusively directly or indirectly by local and regional authorities, groupings of these authorities and local public institutions, and of the need to maintain the stability and sustainability of the shareholding structure in order to enable the Company to conduct its activities under the best conditions, the Shareholders' Agreement strictly regulates the possibilities of transferring shares and other securities ("**Securities**") conferring access to the Company's share capital.

In this way, in principle, each of the AFL shareholders has undertaken, by adhering to the Shareholders' Agreement, to retain their AFL shares for as long as they remain a shareholder of AFL-ST.

As an exception to the principle and in strictly defined cases, namely: (i) loss of membership of the AFL Group; and (ii) at the request of AFL-ST, an AFL shareholder is required to sell the shares it holds in the capital of AFL to a person designated by the Board of Directors of AFL-ST.

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

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

▪ Restrictions through agreements

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

In the same way, the Company has not concluded any agreement that is likely to come to an end or for which the performance conditions are likely to be amended in the event of a change in control of the Company.

7.3. Securities conveying special control rights

The Company does not issue securities that convey special control rights on their holders.

7.4. Employee share ownership

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

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

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

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

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

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

Pursuant to Article L.225-68, 6 of the French Commercial Code, the Supervisory Board must submit to the Annual General Meeting of Shareholders its observations on the annual financial statements for the past financial year, as approved by the Executive Board, and on the management report submitted to this Meeting.

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

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

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

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

**

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

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

Criterion 1: *Salaried Board director/Executive officer/director of the company or its parent company or the consolidated company during the past five years*

Is not or has not been over the last five years:

- an employee or executive director of the company;
- an employee, executive director, or director of a company within the company's scope of consolidation;
- an employee, executive director, or director of the parent company of the company or of a company within the parent company's scope of consolidation.

Criterion 2: *Cross-directorships*

Is not or has not been an executive director of a company in which the Company directly or indirectly holds a director's mandate or in which an employee appointed as such or an executive director of the Company (currently or during the last five years) holds a director's mandate.

Criterion 3: *Significant business relationships*

Is not a customer, supplier, corporate banker, investment banker or advisor:

- to a significant degree, of the company or its group;
- or for which the company or its group represents a significant portion of activity.

The assessment of whether or not the relationship with the company or its group is significant is discussed by the Board and the quantitative and qualitative criteria that led to this assessment (continuity, economic dependence, exclusivity, etc.) are explained in the annual report.

Criterion 4: *Family ties*

Does not have a close family relationship with a Board director.

Criterion 5: *Statutory Auditor*

Has not been a Statutory Auditor of the Company within the last five years.

Criterion 6: *Term of office exceeding 12 years*

Has not been a director of the Company for more than 12 years. The loss of the status of independent director occurs on the 12-year anniversary.

Criterion 7: *Non-executive director status*

A non-executive director cannot be regarded as independent if he or she receives variable compensation in cash or securities or any compensation related to the performance of the company or the group.

Criterion 8: *Status of major shareholder*

Directors representing major shareholders of the company or its parent company may be considered independent if such shareholders do not participate in the control of the company. Above a threshold of 10% in capital or voting rights, however, on the basis of the report of the Appointments Committee, the Board shall always query the independent classification, taking into account the composition of the share capital of the company and the existence of a potential conflict of interest.

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

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

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

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

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

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

ANNEX 3

TEXT OF THE RESOLUTIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF SHAREHOLDERS OF AGENCE FRANCE LOCALE ON 6 MAY 2024

TO BE SUBMITTED TO THE ORDINARY GENERAL MEETING:

First resolution

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

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

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

Second resolution

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

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

Third resolution

Allocation of net income for the year ended 31 December 2023

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

Fourth resolution

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

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

Fifth resolution

Presentation of the Supervisory Board's report on corporate governance

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

Sixth resolution

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

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

Seventh resolution

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

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

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

Eighth resolution

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

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

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

TO BE CONSIDERED BY THE EXTRAORDINARY GENERAL MEETING:

Ninth resolution

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

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

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

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

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

Resolves that shareholders shall be able to exercise their pre-emptive right to subscribe as of right for shares to be issued by the Executive Board by way of this

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

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

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

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

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

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

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

Tenth resolution

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

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

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

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

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

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

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

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

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

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

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

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

Eleventh resolution

Delegation of powers to the Executive Board to carry out a share capital increase reserved for members of an employee savings plan with preferential subscription rights waived in favour of the said employees

The General Meeting, deliberating under the conditions required for quora and majorities in extraordinary general meetings, having reviewed the report of the Executive Board and the report of the Statutory Auditors, in accordance with Articles L.225-129-6 of the French Commercial Code and L.3332-18 to L.3332-24 of the French Labour Code:

Delegates to the Executive Board its authority to carry out capital increases, on one or more occasions, in the proportions and at the times it sees fit, in accordance with the conditions provided in Articles L.3332-18 to L.3332-24 of the French Labour Code relating

to capital increases reserved for employees who are members of a company savings scheme.

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

Resolves that the maximum nominal amount of any immediate or future capital increases carried out by the Company by virtue of this authorisation may not exceed 3% of the share capital after the capital increase in question, it being specified that the nominal amount of any capital increases carried out by the Company under the ninth and tenth resolutions shall count towards this ceiling. To this ceiling shall be added, where applicable, the additional amount of the nominal value of the shares to be issued to preserve the rights of the holders of securities or other rights giving access to the share capital, in accordance with the applicable legal and regulatory provisions and any applicable contractual stipulations providing for other cases of adjustment.

Resolves that the subscription shall be reserved for employees who are members of a company savings plan or a company mutual fund(s) to be set up as part of a company savings plan to be created, in accordance with the provisions of Article L.225-138-I of the French Commercial Code. The new shares shall entitle their holders to the same rights as the existing shares.

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

Resolves that the subscription price of the new ordinary shares, determined under the conditions of Articles L.3332-18 to L.3332-24 of the French Labour Code, shall be set: (i) in accordance with the objective methods used for valuing shares, taking into account, with an appropriate weighting in each case, the company's net worth, profitability and business prospects; or (ii) by dividing the number of existing shares by the amount of the net assets revalued according to the most recent balance sheet. The decision setting the subscription date shall be taken by the Board.

Resolves that the decision setting the subscription date shall be taken by the Board, with subscribers being granted a maximum period in which to pay up their shares not exceeding three years. The capital shall only be increased by the amount corresponding to shares actually subscribed for, which shall be paid for in accordance with law.

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

- to draw up the list of beneficiaries and the number of shares to be allotted to each of them, subject to the ceiling set by the General Meeting;
- to set the date and terms of the issues to be carried out by virtue of this authorisation, in compliance with legal and statutory requirements and, in particular, to set the subscription

price, the rules defined above, the opening and closing dates for subscriptions, the dividend entitlement dates and the deadlines for paying up the shares, all within the legal limits;

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

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

Twelfth resolution

Amendment to Article 16 of the Company's Articles of Association relating to the Committees of the Supervisory Board and corresponding amendment to the Annex "Definitions" of the Articles of Association

The General Meeting, deliberating under the conditions required for quora and majorities in extraordinary general meetings, having reviewed the Executive Board's report to the General Meeting, resolves to amend Article 16 of the Articles of Association as follows:

"Article 16 - Supervisory Board Committees

16.1 Audit, ~~internal control and risk~~ committee

16.1.1 The Company's Audit, ~~internal control and risk~~ committee (*the Audit Committee*) has the assignment of monitoring the process for preparing and distributing accounting and financial information, and assessing the relevance and consistency of the accounting principles and methods adopted for the preparation of the consolidated financial statements and the annual and half-yearly parent company financial statements, ~~to verify the effectiveness of internal control and risk management~~ to ensure, by any means, the quality of the information provided to the Supervisory Board, and lastly, to give the Supervisory Board its assessment of the work performed by the Statutory Auditors and its opinion on the renewal of their appointment.

16.1.2 Each member of the Audit, ~~internal control and risk~~ committee must possess the technical knowledge necessary for conducting its due diligence.

16.2 Risk committee

16.2.1 The role of the Company's Risk Committee (the *Risk Committee*) is to verify the effectiveness of internal control and risk management procedures.

16.2.2 Each member of the Risk Committee must possess the technical knowledge necessary for conducting its due diligence.

16.3 Strategy and Responsible Commitments Committee

The Company's Strategy and Responsible Commitments Committee (the "*Strategy and Responsible Commitments Committee*") examines and monitors the implementation of the Company's strategic plan, as well as the Company's strategic projects and operations, particularly with regard to social and environmental responsibility."

The Annex "Definitions" of the Articles of Association shall be amended accordingly to reflect the changes made to the names of the Board Committees, namely

"Audit Committee" has the meaning assigned to it in Article 16.1;

Appointments Committee has the meaning assigned to it in Article 16.3;

Risk Committee has the meaning assigned to it in Article 16.1;

Strategic and Sustainability Committee has the meaning assigned to it in Article 16.2;"

Thirteenth resolution

Prohibition on Powers of Attorney granted by members of the Supervisory Board and associated amendment to Articles 14.4.1 (last paragraph), 15.7.1 (first paragraph) and 15.7.2 of the Articles of Association, and consequent amendment to the Annex "Definitions" of the Articles of Association

The General Meeting, deliberating under the conditions required for quora and majorities in extraordinary general meetings, having reviewed the Executive Board's report to the General Meeting, resolves to prohibit powers of attorney issued by members of the Supervisory Board at meetings of the Board and its Committees, and consequently, to amend Articles 14.4.1 (last paragraph), 15.7.1 (first paragraph) and 15.7.2 of the Articles of Association as follows:

"14.4.1 Chairman

(...)

The Supervisory Board may, by a majority of the votes of the members present or regarded as present and represented, remove the Chairman of the Executive Board from his office as Chairman at any time."

"15.7.1 Notices of meetings

Meetings of the Supervisory Board may be called by any means of communication. The notice period for convening the Supervisory Board shall be eight (8) calendar days, although this period may be shortened in the event of a duly justified emergency. The Supervisory Board may validly deliberate, even in the absence of a notice of meeting, if all of its members are present or regarded as present, or represented. (...)"

“15.7.2 Quorum - Proxies

Any member of the Supervisory Board may, by any written means, appoint another member to represent him/her at a meeting of the Supervisory Board; each member of the Supervisory Board may not represent more than one other member of this latter board.

Members of the Supervisory Board may not be represented at meetings of the Supervisory Board or of its committees, with powers of attorney prohibited.

The Supervisory Board may only validly deliberate if at least half of its members are present or regarded as present.

The Supervisory Board shall draw up internal regulations which may provide that, within the legal and regulatory limits, members who participate in Supervisory Board meetings by videoconference or other means of telecommunication that meet the technical requirements set by the laws and regulations in effect shall be regarded as present for the purposes of calculating the quorum and the majority”.

The Annex “Definitions” to the Articles of Association shall be amended accordingly to reflect the cancellation of these powers of attorney, i.e.:

“Simple Majority means, when a decision must be taken by the Company’s shareholders as a whole, by the Executive Board or by the Supervisory Board, that its adoption requires the favourable vote of at least half of the votes plus one (1) vote of the shareholders or members present, regarded as present, or (when such representation is authorised) represented;”

Fourteenth resolution

Powers to carry out formalities

The General Meeting grants full powers to the bearer of the original, an extract or a copy of these minutes to carry out all formalities and registrations required by the laws and regulations in effect relating to the decisions taken at this meeting.

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ANNEX 4: PROVISIONAL FINANCIAL COMMUNICATION SCHEDULE FOR THE FINANCIAL YEAR 2024

The **Agence France Locale Group** consists of:

- Agence France Locale, a public limited company (*société anonyme*) with a Executive Board and a Supervisory Board (*the Issuer*), and:
- Agence France Locale – Société Territoriale, the parent company, a public limited company (*société anonyme*) with a Board of Directors (the *Société Territoriale*).

Publication date	Information
28 March 2024 (<u>before</u> the start of trading), subject to subsequent amendment (embargo period starts on 6 March 2024)	Press release on the Issuer's annual results and the annual consolidated and parent company results for the financial year ended 31 December 2023
6 May 2024	Annual general meeting of the Issuer's shareholders, notably called to approve the parent company financial statements for the year ended 31 December 2023, prepared in accordance with French GAAP and IFRS.
21 May 2024	Annual General Meeting of Shareholders of the <i>Société Territoriale</i> , notably called to approve the separate financial statements for the financial year ended on 31 December 2023, prepared in accordance with French GAAP, and the Group's consolidated financial statements for the financial year ended on 31 December 2023, prepared in accordance with IFRS standards.
26 September 2024 (<u>before</u> the start of trading), subject to subsequent amendment (the embargo period starts on 03 September 2024)	Press release on the half-yearly results of the Issuer and the consolidated half-year result of the Agence France Locale Group for the first half of the financial year ended 30 June 2024.

RESPONSIBILITY FOR THIS MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

I, the undersigned party, Yves Millardet, acting in my capacity as Chairman of the Executive Board of Agence France Locale, certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and are an accurate reflection of the Company's assets and liabilities, financial position, and income, and that this management report presents a true and fair view of the Company's business, income, and financial position and describes the main risks and uncertainties facing the Company.

Lyon, 27 March 2024,

Yves Millardet
Deputy Chief Executive Officer of Agence France Locale – Société Territoriale
AFL Chairman of the Executive Board

STATUTORY SEPARATE FINANCIAL STATEMENTS PREPARED IN
ACCORDANCE WITH FRENCH GAAP AND IFRS AND THE RELEVANT
STATUTORY AUDITORS' REPORTS

CONSOLIDATED PILLAR III REPORT
(AFL GROUP)