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Issuance of Deeply-Subordinated Debt Intended to be Recognized as AT1

For the first time since its inception, AFL, the bank for local authorities, has issued a deeply subordinated debt with the objective to be recognized as Additional Tier 1 capital ("AT1"). This issuance, which increases its own funds by €50 million, aims to support the accelerated growth of AFL in a context where local public investments, particularly for the ecological transition, are expected to increase.

A Major Support to Local Public Investment

The contribution from this issuance of super-subordinated securities, which will be recognized as AT1 once AFL transitions to dual supervision by the ACPR, enables AFL to better meet the financing demands of its member local authorities, whose investment expenditures are significantly increasing in the context of the ecological transition.

To meet the decarbonisation objectives set by the National Low-Carbon Strategy by 2030, French local authorities need to significantly increase their climate-related investments. Estimates made by the Ministry of Finance, the *Institut de l'Economie pour le Climat*, and the Pisani-Ferry/Mahfouz mission show an additional annual investment range of €11 to €21 billion. These funds are primarily intended for energy retrofitting of public buildings, the development of public transport and soft mobility infrastructure, as well as the promotion of renewable energy sources.

As an illustration, in 2014, at the time of the creation of the AFL Group, local authorities were investing an average of €55 billion annually in capital expenditures. Today, the total need is estimated at around €75 billion, showing a significant increase over this period. However, local authority debt accounts for approximately 8% of France's GDP, a level that has remained stable for the past 20 years.

A Strong Capitalisation

Through this transaction, AFL's strengthens its capitalisation expressed in terms of the "banking" leverage ratio, and thereby benefits from a capital buffer relative to its internal limits.

BNP Paribas was the sole underwriter and structuring adviser for this transaction.

An International and well Diversified Investor Base

The transaction was sold to a small number of institutional investors located in France, Germany and the UK.

Terms of issuance:

- Nominal amount: €50 million
- Coupon: 7%
- Coupon Payment: Optional cancellation, at the issuer's discretion, and mandatory at the request of the ACPR after recognition of the instrument as Additional Tier 1; non-cumulative
- Maturity: Undated
- Call Option by AFL subject to ACPR prior approval after recognition of the instrument as Additional Tier 1: 7 years (as well as each day during the period of 6 months preceding this date); then annually on each interest payment date
- Nominal amount reduction triggered if CET1 solvency ratio falls below 5.125%
- Reinstatement option after recognition of the instrument as Additional Tier 1
- Documentation: Stand-alone
- *Société Territoriale* Guarantee and Member Guarantees: Not applicable
- Expected Rating by Standard & Poor's at issuance: A-:
<https://www.capitaliq.spglobal.com/web/client#ratingsdirect/creditResearch?rid=3293312>
- Underwriter and structurer: BNP Paribas
- Paying Agent: BNP Paribas

About AFL

"The Company's mission is to embody a responsible finance to strengthen the local world's empowerment so as to better deliver the present and future needs of its inhabitants."

By creating our bank, the first one that we own and manage, we, French local authorities, have decided to act to deepen decentralization. Our bank, Agence France Locale (AFL), is not a financial institution similar to any other. Created by and for local authorities, it aims to strengthen our freedom, our ability to develop projects and our responsibility as local public actors. Its culture of prudence spares us from the dangers of complexity and its governance from downward slides of conflicts of interest. The main objective is to provide local world with an access to cost-efficient resources, under total transparency. The principles of solidarity and equity drive us. We are convinced that together we go further. We decided that our institution would be agile, addressing all types of local authorities, from the largest regions to the smallest municipalities. We see profit as a means to maximize public spending, not as an end goal. Through AFL, we support a local world committed to take up social, economic, and environmental challenges. AFL strengthens our empowerment: to carry out projects in our territories, today and tomorrow, to the benefits of the inhabitants. We are proud to have a bank whose development is like us, even more responsible and sustainable. We are Agence France Locale.

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This press release contains certain forward-looking statements. Although AFL Group believes that these statements are based on reasonable assumptions as of the date of this press release, they are inherently subject to risks and uncertainties, relating in particular to the impacts of the war in Ukraine and the resulting economic crisis, which may cause actual results to differ from those indicated or implied in these statements.

This press release does not constitute a recommendation concerning any issue of securities. Potential investors should consult a professional adviser as to the suitability of the Notes referred to herein for the person concerned.

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