Annual Financial Report 2020

SFIL

The public development bank supporting the economic recovery

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SFIL

2020

Annual Financial Report

Interview with the CEO

> We are in a key position to participate in the recovery effort, serving the French economy and sustainable development.

PHILIPPE MILLS
CEO of SFIL

What should we remember from this very unusual year?

Philippe MILLS - Above all, this year has demonstrated the perfect resilience of SFIL - an illustration of the solidity of its model - and its ability to carry out all of its missions in a predictable manner in an environment that was extremely disrupted by the health crisis. I would like to warmly thank all employees for their commitment and for the efforts made in this unprecedented and often constrained context, both personally and professionally.

2020 was marked by our entry into the Major Public Finance Hub formed around the Caisse des Dépôts. Our integration within the Group was carried out smoothly with trust and serenity. SFIL is able to provide it with its high-performance financing platform, which has continued to enjoy excellent access to financial markets despite the instability due to the current context, as well as its proven expertise in its two financing missions.

The crisis has strengthened SFIL's strategic positioning and demonstrated *in concreto* the relevance of its public development bank model, particularly in times of crisis, and we are in a key position to participate in the recovery effort serving the French economy and sustainable development.

SFIL is committed to supporting the economic recovery. What is the current situation?

P.M. - Out of the €100 billion in the national recovery plan, over €20 billion in investments should be made in partnership with local authorities, for which the SFIL/La Banque Postale system will be an essential financing instrument.

The SFIL Group is ready to support regional authorities, providing them with its expertise and knowledge - particularly in terms of green loans for the energy renovation of their buildings.

With regard to public hospitals, SFIL will also be present to support their investments, as the leading funder of the sector.

The SFIL/La Banque Postale system could be a complementary financing instrument to the government budget which has been set at €6 billion for the health and social care sector.

The recovery plan and the increased attention paid to sustainable development issues will have beneficial effects on the competitiveness of the French industrial base. In the medium term, our export credit mission will support export activities in the areas of water, waste, clean transport, renewable and low-carbon energy and energy performance. The financing provided by SFIL will be invaluable in supporting these developments.

What is your assessment of the 2020 bond issuance program?

P.M. - Our exceptional financing capacity, at the heart of our value, has been kept intact. This is a very good performance when you consider the market turbulence generated by the crisis. In summary, in 2020 we made €7.2 billion in issues, i.e. €1.1 billion more than budgeted, at the cost initially forecast. It is also a record of seven public issues with a wide range of maturities from three to twenty years. Our investor base continued to grow and diversify with 48 new counterparties, bringing the total to 588.

In 2020, SFIL was recognized as a leading sustainable issuer, and received numerous awards, including Best Covered Bond Issue attributed to our Covid-19 issue launched in April 2020 to finance investments in public hospitals. SFIL/CAFFIL's non-financial ratings continued to rise: the SUSTAINALYTICS rating reveals the strength of our model with a score of 7.7/100, the seventh highest rating out of 93 public financial institutions worldwide.

How did the local public sector refinancing business perform?

P.M. - In 2020, production continued at a very sustained pace: after 2019, 2020 was the second-best production year since our creation – despite the effects of the health crisis, which disrupted the course of the municipal elections. Our partnership with La Banque Postale has once again proved its effectiveness. The system occupies a leading position in this activity for the sixth consecutive year; it is the leading financial institution for local authorities with an estimated 24% market share (*Observatoire Finance Active 2021*).

The impact of the electoral cycle for the municipal block led, as expected, to the decline traditionally observed the year following the municipal elections, even if this decrease was less than in 2014. On the other hand, borrowings in the departments and even more in the regions are up sharply in 2020, illustrating both the plurality of investment cycles in the local public sector and market share gains.

Since the start of SFIL/La Banque Postale's activity, €35 bilion of loans have been granted to local authorities and public hospitals, benefiting approximately 7,200 borrowers (including 3,800 municipalities with fewer than 5,000 inhabitants and 309 Public Healthcare Institutions). The maturity of loans granted has increased: more than half have a maturity of more than 15 years, compared to 18% in 2013, when we were created. In 2020, all loans granted were at a fixed rate and a very low average rate of 0.6%.

What can be learned from the behavior of SFIL's second mission: refinancing export credit contracts?

P.M. - SFIL has been the leading provider of liquidity for the financing of large French export contracts since 2016. With a market share of over 40% since 2017, SFIL plays a crucial role in the export success of large French companies. Since the launch of this activity, our bank has refinanced a total of €8.4 billion* of export credits insured by Bpifrance Assurance Export on behalf of the French State, enabling the conclusion of 16 transactions representing more than €15.5 billion* of contracts for ten exporters, on four continents, with 17 partner banks*.

In 2020, the short-term effect of the health crisis led to a general slowdown in the pace of contract negotiations. Nevertheless, for projects in the preliminary study phase, SFIL's marketplace system was in great demand, with 50% more requests compared to last year. In addition, export credit is expected to play its counter-cyclical role of supporting certain sectors such as civil aviation, as demonstrated by the signature of a first transaction in this area in February 2021.

> "The integration within Caisse des Dépôts group, was carried out smoothly, with confidence and serenity."

A final word?

P.M. - In view of this atypical year, I would once again like to express my gratitude to all SFIL employees and partners who have demonstrated their exceptional ability to adapt, and also our past and current directors and shareholders, who, through their ongoing trust and support, have allowed us to ensure an effective transition in the context of the change of control.

On the strength of this trust and the excellent results obtained again in 2020, SFIL's teams will continue to carry out their missions in the service of the French economy.

It is both our duty and our pride.

** Figures updated to March 1, 2021.*

SFIL
A powerful and resilient model, serving the economic recovery

SFIL has demonstrated its resilience in 2020

SFIL posted very solid results in a context of the health and economic crisis and thus showed that its model offers great visibility in terms of volume of activities, financing conditions and results.

As the 7th largest French bank in terms of the size of its balance sheet, SFIL is now rated by Standard and Poor's and by DBRS in direct assimilation with the rating of the French Republic, a recognition of the quality of its credit rating.

SFIL is one of the two European banks under the direct supervision of the ECB and subject to the lowest additional capital requirements.

SFIL confirms the relevance of its public development bank model...

This countercyclical model is based, in particular, on the holding of public assets with a very low risk profile, low sensitivity to the negative interest rate environment and high balance sheet liquidity.

To these structural characteristics can be added the fully public shareholding structure and the Group's rigorous management, illustrated by a high solvency ratio of around 30%.

... Serving the economic recovery

SFIL Group's purpose is perfectly in line with the requirements and challenges of the period: "Financing a sustainable future by sustainably and responsibly supporting the development of the regions and the international activity of large companies".

Through its two public policy missions, SFIL is a key player in supporting the recovery of the French economy:

- long-term financing of French local authorities and public hospitals;
- financing of large export credits.

EUR 48.3 bn

in long-term financing raised from 2013 to December 31, 2020, of which EUR 3.25 bn in sustainable financing

EUR 35 bn

in loans granted to **local authorities and public hospitals**

EUR 8.3 bn

of **Export** refinancing allowing the conclusion of EUR 15 bn of export credits

Successful integration into the major public finance hub

Caisse des Dépôts becomes the reference shareholder

Through the successful integration into the Caisse des Dépôts Group, SFIL maintains all of its activities and its status. In particular, it will enable the major public finance hub to benefit from its efficient financing platform. The Caisse des Dépôts' commitment is evidenced by a letter of support, supplemented by a second letter of support from the French State for the direct benefit of SFIL.

A renewed governance serving the Group's vision

Since 9/30/2020, the composition of the Board of Directors has been modified to reflect the new shareholder structure and the Group's public interest missions. The Board of Directors relies on the work of four committees: the Financial Statements Committee, the Risks and Internal Control Committee, the Governance, Appointments and CSR Committee, and the Compensation Committee.

CHAIRMAN: **Pierre Sorbets** CHIEF EXECUTIVE OFFICER: **Philippe Mills**

15 Directors

4 INDEPENDENT MEMBERS:

Brigitte Daurelle
Eckhard Forst
Cathy Kopp

3 EMPLOYEES DIRECTORS:

Sandrine Barbosa
Frédéric Guillemin
Cécile Latil-Bouculat

1 NON-VOTING BOARD MEMBER
Gabriel Cumenge

1 SECRETARY OF THE SOCIAL AND ECONOMIC COMMITTEE
Thomas Perdriau

7 MEMBERS:

Serge Bayard
Virginie Chapron du Jeu
Quentin de Nantes
Laetitia Dordain

CAISSE DES DÉPÔTS
represented by Olivier Fabas
Pierre Laurent
Fabienne Moreau

42% women*

33% Independence*

94% Attendance rate

54 Average age

3 years Average term of office

* Excluding directors representing employees.

SFIL,
leader in both of its missions

France's largest public sector funder in partnership with La Banque Postale

An exclusive partnership renewed with La Banque Postale until the end of 2026

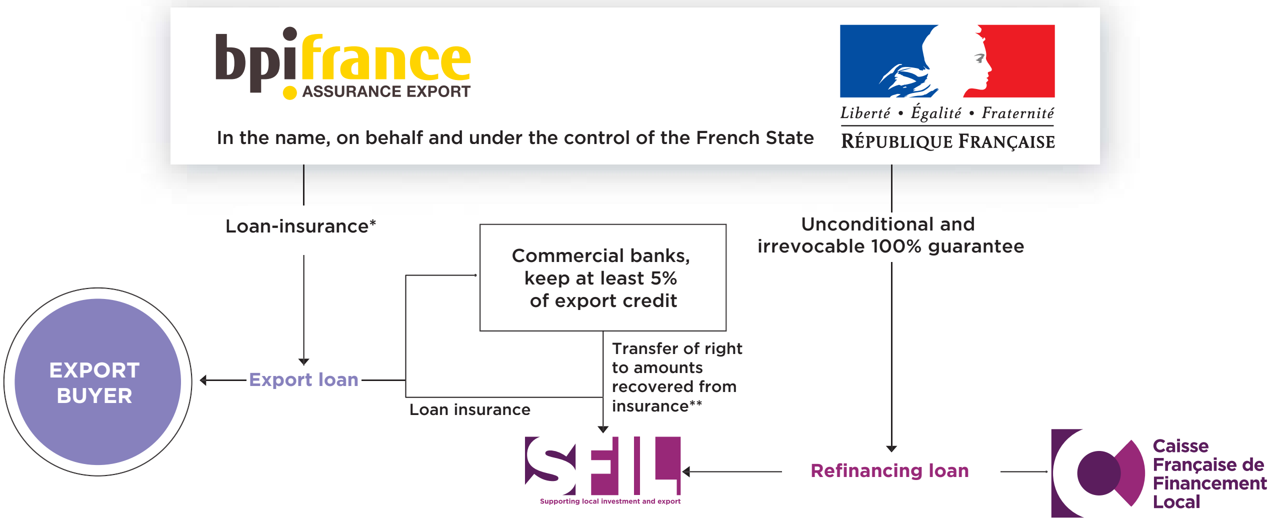
This partnership, which has existed since 2013 and ran until December 2021, has proved its relevance and effectiveness as evidenced by the position of leader of the system since 2015. It was perpetuated until 2026 before the integration of SFIL into the large public financial division, and then becomes automatically renewable for two-year periods.

OPERATIONAL FLOW DIAGRAM OF THE SYSTEM

The SFIL group refinances medium- and long-term loans originated by La Banque Postale to local authorities and public hospitals. These loans are refinanced by bond issues designed for institutional investors.

The leading contributor of liquidities on the export credit market

A SYSTEM WITHIN THE PUBLIC SPHERE



* Or, pure and unconditional guarantee for the airline industry.
** In the case of credit insurance at 95%.

2020 Activity

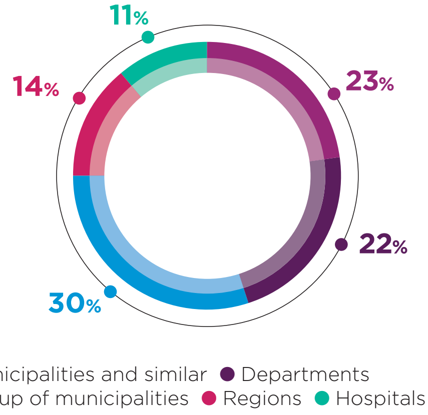
SFIL's performance in 2020 illustrates its countercyclical model: a low impact of the health and economic crisis and an intact capacity to intervene to serve the recovery plans.

Local public sector financing: a leading position

The SFIL/La Banque Postale system is the leading local authority financier with an estimated 24% market share. (Observatoire Finance Active 2021). Its performance was illustrated by the continued high rate of production in 2020 and strengthens its ability to support the Plan France Relance.

- Since the start of the activity, in 2013, total production: **EUR 35 bn** (as of 12/31/2020)
- Average amount: **EUR 2.1 million**
- Average maturity: **17.9 years** and up to **30 years**
- Since 2013: **7,200 borrowers** including **3,800** municipalities with fewer than 5,000 inhabitants
- **Leading hospital financier** (319 public healthcare institutions) with EUR 4.1 bn in loans granted since 2013

DISTRIBUTION OF LOANS TO THE LPS IN 2020

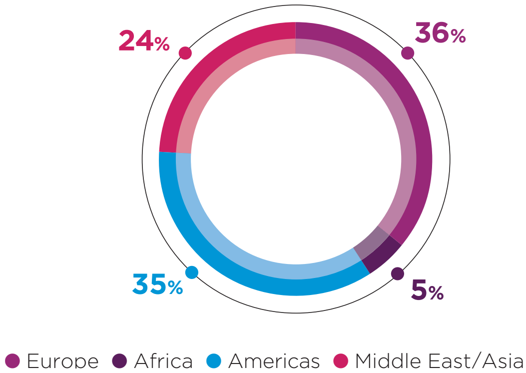


Export credit: an essential countercyclical role for French exports

The health crisis slowed down the pace of contract negotiations in 2020, but demand remained very high for project studies and the system will play a key role in the reopening of the economy by supporting sectors such as civil aviation.

- **Leading liquidity provider** for the financing of large French export contracts since 2016
- Market share **over 40%** since 2017
- 15 projects representing more than **EUR 15 bn** in contracts for **ten exporters**, on four continents with 16 partner banks
- 2020: **50% more requests** vs Y-1 for projects in the preliminary study phase as part of recovery actions

BREAKDOWN OF THE REFINANCED AMOUNTS BY CONTINENT



Key figures for 2020 testify to the model's resilience during the crisis

Success driven by our teams

344
Permanent staff
Present as of 12/31/2020

Balance sheet and results: 7th largest French bank in terms of the size of its balance sheet

EUR 77 bn
Balance sheet assets
as of 12/31/2020

EUR 58.3 bn
SFIL Group bonds outstandings
as of 12/31/2020

EUR 44 m
Net income
for the 2020 financial year

Ratios that illustrate the solid performance

63.1%
Operating ratio*
2020 financial year

2.6%
ROE
2020 financial year

29.4%
CET1 RATIO
As from 1/1/2021
vs 7.75% required
by the ECB (SREP)

193%
LCR
As of 12/31/2020
vs 100% required
by the ECB

Excellent standing with its specificity recognized by the regulator and rating agencies

Since April 2020, Standard and Poor's directly rate SFIL by reference to the French Republic rating (abandonment of the banking methodology).

Similarly, in February 2021, DBRS aligned its rating of SFIL on that of the French Republic.

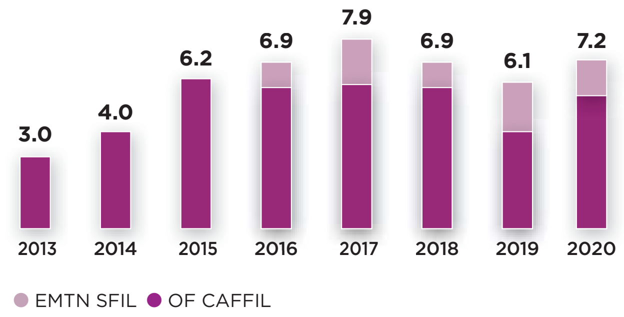
HIGH RATINGS REFLECTING THE LINK WITH THE FRENCH STATE AND SFIL'S FINANCIAL SOLIDITY

	MOODY'S	S&P	DBRS
Liberté • Égalité • Fraternité RÉPUBLIQUE FRANÇAISE	Aa2	AA	AA High
SFIL Supporting local investment and export	Aa3	AA	AA High

* On the basis of the recurring NBI.

Exceptional financing capacity maintained intact despite market turbulence

VOLUME OF THE GROUP'S BOND ISSUES



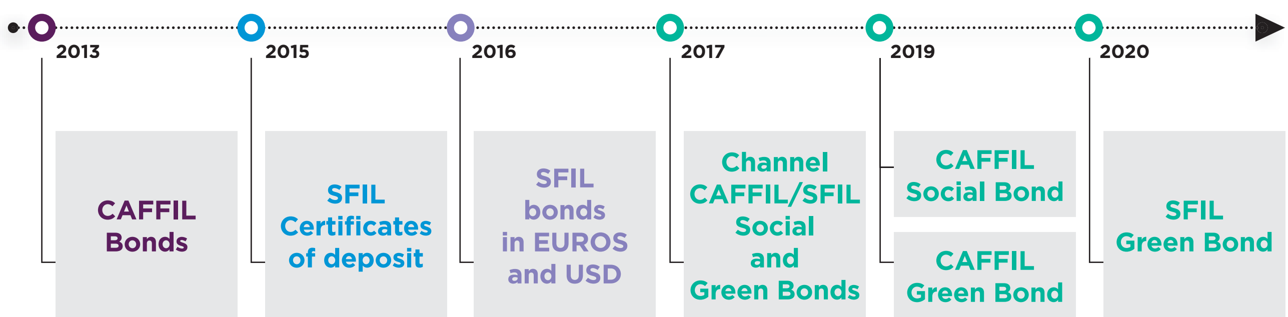
EUR 7.2 bn
SFIL Group bond issues
2020 financial year

Issues awarded internationally

Best Social Bond IFR Awards 2019	**Best Covered Bond Issuer** CMD Portal Awards 2020	**Best Social Bond - Asset based & Covered Bonds Issuer** Environmental Finance 2020	**Best green, social or sustainability deal** CBR Awards 2020	**Most impressive Fi Funding Strategy during Covid Pandemic** Global Capital Bond Awards 2020

Financing: a strong capacity for innovation

A strong capacity for innovation with the development of four financial market access channels



An ambitious CSR strategy

SFIL's strong social and environmental commitments perfectly reflect its DNA as a Public Development Bank.

A strategy based on three areas strengthened in 2020

1RST PRIORITY

The conduct of public policy missions

Climate impact and inclusive financing

2ND PRIORITY

Deployment of internal policies

Carbon footprint reduction
Inclusion and diversity
Anti-corruption

3RD PRIORITY

Employee commitment and our philanthropy policy

Cohesion, integration and eco gestures
Awareness-raising among employees

Strengthening SFIL's CSR approach

In 2018, SFIL joined the United Nations Global Compact. In 2020, the Group strengthened its CSR approach on its nine prioritized SDGs with the implementation of 18 quantitative objectives for activity and internal functioning to be achieved by the end of 2021.

3 GOOD HEALTH AND WELL-BEING — Support the public hospital sector and contribute to the well-being of our employees 1, 2

6 CLEAN WATER AND SANITATION — Financing investments related to public drinking water and sanitation services 1

11 SUSTAINABLE CITIES AND COMMUNITIES — Financing territorial mobility and soft urban transport 1

4 QUALITY EDUCATION — Contribute to the financing of the education system and promote training, diversity and equal opportunities 1, 2, 3

7 AFFORDABLE AND CLEAN ENERGY — Contribute to increasing the share of renewable and carbon-free energy 1

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Financing investments promoting the treatment of household waste and contributing to the circular economy 1, 3

5 GENDER EQUALITY — Advance professional equality and promote gender parity 2

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Support investments related to the energy efficiency of buildings and finance the deployment of digital infrastructures 1

13 CLIMATE ACTION — Reducing our carbon footprint 2

Concrete achievements in 2020 include:

3 GOOD HEALTH AND WELL-BEING

First Covid-19 covered bond : EUR 1 bn
Social bonds issued in April 2020

4 QUALITY EDUCATION

10 % of work-study students in the SFIL Group workforce in 2020

7 AFFORDABLE AND CLEAN ENERGY

over 10,000 TCO_2 avoided thanks to the financing of renewable energy projects

2020: Excellence in non-financial rating, recognizing the strength of the public development bank model and DNA

SUSTAINALYTICS RATED

The requested SUSTAINALYTICS rating shows the strength of the model in this area with a score of 7.7/100, which is one of the best ratings among 1,000 financial institutions. In addition, the Group's other ratings have improved significantly.

SFIL Group: a regular and trusted issuer of green and social issues

The thematic programs meet three objectives that the Group has set:

Finance green and social public investments

Develop a new funding channel

Develop the responsible finance ecosystem

2020 HIGHLIGHTS

Consolidation of SFIL as a **sustainable issuer** in 2020

- **50% of new investors** in the group's issues = **ESG issues**
- 2 green issues = **EUR 1.5 bn**
  21% of the group's total issues
- Oversubscription to the **second green issue X 5**
- Oct. 2020: nearly **EUR 3 bn** in **green and social bonds** outstanding

Environmental impact and contribution of **green loans** financed by the first SFIL green issue of EUR 750 m

- **13,015 tCO_2** avoided each year thanks to the green loan scheme
- **47,279 km** of drinking water, sanitation and rainwater network*
- **2,072,641 tonnes** of household and similar waste collected*
- **9 million** inhabitants served*

* *Aggregate characteristics of the public services financed: drinking water, sanitation and waste collection.*

A commitment to the Plan France Relance thanks to green loans

SFIL's green loan offering, broken down into five categories for local authorities, is fully in line with the Plan France Relance.

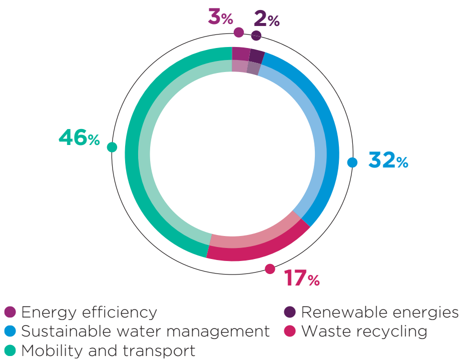
- Renewable energy
- Sustainable water and sanitation management
- Waste management and valuation
- Territorial mobility and soft urban transport
- Energy-efficient construction and urban development

Of the EUR 100 bn of the national recovery plan, more than EUR 20 bn of investments should be made in partnership with local authorities, for which the SFIL/La Banque Postale system will be an additional financing instrument.

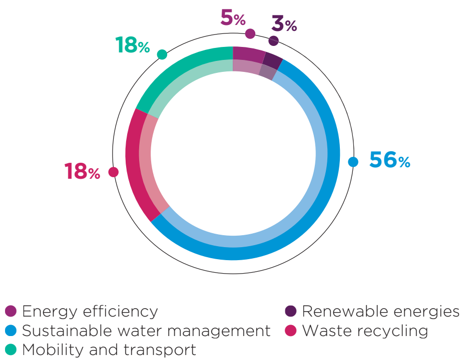
Focus on the production of green loans

- Since the launch in June 2019, EUR 1,154 m in green loans identified
- In 2020, Green loans = 9% of loans to local authorities

DISTRIBUTION OF THE AMOUNTS OF GREEN LOANS BY THEME



DISTRIBUTION OF THE NUMBER OF GREEN LOANS BY THEME



DEMAIN
@SFIL

Further strengthen performance, agility and cohesion

Throughout this crisis, the Group has not only demonstrated the power and resilience of its model, but also the agility of its teams. The Group has been able to fundamentally adapt its working methods, while maintaining its activity within a framework of 100% teleworking or operating in a "hybrid" mode, combining on-site and remote work.

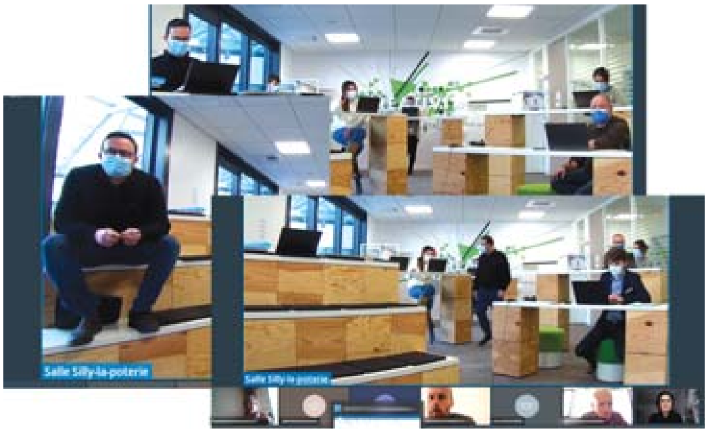
An opportunity to reinvent ourselves...

The Group wanted to go beyond these changes made under constraint, to make the situation a chosen opportunity for transformation. The **Demain@SFIL** project was launched to perpetuate the best practices identified in new ways of working and to free itself from obstacles to both collective and individual operational efficiency.

I 2020: a new way of working

Hybrid working has become the norm, with regular teleworking making it possible to reduce transport times for an improved work-life balance, and to improve the efficiency of certain tasks, such as research, reflection or production...

... while giving back meaning and value to work on site, as a place of sharing and enhanced interactions.



I 2021: Continued innovation

The **Demain@SFIL** project identified four areas for investment to continue SFIL's transformation in this hybrid world:

AXIS 1 Improve on-site employee experience

AXIS 2 Revive innovation dynamics

AXIS 3 Renew management practices

AXIS 4 Promote cross-functionality

These areas have contributed to the definition of a new ambition:

- provide desirable, flexible workspaces that give pride of place to collective working;
- work with collaborative and connected tools;
- carry out its missions on site, at home or in another location;
- maintain cross-functional exchanges between business lines and all levels of employees;
- adapt meeting formats and facilitation methods to the hybrid world;
- move towards more agile management practices and performance assessment models;
- give time to reflection in an over-demanding world.

Our purpose: to finance a sustainable future for future generations

1 Management report

Management report

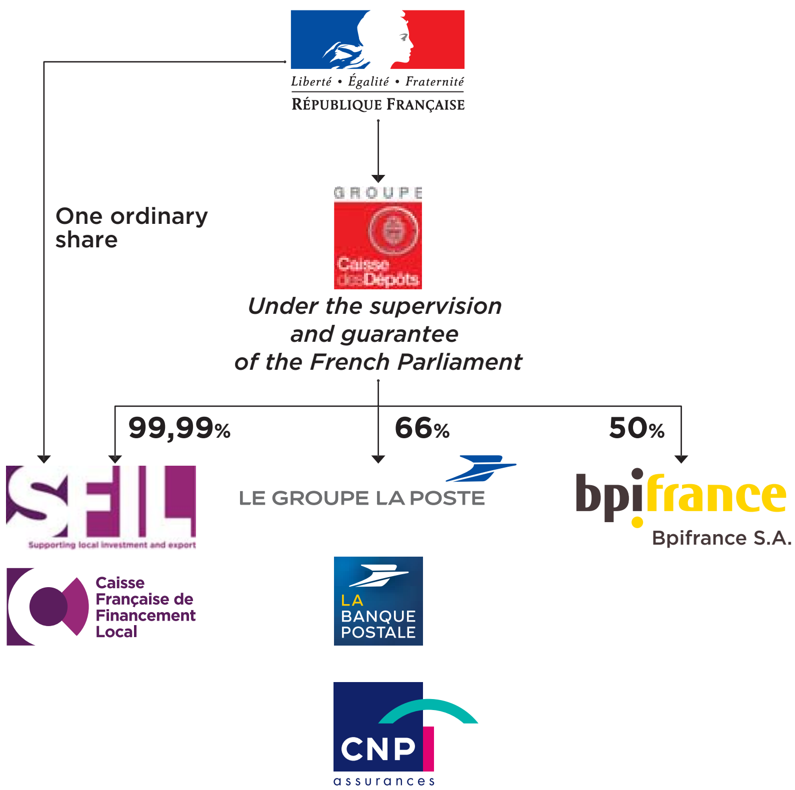
SFIL was authorized as a bank by the *Autorité de contrôle prudentiel et de résolution* (ACPR) on January 16, 2013. Its shareholding structure, unchanged since its creation, changed in 2020. In accordance with the shareholder announcements of October 9, 2019 (signing of an agreement in principle) and March 4, 2020 (signing of a binding agreement), the sale to Caisse des Dépôts respectively by the French State, with the exception of one share, representing 75% of SFIL's share capital and by La Banque Postale for 5% of SFIL's share capital, was completed on September 30, 2020. The Caisse des Dépôts, which held 20% of SFIL's share capital, thus became its reference shareholder. The State continues to attend SFIL's Board of Directors through a non-voting director, given the public interest missions entrusted to SFIL.

The shareholder structure, which remains entirely public, is one of the characteristics of the public development bank model in which SFIL operates. The objective of public development banks is not to maximize profitability or market share but to carry out public policy missions entrusted by State, region or local authorities to compensate for identified market failures while ensuring the conditions for their own viability. SFIL is a key component of the financing system for local government entities and public hospitals established in early 2013 to provide a sustainable response to the contraction in supply of long-term financing for the local public sector.

From 2015, SFIL was also entrusted with responsibility for refinancing major export credit contracts as part of a market system designed to strengthen the French export industry's competitiveness. This scheme, authorized by the European Commission for a period of five years, was renewed in 2020 for a further seven years.

As a reminder, since January 31, 2013, SFIL has held 100% of the capital of Caisse Française de Financement Local (CAFFIL), its sole subsidiary, with the status of *société de crédit foncier* (SCF) governed by articles L.513-2 et seq. of the French Monetary and Financial Code (*Code monétaire et financier*). SFIL serves as a backer for CAFFIL's activities, as specified by regulations concerning its SCF status, in particular in accordance with articles L.513-15 and L.513-2 of the French Monetary and Financial Code. In this context, SFIL is CAFFIL's servicer, and provides full operational management of its subsidiary within the framework of the management agreement it signed with CAFFIL.

CAPITAL STRUCTURE OF SFIL AND ITS SOLE SUBSIDIARY CAFFIL



1.1 Highlights of 2020

Throughout 2020, marked by the Covid-19 health crisis and its consequences on the economy, SFIL continued to carry out all of its refinancing missions, *via* its subsidiary Caisse Française de Financement Local, loans granted by La Banque Postale to local authorities and public health institutions, the provision of specialized services to La Banque Postale and Caisse Française de Financement Local and the refinancing of export credit. It was also during the first half of 2020 that SFIL adopted a *raison d'être* inserted in its by-laws "Financing a sustainable future by sustainably and responsibly supporting the development of the regions and the international activity of large companies".

1.1.1 Covid-19 pandemic

During this crisis, SFIL's strategy - based on its public development bank model - showed its strength and large resilience capacity notably in terms of solvency and liquidity.

As regards operations, the bank, which had regularly conducted crisis management exercises, was able to adapt its organization and information systems to operate entirely remotely during lockdown phases and with limited on-site presence during periods when the lockdown was lifted. During periods of partial return to the site, social distancing measures to fully ensure the safety of staff have been implemented. A crisis unit was set up at the beginning of March and was held 38 times during the year 2020 to analyze the evolution of the pandemic and take the necessary measures to ensure operational continuity.

The lockdown began to be lifted at the start of June with a cautious and gradual return of employees and service providers to the office, in a protective framework of distancing and health security. Full teleworking was reinstated in early November 2020. The lockdown was again lifted in January 2021, with full teleworking (with the possibility of voluntary return to the site one day per week) being reinstated in early February.

As a result, all teams remained exceptionally mobilized in 2020, all activities were fully provided and SFIL did not use the job retention scheme set up by the public authorities.

The French local public sector financing activity had a very strong year despite the crisis. The EUR 5.6 billion production is close (-3%) to that of 2019, even though 2019 was a record year.

As part of the national mobilization to fight Covid-19, SFIL has decided to deploy two approaches to support borrowers faced with difficulties due to the health crisis:

- one, proactive and systematic, by proposing payment terms to all healthcare entitities in recognition of their exceptional involvement in the Covid-19 pandemic. SFIL proposed payment terms of 180 days to these borrowers for all of their loan contract with maturities between March 12 and June 30, 2020, without any late interest or penalties being invoiced. As at December 31, 2020, 27 public health institutions had benefited from these payment terms from SFIL;
- the other approach is to respond to requests from local authorities and equivalent faced with temporary cash flow difficulties due to the health crisis caused by the decline in revenue from specific activities, related to economic and touristic activities (cinemas, swimming pools, car parks, thermal baths, etc.), on a case by case basis. As of December 31, 2020, 65 local authorities have requested SFIL to obtain payment terms, which represented only 0.6% of local authorities with maturities over this period and less than 2% by amount.

As regards the export credit refinancing activity, SFIL, which has been involved in all French export credit cruise ships financing transactions concluded since 2016, is part of the approach developed jointly by the European export credit insurance agencies to provide liquidity support for cruise lines, faced with an abrupt shutdown of their activity. This consists of deferring the repayment of the principal amount of the credits. For SFIL, the amount concerned is slightly less than EUR 68 million.

In the other credit export sectors concerned, the impact of the successive lockdown periods in the different regions of the world, led, in the short term, to a slowdown in on-going negotiations for certain projects. However, over the medium term and as part of the economic recovery, the use of SFIL export credit and refinancing could play a counter-cyclical role. During the year, this resulted in an increase of around 40% in bank requests on files in the preliminary phase. This trend indicates a possible greater use of export credit and SFIL refinancing in the coming months and years.

The impact of the crisis on credit risk was very limited since, as of December 31, 2020, the 65 French borrowers who had requested new payment terms representing a maturity amount of EUR 18.6 million, 55 of which reimbursed their maturities in line with the agreed deadline. Overall, balances due resulting from payment delays only amounted to EUR 0.9 million at the end of 2020.

The only significant impact on credit risk concerns the cruise sector, whose debt is fully guaranteed by Bpifrance Assurance Export in the name and on behalf of the French State in principal and interest, and which will have generated an increase in provisions of EUR 14.8 million at the end of 2020.

With regard to liquidity, the health crisis did not affect the SFIL Group's issuance program overall during the year 2020. This amounted to EUR 7.2 billion in 2020, *i.e.* EUR 1.1 billion more than in 2019. The normalization of the financial markets from mid-April, thanks in particular to the vigorous and rapid action of the central banks, enabled the SFIL Group to resume its financing program, which it had voluntarily interrupted for one month given the level of refinancing spreads. It was thus able to complete the entire annual financing plan scheduled from the end of November, at an average level of spread in line with the budget.

As in 2019, the SFIL Group's social issues program was rewarded twice by the financial press:

- Environmental Finance Bond Awards 2020 – Best social bond – asset based and covered bonds;
- Covered Bond Report Awards for Excellence 2020 - Best ESG Issue.

SFIL and CAFFIL's investor base continued to grow in 2020.

Liquidity risk was closely monitored throughout the year and liquidity stress tests were carried out regularly to check the group's ability to withstand prolonged market closures.

The induced effects of market volatility as a result of the pandemic on valuation standards within the framework of the IFRS 9 accounting standards and liquidity requirements was also a point of attention.

Other risks particularly monitored during the period include operational risks for the group, cyber risk and the risk of fraud for which protection measures were regularly reinforced.

All of these risks were subject to specific monitoring and regular reporting to the European banking supervisor.

The main regulatory ratios remained at very high levels, with little fluctuation. The group's CET1 ratio stands at 29.4% as of December 31, 2020, confirming its unswerving financial stability. The LCR liquidity ratio stands at 193%, for SFIL on a consolidated basis.

The impact of the health crisis on SFIL's financial results was limited as of December 31, 2020. Indeed, the context of volatility and deterioration in financial markets, particularly in the first half of 2020, led to changes in the value of financial assets and liabilities as well as hedging instruments with an overall impact of EUR -29 million on the Net banking income at end June 2020. In view of the normalization of the financial markets during the second half of 2020, this impact has been eliminated at December 31, 2020. Hence, the Group's accounting income at end December was EUR +44 million, close to the recurring net income, which precisely adjusts the impact of changes in the valuation of balance sheet items, in particular non-SPPI loans, which reached EUR +42 million.

Overall, the management of the acute phase of the health crisis was a triple success for SFIL from the point of view of protecting the health of its employees, maintaining operational capacity and demonstrating the resilience of its business model. As a public development bank, SFIL will be able to provide all its support to the public policies required for economic recovery, whether for financing the local public sector and French hospitals or for financing exports.

1.1.2 Activity of the SFIL Group in 2020

Activity in 2020 almost equaled the record activity of the record-breaking 2019 for the financing of loans to the local public sector and French hospitals in partnership with La Banque Postale.

The SFIL Group, *via* its subsidiary Caisse Française de Financement Local (CAFFIL), finances loans granted by La Banque Postale to French local authorities and public hospitals. The scheme was renewed until 2026 when SFIL changed its shareholding structure on September 30, 2020.

The SFIL/La Banque Postale system demonstrated its performance by maintaining its position as leader in the financing of the French local public sector, which it has held since 2015. In fact, during the year 2020, this system proved its resilience by the production of an amount of EUR 5.6 billion of loans (down by only 3% compared to 2019 which showed an increase of more than 55% compared to 2018) and maintaining a similar market share. The market for financing local authorities and public hospitals remained dynamic in 2020 despite the impact of the electoral cycle for the municipal block, with increased loans for the regions, and departments. At the same time, CAFFIL acquired EUR 4.6 billion in loans initiated by La Banque Postale. This is the highest level of loans acquired since the creation of SFIL Group and the launch of its partnership with La Banque Postale in 2013. Since the partnership began, the total volume of loans acquired stands at EUR 24.5 billion. It should also be noted that with the launch of its range of green loans in 2019, the scheme reached EUR 1,154 million in green loans to local authorities at the end of 2020.

Refinancing large export contracts: a countercyclical effect should be apparent from 2021

Since the French State entrusted it with this task in 2015, the SFIL Group has granted loans for the refinancing of large export credits. These loans benefit from an irrevocable and unconditional 100% guarantee by the French State.

The short-term effect of the health crisis has led to a general slowdown in the pace of contract negotiations in 2020. A single dossier was signed in 2020 for EUR 0.2 billion in the field of renewable energies in Europe. Since the launch of this mission mid-2015, the total volume refinanced by the SFIL Group stands at EUR 8.3 billion for EUR 15 billion in total export credits. On average, over the last four years, SFIL's contribution of liquidity to the refinancing of major export credits represents more than 40% of the market.

At the same time, in 2020, the financial market system entrusted to SFIL was in great demand for projects in the preliminary study phase, with 40 % more requests than in 2019.

It should be finally noted that, on May 7, 2020, the European Commission renewed SFIL-CAFFIL's authorization for the financing of export credits, reaffirming the market failure and the relevance of the intervention of a development bank such as SFIL. The initial authorization, dated May 5, 2015, was valid for five years. It was renewed for a period of seven years. A project is also underway concerning the extension to the scope of strategic projects. The aim is to allow the SFIL Group to refinance credits beneificating from the Strategic Projects Guarantee[(1)]. This plan to extend the SFIL Group's activity will enable France to offer a financing system in line with the best practices observed in other major exporting countries, particularly in Asia.

The SFIL Group's high performance and diversified refinancing

In order to refinance its two activities, the SFIL Group raised EUR 7.2 billion long-term issues in the bond markets in 2020 in a market context marked by high volatility for the various asset classes including covered bonds in euros. As part of the development of its social and environmental policy, it fully succeeded in continuing to develop its "Social" and "Green" thematic bond issues. SFIL also strengthened its franchise within the French agencies and the Group continued to diversify its investor base, in particular with specialist "Green" investors. (see update on "SFIL Group financing").

1.1.3 Changes in SFIL's shareholding structure and governance

As announced by SFIL's historical shareholders on October 9, 2019 (signing of an agreement in principle) and March 4, 2020 (signing of a binding agreement), the sale to Caisse des Dépôts respectively by the French State, with the exception of one share, of 75% of the share capital of SFIL and by La Banque Postale of 5% of the share capital of SFIL, was completed on September 30, 2020. Caisse des Dépôts, which held 20% of SFIL's share capital, thus became its reference shareholder. The State continues to attend SFIL's Board of Directors through a non-voting director, given the public interest missions entrusted to SFIL.

Through this operation, which is part of the project to create a large public finance hub around Caisse des Dépôts and La Poste, SFIL's shareholding remains entirely public. Its shareholders will continue to ensure that its financial strength is preserved and its economic base protected, in accordance with applicable regulations.

La Banque Postale, which will retain a central role in the system, decided to renew its partnership early with SFIL until end 2026 for the commercialization of medium and long term loans to regional authorities and public hospitals.

In view of the change in the shareholding structure, the governance was modified at the level of the Board of Directors and its specialized committees. Caisse des Dépôts, a member of the Board, has a representative and has also proposed the appointment of five other members.

Of the four Independent Board's members, two were appointed in 2020. A non-voting Board member representing the French State has been appointed by the Board. In addition, following elections held in November 2020, three members representing employees were elected. Finally, the representative of the Social and Economic Committee has changed.

The changes made to the composition of the Board of Directors were followed by the updating of the composition of its specialized committees.

1.1.4 Strengthening of the SFIL Group's CSR commitment

1

The SFIL Group has placed social and environmental issues at the heart of its strategy and activities during the year 2020.

The year 2020 has been marked by the development of the SFIL Group's social and environmental policy and its implementation in its financing policy with the aim of channeling specialized global savings towards the green and social investment projects carried out by local authorities and French public hospitals. This strategy resulted in the successful launch of CAFFIL's second "Social" thematic program and the second SFIL Group's "Green" thematic program, launched for the first time by SFIL as an issuer, which made it possible to further diversify its sources of financing and investor base.

In addition, the Group has strengthened its key role in the healthcare sector with the launch, in April, of a social issue by Caisse Française de Financement Local, aimed at providing new financing directly or indirectly to the sectors affected by the pandemic. At the same time, payment terms were proposed to all healthcare players due to their exceptional involvement in the face of the pandemic, as detailed above.

Throughout the year, the SFIL Group also financed the environmental investments of regional authorities and their groups, *via* the range of green loans designed and distributed in partnership with La Banque Postale. The projects refinanced by the SFIL Group concern the following five areas:

- renewable energy;
- sustainable water and sanitation management;
- waste management and valuation;
- territorial mobility and soft urban transport;
- energy-efficient construction and urban development.

The SFIL Group's CSR commitment has three major areas of focus: carrying out sustainable public policy missions, implementing balanced internal policies and engaging our employees. With a dedicated governance and CSR Committee in place since the end of 2019, the Group has continued to develop and disseminate its CSR commitments in all aspects of its business, including:

- the affirmation of its role as a major player in sustainable finance, with the participation in the Climate Finance Day held on October 29, 2020 in Paris, during which the SFIL Group reaffirmed, through the intervention of SFIL's Chief Executive Officer, its commitment in supporting the responsible ecological transition. This event is in addition to SFIL joining the "Finance for Tomorrow" initiative in early 2020, which aims to stimulate the development of the French ecosystem in terms of responsible investment and green finance;

(1) *Decree No. 2018-1162 of 17 December 2018 on the granting of State guarantees for operations likely to contribute to the development of French foreign trade or of strategic interest to the French economy abroad.*

- the publication on April 30, in accordance with its commitments to the United Nations Global Compact, of its CSR report for 2019, the second in this area;
- strengthening its ambitions regarding the United Nations Sustainable Development Goals: at the end of 2020, SFIL consolidated and redefined its approach on its nine priority SDGs in line with its activities and its *raison d'être*, and calibrated its corresponding numerical targets;
- the measurement of its carbon footprint for the year 2019, published in April 2020 in accordance with its roadmap, and the continuation of actions to reduce CO_2. The SFIL Group has committed to reducing its greenhouse gas emissions by at least 15% between 2018 and 2022;
- the overhaul of its Code of Ethics and Professional Conduct, which now includes an anti-corruption code of conduct, and the overall optimization of the internal anti-corruption training system;
- the solidarity campaign to donate days offered to all employees during the summer of 2020 to contribute to the initiative "Staying together in the face of the virus" launched by the Fondation de France. Thanks to an innovative scheme for the monetization of days, the operation raised more than EUR 43,000 in donations to help vulnerable people affected by the damage caused by the health crisis.

Finally, the transition of SFIL under the control of the Caisse des Dépôts Group in September 2020 has already enabled the implementation of synergies between the two entities in terms of CSR ambitions, objectives and best practices.

1.1.5 Solid financial and non-financial ratings

As of December 31, 2020, SFIL's financial ratings were unchanged compared to December 31, 2019: Aa3 with Moody's, AA with Standard & Poor's and AA (high) with DBRS.

On the same date, the financial ratings of CAFFIL's issues also remained unchanged compared to December 31, 2019: Aaa at Moody's, AA+ at Standard & Poors' and AAA at DBRS.

While the rating of SFIL remains unchanged at S&P, the agency has modified the rating methodology applied by abandoning the rating based on the bank methodology and now retaining a rating based on the rating of the French Republic.

In early February 2021, the financial rating agency DBRS confirmed SFIL's long-term rating of AA (high) outlook stable after a review period following the downgrade of the French Republic from AAA to AA (high) at the end of 2020. Thus, it also equalizes the SFIL rating with that of the French Republic by modifying its notching methodology which previously rated SFIL one notch below the French State.

In 2020, SFIL commissioned the Sustainalytics agency for an extra-financial rating of the SFIL Group.

Sustainalytics gave SFIL a score of 7.7/100 on a scale of 0 to 100, with 0 being the best score. This ESG rating places SFIL in the first percentile of institutions rated and ranked seventh out of 93 development banks rated by Sustainalytics. SFIL's ESG risk is rated as negligible by Sustainalytics, which also praised its performance in the areas of governance, human capital management and business ethics.

1.1.6 Favorable regulatory changes

The year 2020 is part of the continuation of a process that has now been in place for several years, of gradually taking into account the specificities of SFIL as a public development bank by regulators or supervisors. This is the case for the decision of the Single Resolution Board (SRB) to apply to SFIL the simplest formula of the resolution plan in terms of obligations, as well as a minimum requirement for equity and eligible commitments (e.g. MREL) limited to the amount necessary to absorb SFIL's losses in the event of liquidation.

1.2 General business environment

In the context of the Covid-19 pandemic, the SFIL Group continued all of its missions:

- the financing of French local authorities and public hospitals in partnership with La Banque Postale;
- the refinancing of large export credit contracts;
- the SFIL's provision of specialized services to La Banque Postale and Caisse Française de Financement Local (CAFFIL) to enable the system to function correctly.

The exceptional financing capacity of the SFIL Group, which has been preserved, has enabled these missions to be carried out without interruption.

1.2.1 The SFIL Group's financing of public sector investments

SFIL lies at the heart of a system that serves the State's commitment to provide French regional authorities and public healthcare institutions with continuous and efficient access to long-term bank financing, alongside the offers of commercial banks and French and European public institutions operating in this sector. This system, which was launched following European Commission authorization on December 28, 2012, makes it possible to refinance La Banque Postale's loans to French local authorities and assist the relevant borrowers in their efforts to reduce their outstanding sensitive loans.

The diagram below describes the operational financing system for French local authorities and public hospitals.

OPERATIONAL FLOW DIAGRAM OF THE SYSTEM

The local public sector financing activity involves CAFFIL acquiring from La Banque Postale loans that it has marketed.

The loans in question are simple, being exclusively at fixed rates or with a single indexation (Euribor + margin) or two-phase structure (fixed rate then variable rate). Certain loans involve a staggered-release phase or benefit from a deferred start-date mechanism. The range of amounts extends from EUR 40,000 to several tens of millions of euros. Maturities range mainly between 10 and 30 years. New loans are mostly repayment loans with an initial average life of around 10 years.

This loan offer is intended for all types of local government entity throughout France, from the smallest municipalities to the largest inter-municipal or regional structures.

The SFIL-LBP scheme also offers a range of green loans, launched in June 2019 in partnership with La Banque Postale. The green loan is a tool dedicated to financing projects contributing to ecological transition and sustainable development, in the fields of renewable energies, sustainable management of water and sanitation, waste management and recovery, etc., soft mobility and clean transport, and energy efficiency in construction and urban planning. The loans are refinanced by the green issues issued by the SFIL Group. This financing offer enables the SFIL Group's commitment to sustainable finance and its role as a public development bank serving the regions to be synergized.

1.2.2 Refinancing export credits

Since 2015, the French State has entrusted SFIL with a second public interest mission, according to a public refinancing scheme that already exists in several OECD countries, consisting of refinancing buyer credit contracts insured by Bpifrance Assurance Export in the name and on behalf of the French State, thus contributing to the improvement of the competitiveness of the major export contracts of French companies. The aim is to provide market financing in volumes and for periods suited to large export credits, at conditions that are those of the best issuers of French covered bonds, by building on the issue capabilities of SFIL and its subsidiary CAFFIL. This refinancing system is open to all partner banks of French exporters for their loans insured by Bpifrance Assurance Export, in the name and on behalf of the French State.

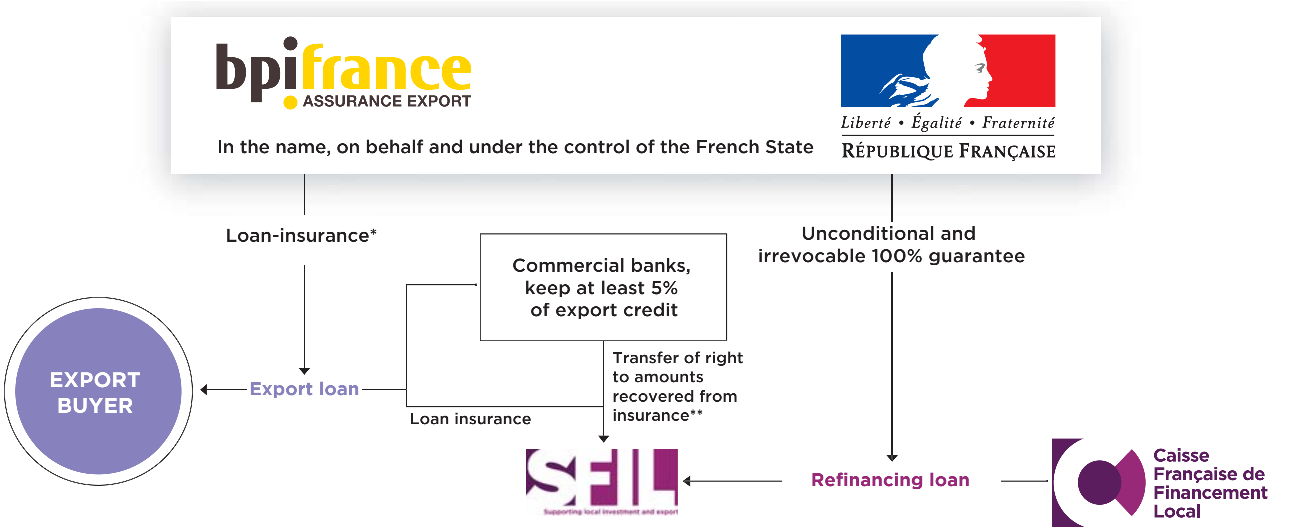
Within this framework, SFIL organized its relationship with almost all banks active in the French export credit market through bilateral agreements. SFIL may acquire all or part of the investment of each of these banks in an export credit. At the end of 2020, the system had 27 partner banks, *i.e.* two more than a year ago.

The SFIL export market refinancing system was authorized on May 5, 2015 and renewed on May 7, 2020 for a period of seven years.

SFIL's operating procedure is as follows:

- in accordance with the principle of equal treatment, SFIL offers to take the place of commercial banks as lender of all or a part of the insured portion of export credits, thus allowing them to improve their own offers in terms of volume, term, and price;
- the export bank retains the risk on the uninsured portion and maintains the entire commercial relationship over the life of the transaction;
- the export loans acquired by SFIL are refinanced through a loan from its subsidiary CAFFIL, which benefits from the enhanced guarantee mechanism of Bpifrance Assurance Export introduced by the 2012 finance law. This guarantee at 100% by the French State is irrevocable, unconditional and on first demand. In this context, Bpifrance Assurance Export acts in the name, on behalf and under the control of the State;
- it should be noted that the civil aeronautics sector benefits from a Pure and Unconditional Guarantee, whose guaranteed percentage is 100% issued by Bpifrance Assurance Export. For transactions that benefit from this irrevocable and unconditional guarantee at 100%, the increased guarantee in favor of CAFFIL is not required.

OPERATIONAL FLOW DIAGRAM OF THE SYSTEM FOR REFINANCING OF EXPORT CREDITS BY SFIL-CAFFIL



* Or, pure and unconditional guarantee for the aviation sector.

** In the case of 95% loan insurance.

To ensure the effectiveness of the refinancing system, SFIL maintains an ongoing relationship with the main French exporters, providing assistance with these early stages. On their request, SFIL issues letters of interest in their commercial offers to accompany Bpifrance Assurance Export's letters of interest. There are now 29 for 14 exporters.

1.2.3 Services for La Banque Postale

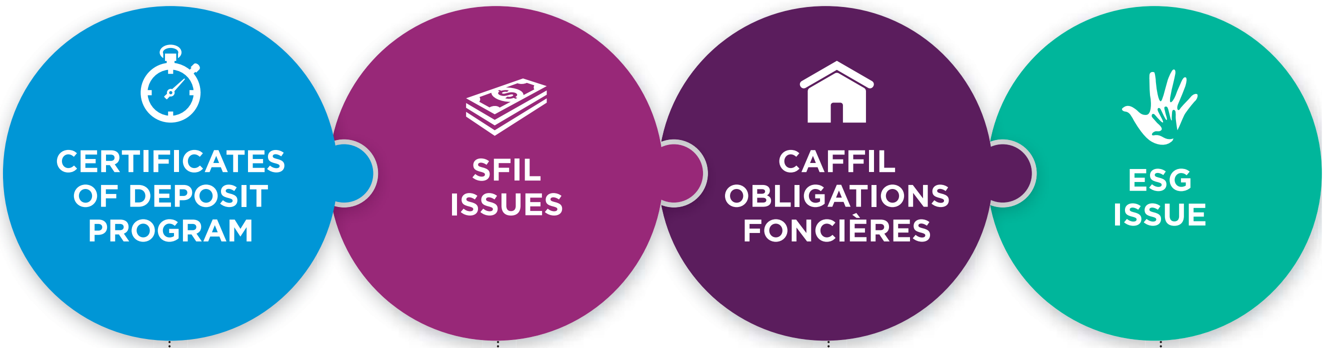
SFIL provides services for the medium and long-term financing activity in the local public sector (French local government entities and public hospitals) carried on by La Banque Postale and the joint venture LBP-CDC "La Banque Postale Collectivités Locales". Within this framework, it provides services at all stages of medium and long-term loan issuance and management process (loan offerings, middle and back office management, ALM reporting, management control, accounting, third-party management, etc.).

SFIL also coordinates and implements projects needed by La Banque Postale for this business activity, in particular by adapting the applications it makes available to La Banque Postale.

During the lockdown period and generalized teleworking related to the health crisis, thanks to the rapid implementation of a remote working system for all of its staff, SFIL maintained the operational continuity of this service and carried out a number of operational adaptations, due to widespread remote work, in agreement with LBP. The level of service remained unchanged from normal. The performance indicators in place to measure the quality of the services that SFIL provided in 2020 were satisfied at 99%.

1.2.4 SFIL Group financing

To ensure the financing for these two missions, the SFIL Group benefits from financing sources as described below:



Certificates of deposit program

Diversification of short-term financing

Average outstandings for SFIL 2020 of approximately EUR 800 m

SFIL issues

Issue program planned for 2021 of between EUR 2 and 3 Bn

Benchmark issues in EUR and/or USD

Outstanding as at 12/31/2020 of EUR 7.8 Bn

CAFFIL obligations foncières

Issue program planned for 2021 of between EUR 4 and 5 Bn

Regular benchmark issues in EUR and private placements (EMTN and RCB)

Outstanding as at 12/31/2020 of EUR 50.5 Bn

ESG issue

Regular *benchmark* issues by SFIL and CAFFIL in the ESG market

Inaugural Social and Green Programs in 2019

CAFFIL Social Emission in 2020 and first green issue proposed by SFIL in 2020

At least one green or social transaction planned for 2021

1.2.4.1 Issues of covered bonds *via* CAFFIL

The year 2020 was marked by the coronavirus pandemic, which led to a significant episode of volatility for all asset classes, including the covered bond segment in euros, which peaked at the beginning of April before easing down thanks to the intervention of the Eurosystem through the increase in its bond asset purchase programs and its massive contribution of liquidity to the banking sector.

Overall, this event did not affect the strength of the Covered Bond market with a primary market for public issues in euros that remained open throughout the year for a cumulative offering of EUR 96 billion, a significant decrease of 31% compared to the full year 2019 (EUR 119 billion). This situation is due to the significant use of the new advantageous refinancing mechanisms introduced by the Eurosystem (TLTRO) by European banks to the detriment of their issuing activity.

In terms of activity by jurisdiction, French and German issuers were once again the most active (respectively 29% and 20% of the offering), alongside Canadian issuers (10%) who took advantage of a euro market remained open in the midst of the crisis, unlike that of the dollar, and of the Dutch (7%), and finally the issuers of the peripheral jurisdictions (Spain and Italy for a total of 5% of the offer, compared to 10% in 2019). The share of issuers not eligible for the ECB buyback program fell to 26% (EUR 24.6 billion) of the euro covered bonds offering, with Canada and Norway as the largest contributors (two thirds of the volume).

This volume of activity was well absorbed by investors whose demand remained strong even at the height of the crisis, when one of the adjustment variables was spreads. Thus, after a period of widening throughout March and a peak at the very beginning of April, covered bond segment spreads then experienced a period of rapid tightening until May and then slower to return to levels close to those at the beginning of the year at the end of 2020. The covered bond segment overall was virtually stable throughout the year.

The year 2020 will have been marked by the ECB's interventions and its level of covered bonds purchasing activity with:

- a marked increase in the outstanding amount of the purchase program dedicated to covered bonds (CBPP3) to EUR 288 billion as of December 25, 2020, *i.e.* EUR 24 billion more than at the end of 2019 (EUR 264 billion) and an increase comparable to that recorded in 2018;
- additional purchases under the new pandemic emergency purchase program (PEPP) in which the covered bond asset class amounted to EUR 3 billion outstandings at the end of November out of a total of EUR 736 billion.

The covered bond Asset class, in addition to benefiting from a regulatory treatment that remains attractive to investors in 2021, will be able to rely on the covered bonds purchase programs of the ECB but also due to sustained demand naturally due to the maturing of larger volumes (around EUR 134 billion) than in 2020, *i.e.* an increase of EUR 15 billion.

In this context, CAFFIL raised a total of EUR 5.55 billion in 2020 through the issuance of debt benefiting from the legal privilege *via* its *obligations foncières*. CAFFIL solicited the public primary market five times for a total amount of EUR 5 billion by enriching its benchmark curve on maturities of five years (EUR 1 billion), seven years (EUR 1.5 billion), and ten years (EUR 1 billion), 15 years (EUR 750 million) and 20 years (EUR 750 million). At the same time, over the course of the year CAFFIL raised additional liquidity on several of its reference issues *via* four tap transactions for a total of EUR 450 million.

In addition to these public transactions, Caisse Française de Financement Local responded to specific requests from investors in the private placements segment, both in the EMTN format and registered covered bonds (RCB). This activity raised EUR 97 million in 2020. 79% of this amount was documented under the Euro Medium Term Notes (EMTN) program, the balance (21%) having been issued in registered covered bond format.

Outstanding *obligations foncières* stood at EUR 50.5 billion at December 31, 2020.

1.2.4.2 SFIL's bond issues

The year 2020 was marked by the Covid-19 crisis, which led to the intervention of the world's largest central banks. Thus, the ECB, which did not change its rates in 2020, announced in mid-March the PEPP (Pandemic Emergency Purchase Program - an envelope increased to EUR 1,850 billion on December 10), mainly dedicated to the SSA segment, but also a reinforcement of the APP (current volume of EUR 20 billion/month) and new TLTROs. These measures made it possible to absorb a denser SSA (Souverains, Supra et Agences) offer with the EU SURE (Support to mitigate Unemployment Risks in an Emergency) program as well as in the French jurisdiction with enhanced programs from AFD, Unedic and above all CADES (from EUR 4 to 24 billion for 2020 and even EUR 40 billion in 2021).

In the euro market, issue premiums, after reaching levels of more than 20 bps in April, are now zero or even negative for some ESG issues. The ESG format has seen strong growth this year with 84% of the SSA France volume. CADES and Unedic now issue mainly in Social format. In 2020, conventional emissions represent 16% of volumes, while social emissions represent 53%, Green 24% and Sustainable 7%. At the European level, the implementation of the SURE program (funds raised to help the Member States against the Covid-19 pandemic) of the European Union, with a size of EUR 100 billion and carried out over the period 2020-2021 (EUR) (EUR 40 billion raised at the end of 2020) was a real success that was very well absorbed by the market thanks to generous issue premiums. On the secondary side in 2020, spreads against OATs in the French agencies segment performed well despite the abundant supply in euros; against swaps, the premiums offered have evolved in the wake of the French sovereign with a spread over the five-year zone and stability over the seven-year maturity.

The USD market also enjoyed strong momentum in 2020 with, in addition to the usual presence of issuers: above, an increase in the volume of French issuers, which almost tripled from USD 6.4 billion to USD 16.5 billion, benefiting in particular from favorable arbitrage.

In this context, SFIL stepped up the development of its franchise in the French agencies market segment in 2020 by issuing its first issue in the "Green" format in euros in addition to continuing its activity in the dollar market. SFIL solicited the public primary market twice for a total amount of EUR 1.6 billion with a first issue in dollars for an amount of USD 1.25 billion at three years in May and then an issue in euros in the "Green" thematic format for an amount of EUR 500 million at eight years in November. These two successful transactions have made it possible to strengthen SFIL's franchise within the French agencies and to continue to diversify the SFIL Group's investor base, in particular with specialist "green" investors. SFIL's total ETMN bond outstandings came to EUR 7.8 billion as of December 31, 2020.

1.2.4.3 ESG financing

As previously indicated, the SFIL Group has, as part of the development of its social and environmental policy, increased the diversification of its sources of financing and its investor base. This strategy resulted in the successful launch of:

- CAFFIL's second "Social" thematic program (April 28, 2020), which is the first issue of the covered bond known as "Covid-19", which aims to provide new financing to sectors affected by the pandemic;
- SFIL Group's second "Green" thematic issue (November 13, 2020), launched for the first time by SFIL as an issuer.

These new formats, which are experiencing significant growth in terms of volume and audience among more and more specialized ESG investors, allow the Group to further diversify its sources of financing. Thus, in 2020, the SFIL Group raised EUR 7.2 billion on the bond markets, of which more than 20% (EUR 1.5 billion) in the form of a "Social" and "Green" thematic bond issue. The repeated success of its "Social" and "Green" themed programs confirm the SFIL Group's strategy to increase the use of these formats in its future programs.

1.2.4.4 SFIL's short-term debt issues

During the year 2020, SFIL developed the use of its debt securities issuance program of less than one year (NeuCP issuance program), which gives it additional flexibility in the management of its debt treasury. At December 31, 2020, SFIL's total outstanding certificates of deposit amounted to EUR 1.6 billion, *i.e.* EUR 1.0 billion more than at December 31, 2019.

1.2.4.5 Shareholder financing

In 2020, the financing that SFIL received from its shareholder Caisse des Dépôts et Consignations (CDC) and its partner La Banque Postale (LBP) under credit agreements were repaid in full. As of December 31, 2020, the outstanding amount of these financing was zero, decreasing by EUR 0.4 billion compared to December 31, 2019. The financing agreement signed between CDC and SFIL (initially signed in February 2013) was also revised in December 2020 to adapt it to the new shareholder environment and SFIL's current financial position.

1.3 Changes in the main balance sheet items

The main items on the SFIL Group's consolidated balance sheet (management data)[1] as of December 31, 2020, are presented in the table below:

(EUR billions, equivalent value after currency swaps)

ASSET	LIABILITIES
77.0	**77.0**
of which main items of the notional balance sheet	of which main items of the notional balance sheet
62.3	**62.3**
Cash assets 1.9 (of which 1.8 for CAFFIL and 0.1 for SFIL)	EMTN SFIL bonds 7.8
Securities 8.1 (of which 7 for CAFFIL and 1.1 for SFIL)	covered bonds CAFFIL 50.5
	Certificates of deposit SFIL 1.6
Loans 49.7 (of which 46.1 for CAFFIL and 3.6 for SFIL)	Cash collateral received 1.4 (of which 0.6 for CAFFIL and 0.8 for SFIL)
Cash collateral paid by SFIL 2.6	Equity and other items 1.0

The assets on the SFIL Group's balance sheet mainly consist of:

- the loans and securities on CAFFIL's balance sheet and on SFIL's balance sheet;
- the cash collateral paid by SFIL in respect of its derivatives portfolio;
- the cash assets of SFIL and CAFFIL, cash deposited at Banque de France.

The liabilities on the SFIL Group's balance sheet mainly consist of:

- *obligations foncières* and registered covered bonds to the liabilities of CAFFIL;
- bond issues by SFIL under its EMTN program;
- the certificates of deposit issued by SFIL;

  The last two items cover SFIL's financing requirements, which are mainly made up of the refinancing of CAFFIL's over-collateralization and of its specific needs related to the cash collateral paid in respect of its off-balance sheet derivatives and to the refinancing of its cash reserves:
- the cash collateral received by CAFFIL or SFIL;
- equity and other resources.

1.3.1 Change in assets

The net change in the SFIL Group's main assets in financial year 2020 was an increase of EUR +1.8 billion.

This change can be analyzed as follows:

(EUR billions, equivalent value after currency swaps)	**2020**
BEGINNING OF YEAR	**60.5**
Purchase of loans from La Banque Postale	4.6
New export credit loans granted	1.2
New post-sensitivity reduction loans granted	0.2
Change in cash collateral paid by SFIL	0.3
Amortization of loans and securities to the French public sector (excluding cash investment securities)	(4.3)
Amortization of loans and securities outside of the French public sector (excluding cash investment securities)	(0.4)
Cash investment securities	(0.5)
Change in cash assets	0.7
Other	0
END OF YEAR	**62.3**

- Through its subsidiary CAFFIL, the SFIL Group acquired EUR 4.6 billion in loans marketed by La Banque Postale to the French local public sector.
- The export credit activity resulted in EUR 1.2 billion of drawdowns on off-balance sheet financing commitments.

(1) *As regards the loans shown in the tables below, the notional balance sheet item concept which is an alternative performance indicator, corresponds to outstanding principal for euro transactions and, for foreign currency transactions, the euro equivalent value after swap hedging. Notional balance sheet items notably exclude hedging relationships and accrued interest not yet due.*

- The sensitivity reduction operations resulted in EUR 0.2 billion of new assets on CAFFIL's balance sheet, recognized under the refinancing of early repayment indemnities and new investment financing. By the end of 2021, taking into account the sensitivity reduction operations already completed and excluding outstanding loans for which customers have opted into the support fund's lower interest rate assisted payment scheme, the SFIL Group's total sensitive structured loan outstandings will have decreased by at least 93% compared with the amount recorded when SFIL was created, and by more than 96% for local authorities alone. The initial sensitive loan outstanding of EUR 8.5 billion will therefore be reduced to less than EUR 0.6 billion by the end of 2021 and, for local authorities alone, to a maximum of EUR 0.3 billion, compared with EUR 6.7 billion initially.
- In some cases SFIL acts as an intermediary for certain of CAFFIL's swaps or concludes swaps for its own needs; to that end it had paid a total of EUR 2.6 billion in cash collateral at end of 2020, up EUR 0.3 billion compared with end-2019.
- Other changes in assets correspond mainly to scheduled repayments on the loan and securities portfolio for EUR 4.7 billion, the increase in the balance of the Banque de France account for EUR +0.7 billion.

It should be noted that as of December 31, 2020, the SFIL Group held EUR 3.1 billion in cash surplus investment securities (banking sector and European public sector).

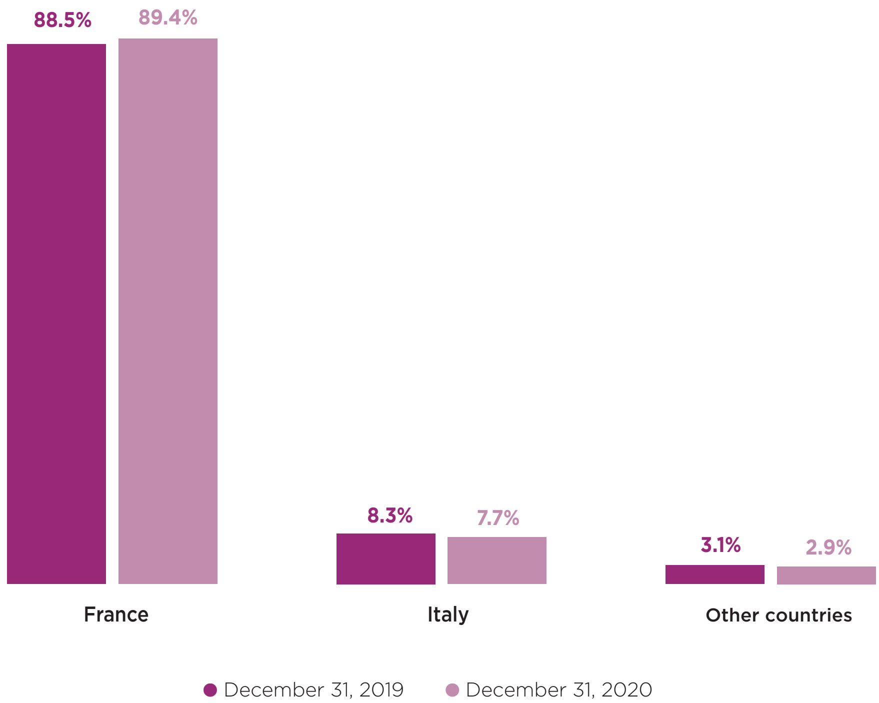
1

1.3.1.1 Breakdown of outstanding public sector loans and securities

The outstanding loans and securities on the SFIL Group's balance sheet totaled EUR 57.8 billion, of which EUR 55.3 billion to public sector. The majority of outstandings in 2020 were with the French public sector, which accounted for 89% of the total. New loans are now exclusively originated with the French local public sector. Outstanding loans in respect of the export credit activity accounted for EUR 3.6 billion on the balance sheet as of December 31, 2020.

Excluding France, the two largest exposures concerned local authorities in Italy and central government entities in Italy (8%) and Switzerland (1%). Loans and securities with counterparties outside France corresponded to granular and geographically diverse exposures to public sector entities. These exposures, excluding cash investments, were originated in the past and are now in run-off.

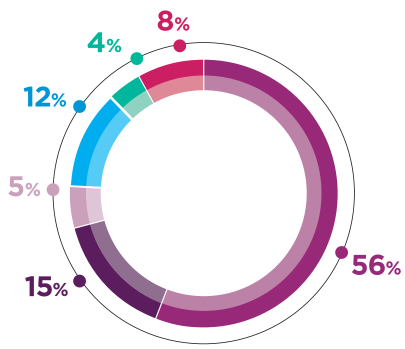
France's relative share was up slightly from 2019.



The development of the French public sector has occurred through:

- the acquisition of the loans granted by La Banque Postale to local authorities and public hospitals; CAFFIL acquired EUR 4.6 billion of loans in this area in 2020;
- new loans granted within the framework of the sensitivity reduction of the outstanding of structured loans, for a total of EUR 0.2 billion;
- drawdowns on export loans for EUR 1.2 billion;
- cash invested in public sector securities for EUR 0.7 billion at the end of 2020 compared with EUR 0.2 billion at the end of 2019.

For France's relative share of 89% in 2020, the following graph shows the breakdown of loans and securities granted to the French public sector by type of counterparty.



1.3.1.2 Exposure to banks (cash and cash equivalents and cash collateral)

Exposures to banks recognized as assets on the SFIL Group's balance sheet are of four types:

- cash assets deposited with the Banque de France, which totaled EUR 1.9 billion as of December 31, 2020;
- cash invested in bank securities amounting to EUR 2.5 billion as of December 31, 2020, compared with EUR 3.4 billion at December 31, 2019;
- cash collateral payments made to banking counterparties or clearing brokers to hedge counterparty risk on the derivatives portfolio (swaps). This derivatives portfolio requires that SFIL, constitute collateral, generating a financing requirement for SFIL. The amount paid in this respect by SFIL at December 31, 2020 was EUR 2.6 billion;
- marginal, deposits in sight bank accounts opened with credit institutions.

1.3.2 Change in liabilities

The net change in the SFIL Group's main liabilities in financial year 2020 was an increase of EUR 1.8 billion.

This change can be analyzed as follows:

(In EUR billions, equivalent value after currency swaps)	**2020**
BEGINNING OF YEAR	**60.5**
Covered bonds CAFFIL	0.8
Of which new issues	*5.5*
Of which amortization	*(4.7)*
Redemptions	*0*
Change in cash collateral received	(0.2)
Financing provided by La Banque Postale	(0.4)
EMTN SFIL program bonds	0.7
Of which new issues	*1.7*
Of which amortization	*(1.0)*
Redemptions	*-*
Change in outstanding SFIL certificates of deposit	1.0
Equity and other items	(0.1)
END OF YEAR	**62.3**

Outstanding covered bonds increased by EUR0 0.8 billion as a result of the new 2020 program for a total of EUR 5.5 billion partially offset by inventory depreciation (EUR -4.7 billion).

At the same time, the cash collateral paid by the derivatives counterparties of CAFFIL and SFIL slightly decreased by EUR +0.2 billion over the period.

The decrease in financing provided by La Banque Postale for EUR 0.4 billion is linked to the repayment of the latest loans granted. The increase in market refinancing *via* the issue of bonds by SFIL has replaced them. SFIL's outstanding issues increased by EUR 0.7 billion over the year 2020.

1.4 Operating results

1.4.1 Consolidated financial statements on the IFRS accounting basis

The SFIL Group reported consolidated net income as of December 31, 2020, of EUR +44 million for total balance sheet outstanding of EUR 77.0 billion at that date. The Group's fully loaded CET1 ratio stood at 29.4%, confirming its very strong financial position. These results demonstrate the SFIL Group's strong resilience to macroeconomic shocks caused by the Covid-19 health crisis.

SFIL – Consolidated IFRS financial statements
(In EUR millions)

	12/31/2019					**12/31/2020**			
	Accounting result	Restated non-recurring items			Recurring income	**Accounting result**	**Restated non-recurring items**		**Net income recurring**
		Adjustments to fair value of hedges	Fair value adjustment of non-SPPI financial assets	Effects Related to the tax adjustment			**Fair value adjustment hedges**	**Fair value adjustment of non-SPPI financial assets**	
Net banking income	166	(11)	9		168	180	5	(2)	177
Operating expenses	(110)				(110)	(112)			(112)
GROSS OPERATING PROFIT (LOSS)	**56**	**(11)**	**9**		**58**	**68**	**5**	**(2)**	**66**
Cost of risk	7				7	(6)			(6)
PROFIT (LOSS) BEFORE TAX	**63**	**(11)**	**9**		**65**	**62**	**5**	**(2)**	**60**
Income tax	(14)	3	(2)	4	(18)	(18)	(1)	1	(18)
NET INCOME	**50**	**(8)**	**7**	**4**	**47**	**44**	**4**	**(2)**	**42**

Net income as of December 31, 2020 includes non-recurring items[(1)] related to (i) the volatility of the valuation of the derivatives portfolio for EUR +4 million and (ii) the impacts of the application of IFRS 9 regarding the valuation of non-SPPI loans on the balance sheet for EUR -2 million.

Restated for these non-recurring items, recurring net income[(2)] at December 31, 2020 came to EUR +42 million, very close to the net income restated for the same items at December 31, 2019 of EUR +47 million despite the context of the Covid-19 health crisis in 2020, which reflects the very strong Group resilience to macro-economic shocks.

An item-by-item analysis of this change shows the following:

- net banking income stood at EUR 177 million for 2020, as compared with EUR 168 million in 2019, up EUR 9 million. This change is due to higher accelerated revenue than last year (notably in the context of swap assignments);
- the Group's operating expenses and depreciation amounted to EUR -112 and slightly increased compared to 2019 mainly due to the contribution to the SRF;
- the cost of risk presented an allocation of EUR 6 million as of December 31, 2020, compared with a reversal of EUR 7 million in 2019. This allocation is related in particular to the downgrading in Stage 2 exposures in the cruise sector as part of the export credit activity. In fact, the year 2020 was marked by the global health crisis that had repercussions on the activity of tourist cruise. In this context SFIL decided to transfer to the watchlist all of its exposures to this business sector, which led to a transfer of the Stage 1 book values to Stage 2 and an increase in provisions of approximately EUR 18 million. This provision was partially offset by the effects of the reduction of the sensitivity of a client's structured outstandings, which led to a reclassification of its downgraded loans due to contagion from Stage 3 to Stage 1. The success of SFIL's policy of reducing the of structured outstandings and the sharp reduction in the number of disputes has also made it possible to reverse a portion of the provisions associated with assignments.

The health crisis had a limited impact on SFIL's consolidated net income, prepared in accordance with IFRS. This confirms the Group's resilience to macro-economic shocks.

(1) Restated non-recurring items are as follows:
• fair value adjustments concerning hedges: as a reminder, since 2013, carrying amount adjustments have affected hedging implemented by the SFIL Group to cover its interest rate and foreign exchange risks. These adjustments basically concern accounting for adjustments linked to the application of IFRS 13, which mainly introduced the recognition of valuation adjustments with reference to CVA (Credit Value Adjustment) and DVA (Debit Value Adjustment). These accounting valuation adjustments are recorded in the income statement as net gains or losses on financial instruments at fair value through profit and loss;
• the variations in the valuation of a non-SPPI loan portfolio (valued at fair value through profit or loss on the basis of JVR in IFRS 9 although destined to be kept) linked to the variation of its credit spread;
(2) Alternative performance indicator.

(In EUR millions)	12/31/2020 Accounting result	Covid-19 impact on income A	Covid-19 impact on income B	Accounting restated of COVID-19 impact
NET BANKING INCOME	**180**			**180**
Operating expenses	(112)			(112)
GROSS OPERATING INCOME	**68**			**68**
Cost of risk	(6)	(3)	(18)	15
PRE-TAX INCOME	**62**	**(3)**	**(18)**	**82**
Income tax	(18)	1	5	(23)
NET INCOME	**44**	**(2)**	**(15)**	**59**

A: reinforcement of provisions for the public sector
B: reinforcement of provisions for the export credit - cruise sector

The context of volatility and deterioration in the financial markets, particularly in first-half 2020, led to changes in the value of financial assets and liabilities, as well as hedging instruments, with an overall impact of EUR -29 million on Net banking income at the end of June 2020. Financial markets gradually returned to normal during the second half of 2020, driven by the stimulus plans announced by national governments and the European Commission. This had the effect of gradually reducing the unfavorable impact visible in the financial statements at June 30, 2020. Thus, as of December 31, 2020, the unfavorable impact of the end of June can be considered as completely eliminated. As a reminder, as SFIL intends to retain the large majority of its assets until expiry, these valuations may continue to change according to market conditions but will return to balance in the long term.

In addition, SFIL decided to include all export credit exposures in the cruise sector in the watchlist and therefore transfer them from Stage 1 to Stage 2 and increase the related provisions by EUR -18 million. SFIL also decided to increase its provisions for the local public sector customers by EUR -3 million.

Thus, the amount of effects related to the pandemic on SFIL's net accounting income at end December 2020 represents an expense after tax of EUR 17 million. Net income restated for these items would be EUR +59 million.

1.4.2 Annual financial statements prepared in accordance with French GAAP

SFIL posted a net profit of EUR 37 million at the end of 2020, compared with a net profit of EUR 41 million at the end of 2019. This net income includes the payment of a dividend from its subsidiary CAFFIL for EUR 45 million. Restated for this item, SFIL's corporate net income would therefore be EUR -8 million. This loss is entirely due to the strengthening of provisions relating to the cruise sector as part of the export credit activity. As of December 31, 2020, these represented an amount of EUR 15 million.

In 2020, the net banking income amounted to EUR +160 million. It includes EUR 96 million of expenses charged back to CAFFIL and is up by EUR 14 million compared to 2019. Operating expenses, including amortization, were stable compared to 2019 and amounted to EUR -103 million.

SFIL's total assets came to EUR 14.6 billion and included mainly:

- the refinancing granted to its subsidiary Caisse Française de Financement Local in the amount of EUR 6.6 billion for the portion of over-collateralization required as a result of its SCF (*société de crédit foncier*) status;
- cash collateral paid in the amount of EUR 2.6 billion;
- outstanding loans of EUR 3.4 billion under its export refinancing activity;
- the balance of cash is invested in sovereign and bank securities for an outstanding amount of EUR 1.2 billion, or invested in the Banque de France for an amount of EUR 0.1 billion.

Shareholdings

SFIL acquired all the shares of Caisse Française de Financement Local on January 31, 2013, for EUR 1. In financial year 2017, it increased its shareholding by subscribing to the whole EUR 35 million capital increase organized that year. SFIL owns CAFFIL outright.

Equity investment in 2013 representing more than 66% of the capital
Caisse Française de Financement Local SA with capital of EUR 1,350,000,000

Supplier payment periods

Pursuant to articles L.441-14 and D.441-6 of the French Commercial Code, every year SFIL is required to publish the breakdown of the balance of its trade payables by due dates. SFIL's trade payables represent a non-material amount on the Company's total balance sheet. SFIL's practice is to always settle its invoices within 45 days unless a contractual agreement signed with the supplier provides for a 30 or 60-day payment period.

Trade payables amounted to EUR 0.2 million as of December 31, 2020 and were mostly dated within the last 30 days.

The breakdown of unpaid trade payables due as of the end of 2020 is as follows:

	Invoices received but outstanding at the closing date of the financial year which are in arrears					
	0 (Indicative)	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total**
(A) CLASSES OF LATE PAYMENT						
Number of invoices concerned	8	20	3	8	2	41
Total amount of invoices concerned excluding VAT *(EUR thousands)*	(6)	35	2	15	4	49
% of total purchases in the year excluding VAT	(0.0)%	0.1%	0.0%	0.0%	0.0%	0.1%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR LIGITIOUS LOANS AND RECEIVABLES						
Number of invoices concerned						-
Amount of invoices concerned						-
Reference payment period	Contractual period – generally 45 days					

Banking and related operations are not included in the information on payment terms.

Proposed allocation of net income

The following will be proposed at the Annual Shareholders' Meeting of May 28, 2021 to proceed, after payment to the shareholder holding preferred shares of a preferred dividend, in accordance with statutory provisions, to the payment of a dividend of EUR 1.35 to the holders of common shares, i.e. a total amount of EUR 10,028,584.60.

As a result, the proposed appropriation of income for the financial year ended on December 31, 2020 would be as follows:

Allocation of net income	IN EUR
NET INCOME FOR THE FINANCIAL YEAR	**37,084,906.82**
Legal reserve (5%)	(1,854,245.34)
BALANCE TO BE ALLOCATED	**35,230,661.48**
Retained earnings	93,732,153.73
DISTRIBUTABLE PROFIT	**128,962,815.21**
DISTRIBUTION OF DIVIDENDS	**(10,028,584.60)**
BALANCE ALLOCATED TO GENERAL RESERVES	**(118,934,230.61)**

Non-tax-deductible charges and expenses

Pursuant to article 223 *quarter* of the French General Tax Code (*Code général des impôts*), it is specified that in the past financial year, non-tax-deductible charges and expenses covered by article 39-4 of the French General Tax Code totaled EUR 38,472.38.

The amount of operating expenses added back following a definitive tax adjustment (articles 223 *quinquies*, 39-5 and 54 *quarter* of the French General Tax Code) is nil given the absence of any adjustment.

Research and development

As the Company does not conduct any research and development activities, no related data is mentioned in the financial statements.

1.4.3 Return on assets indicators

Article R.511-16-1 of the French Monetary and Financial Code, introduced pursuant to decree 2014-1315 of November 3, 2014, requires credit institutions to publish in their annual report their return on assets, defined as the ratio of net income to total assets. For 2020, this ratio is equal to +0.06% on the IFRS consolidated financial statements and +0.25% on the French GAAP financial position.

1.4.4 SFIL's results over the past five financial years

	2016	2017	2018	2019	**2020**
FINANCIAL POSITION					
Share capital *(EUR thousands)*	130,000	130,000	130,000	130,000	130,000
Number of shares	9,285,725	9,285,725	9,285,725	9,285,725	9,285,725
Results of operations *(EUR millions)*					
Revenue[1]	36	127	105	133	159
Income before income tax, amortization, depreciation and contingencies net of reversals	(3)	35	58	54	56
Income tax	(2)	(1)	(1)	(2)	(5)
Income after income tax, amortization, depreciation and contingencies net of reversals	(6)	30	44	41	37
Exceptional distribution	–	–	–	–	-
Dividend	–	–	–	–	-
PER SHARE DATA *(EUR)*					
Revenue	3.88	13.66	11.35	14.33	17.08
Income after income tax, before amortization, depreciation and contingencies net of reversals	(0.16)	3.89	6.05	5.63	5.50
Income tax	(0.20)	(0.12)	(0.16)	(0.20)	(0.57)
Income after income tax, amortization, depreciation and contingencies net of reversals	(0.68)	3.21	4.73	4.45	3.99
Exceptional distribution	-	-	-	–	-
Dividend per share	-	-	-	–	-

(1) Revenue consists of the following items:
- *interest and similar income, net of macro-hedging costs;*
- *fee income;*
- *net income on foreign exchange transactions;*
- *other operating income.*

1.5 Outlook

Since September 30, 2020, SFIL is a new member of the Groupe Caisse de Dépôts, the new major public financial group. In particular, SFIL will be able to provide the Grand Pôle Financier Public (GPFP) with its high-performance financing platform, which has continued to benefit from excellent conditions for access to financial markets despite the instability linked to the health and economic crisis, as well as its two loan facilities to SPL local public sector and to major export contracts, leaders established in their respective markets. The crisis has in fact strengthened SFIL's strategic positioning and demonstrated its financial resilience, a strong characteristic of public development banks.

In terms of financing the local public sector, the La Banque Postale/SFIL system is a leader in lending to local authorities. In 2020, production continued at a high pace, demonstrating the performance of the system and its resilience in times of crisis. The impact of the electoral cycle on the municipalities and groups of municipalities is marked, with a decline typically seen between the year before the elections and the year after. But loans to regions and departments grew strongly in 2020.

For French public hospitals that have very significant investment needs that the national recovery plan aims to address by setting the main investment priorities, the La Banque Postale/SFIL scheme could be a complementary financing instrument to the government budget.

In the field of export credit, due to the health crisis, the pace of contract negotiation in 2020 saw a general slowdown. However, for projects in the preliminary study phase, the market system entrusted to SFIL remains in great demand and export credit is expected to play its counter-cyclical role of supporting certain sectors, notably civil aviation. SFIL will be active in financing this sector with export credits.

In the medium term, the increased attention paid to sustainable development issues and the France Relance (French Recovery) plan, which will have beneficial effects on the competitiveness of the French industrial base, should support export business in the areas of water, waste, clean transport, renewable and carbon-free energies and telecommunications. The financing provided by SFIL will be critical in support of these developments.

To cover its financing needs, the SFIL Group expects to use in 2021 the financial markets for volumes close to those of 2020, in a context of low interest rates favorable to the SFIL Group given its financing structure.

SFIL is committed to the success of the France Relance (French Recovery) plan, in particular through green bonds. Of the EUR 100 billion of the national recovery plan, more than EUR 20 billion of investments should be made in partnership with local authorities, for which the LBP/SFIL system will be an additional financing instrument. As the leading public investor, local authorities directly contribute to financing green investments in a multitude of local or network public services.

The issue of "Green Bonds" by SFIL and CAFFIL should make it possible to offer loans dedicated to the financing of green investments, which will be the subject of reports measuring their positive environmental impacts.

SFIL group's social bond issues (EUR 2 billion since 2019) have encouraged the implementation of a special loan offer for public hospitals. This offer will continue in 2021, in line with the *France Relance* plan and the previous emergency measures decided in favor of hospitals.

SFIL will continue to roll out its strong social and environmental commitments (adherence to the United Nations Global Compact, annual CSR report, non-financial rating request, etc.) perfectly in line with its DNA as a public development bank.

The five-year financial projections are up. In fact, the positive trend in SFIL's business in its two main business lines and the excellent financing conditions have led SFIL to revise upwards its business forecasts for the period 2020-2025. Average annual growth in activity (NBI) is expected over the period of 5%, supported by the maintenance of a high level of capitalization.

From the point of view of its internal operations, SFIL will be able to continue to rely on the excellence of its teams, whose commitment remained constant during the crisis. Discussions have already been launched to adapt the organization and tools to the new operational context which will establish itself permanently, in hybrid form, at the end of the critical phase of the health crisis. In addition, SFIL will continue to strengthen its prevention system against new risks that appeared or intensified during the health crisis, including cybercrime. Lastly, SFIL will continue to establish a close dialogue with the other entities of the GPFP aimed at identifying and deploying best practices within the Group.

1.6 Internal control and preparation and processing of accounting and financial information

1.6.1 Overall internal control system

1.6.1.1 Responsibilities and overall architecture of internal control

The SFIL Group is one of the large banks that have been under the direct supervision of the European Central Bank (ECB) since November 2014 within the framework of the Single Supervisory Mechanism (SSM).

Since it manages Caisse Française de Financement Local, SFIL has been delegated to exercise the functions of internal control for said entity pursuant to a corresponding management agreement. Consequently, internal control at SFIL also meets the regulatory obligations of Caisse Française de Financement Local in this regard.

The objectives and organization of the SFIL Group's internal control system are guided mainly by the provisions of the ministerial *arrêté* of November 3, 2014. This text requires that an internal control system be set up and specifies the principles relating to systems to oversee transactions and internal procedures, accounting organization and information processing, systems for measuring risks and results, systems for monitoring and managing risks, and the internal control documentation and information system.

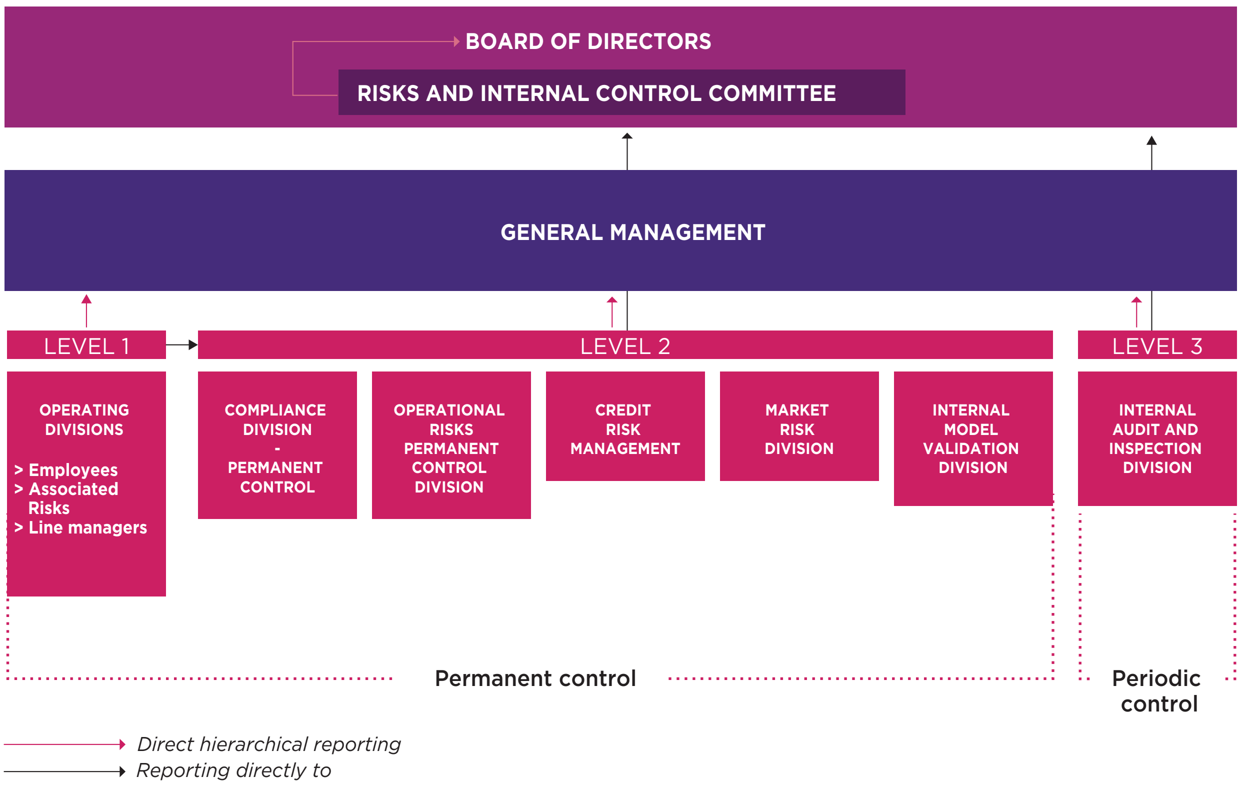
The internal control system is a process applied by SFIL's General Management and all of its employees, at the initiative of its Board of Directors. Its main purpose is to ensure overall risk management and to provide reasonable, but not absolute, assurance that the SFIL Group will achieve the objectives it has set itself in this area.

The SFIL Group's internal control system has the following objectives:

- verify the efficiency of the risk control system to ensure that risks are in line with the risk appetite defined by the Group's governing bodies;
- ensure that the accounting and financial information produced is reliable and relevant;
- ensure compliance with laws, regulations and internal policies;
- ensure the operational security of the SFIL Group's processes, in order to guarantee the due execution of transactions.

In accordance with the *arrêté* of November 3, 2014, the general architecture of the SFIL Group's internal control system is based on three levels, reporting to the persons effectively running SFIL and supervised by the SFIL Board of Directors:

THREE LEVELS OF CONTROL



Permanent control is the continuous implementation of the risk management system and is carried out by the first two levels. Periodic control, the third level, is an audit and evaluation function for the first two levels which operates according to its own audit cycle. The second and third level functions are independent control functions. They report directly to the persons effectively running SFIL and report on the performance of their duties to the relevant committee of the Board of Directors (the Risks and Internal Control Committee). At their request, they can be heard by this committee and by the Board. They can directly approach the Board or the appropriate committee if they consider that an event having a significant impact must be submitted to them.

Those involved in the second and third levels of internal control meet regularly within the Internal Control Coordination Committee, which is responsible for the operational management of the internal control system. In 2020, the Committee met monthly to oversee the project to replace the risk management and internal control tool. The new tool, shared by the three internal control levels, has been in production since the end of 2020. In addition, the Committee continued to oversee actions aimed at improving the structure of the internal control system, notably by approving the revision of the scope and objectives of the first and second level controls.

1.6.1.2 The supervisory body and accountable officers

Reporting to the Board of Directors, **the Risks and Internal Control Committee** is responsible for:

- advising the Board of Directors on risk management and monitoring as well as risk appetite, taking into account all types of risks in order to ensure that they are in line with the strategy and objectives of the bank;
- assess the effectiveness of internal control, in particular the consistency of the systems for measuring, monitoring and controlling risks, particularly with regard to the Risk Appetite Statement approved by SFIL's Board of Directors and to propose, as necessary, additional actions in this respect;
- monitoring the SFIL's permanent control, compliance and periodic control system;
- examining different possible scenarios, including stress scenarios, to assess how the institution's risk profile would respond to external and internal events;
- giving an opinion on the compensation policy and practices proposed by the Compensation Committee;
- participating in the appointment and oversight of the Statutory Auditors.

The SFIL Chief Executive Officer and the Deputy Chief Executive Officer, as persons effectively running SFIL within the meaning of the regulations, ensure the efficient operation of SFIL's internal control system. They allocate the necessary resources to carry out the missions of the various departments in charge of this control, check that the assigned objectives are achieved and that the system is in line with SFIL's regulations and activities. To this end, they regularly receive reports on the process and outcomes of permanent control, compliance and periodic controls. These reports are also presented and discussed by SFIL's Operational Risks and Permanent Control Committee and the Executive Committee. The issues raised are the subject of proposed actions and decisions in order to ensure continuous improvement of the internal control system.

1.6.1.3 The first level of control: control carried out at operational level

First level of the internal control system, employees, risk correspondents and line managers of SFIL's operating divisions are responsible for analyzing the risks of each transaction that they handle according to their field of activity, and defining and describing them in the operational procedures, the first-level controls relating to these transactions, to implement them, to check that these controls are effectively adapted to these risks and to modify them if necessary. To this end, they rely on policies, limits and indicators with a clear separation of duties between the initiation of transactions and their validation, control or settlement. These policies, limits and indicators are defined by a number of internal committees, composed of employees from the operating, support and control functions and chaired by a member of SFIL's Executive Committee.

1.6.1.4 The second level of control: permanent control excluding compliance

The Operational Risks and Permanent Control division (DROCP) and the Compliance division are responsible for permanent control activities within the SFIL Group. Those conducted by the Compliance division are described in section 1.6.1.5.

1.6.1.4.1 Definition

SFIL's permanent control system, excluding compliance, is designed to ensure:

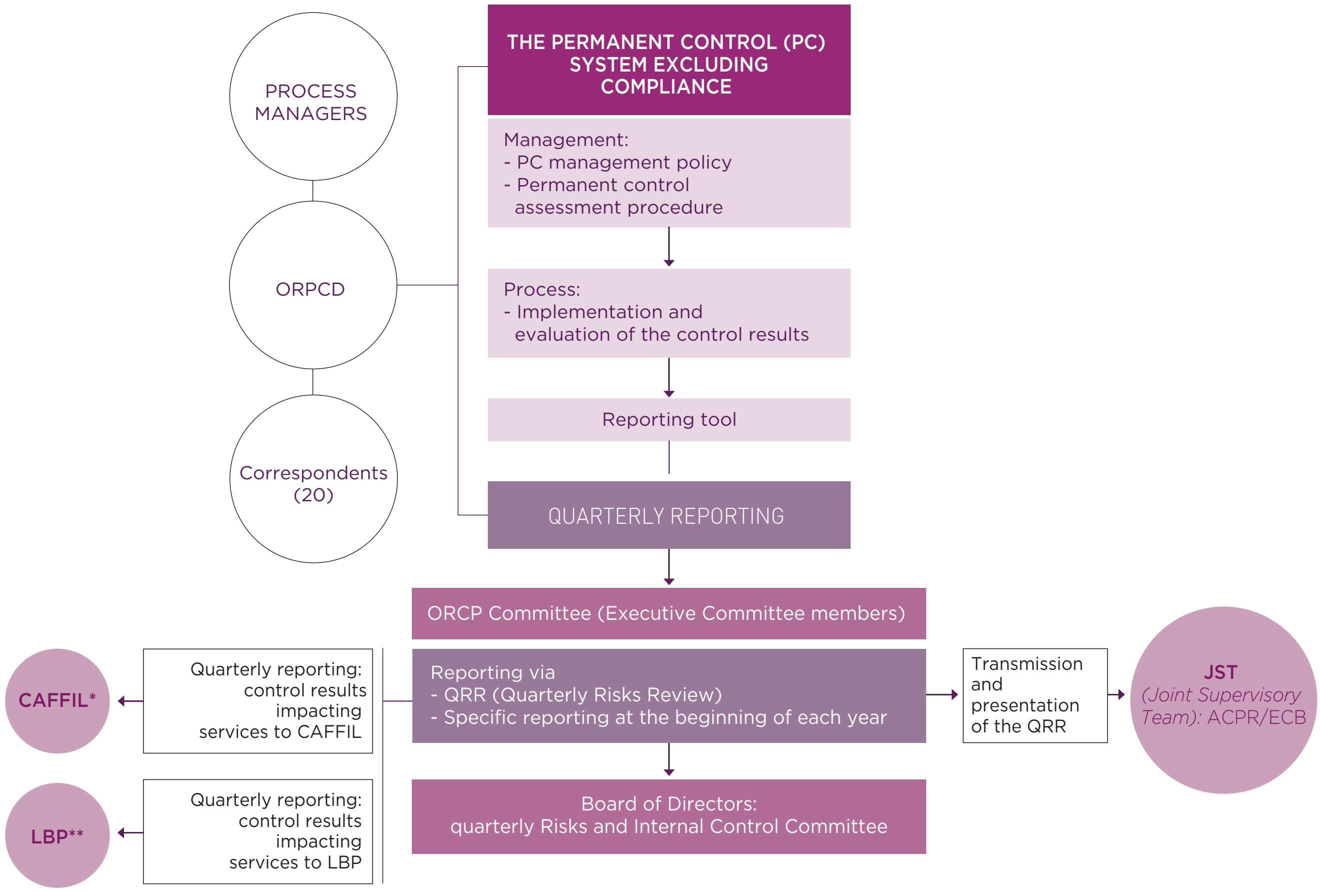
- the effectiveness and robustness of the risk control system;
- the effectiveness of the transactions and internal procedures control system;
- the quality of the accounting and financial information and the quality of the information systems.

Permanent control measures apply to all Group divisions, activities and processes (SFIL and CAFFIL).

1.6.1.4.2 Organization and governance

The system is managed by the Operational Risks and Permanent Control division (ORPCD) which is composed of six employees and one manager. It is supported:

- by a network of correspondents in the operational divisions, who are responsible for carrying out and monitoring certain controls;
- by the process managers responsible for ensuring the robustness and effectiveness of the internal control system in their scope on an ongoing basis;
- by the Operational Risks and Permanent Control division, which manages the system and carries out second-level controls on operational risks (for example: approvals for IT applications, IT backups, management of Essential Outsourced Services - EOS).



* Within the framework of the SFIL/CAFFIL agreement.
** Within the framework of the SFIL/LBP agreement.

1.6.1.4.3 Permanent control system excluding compliance

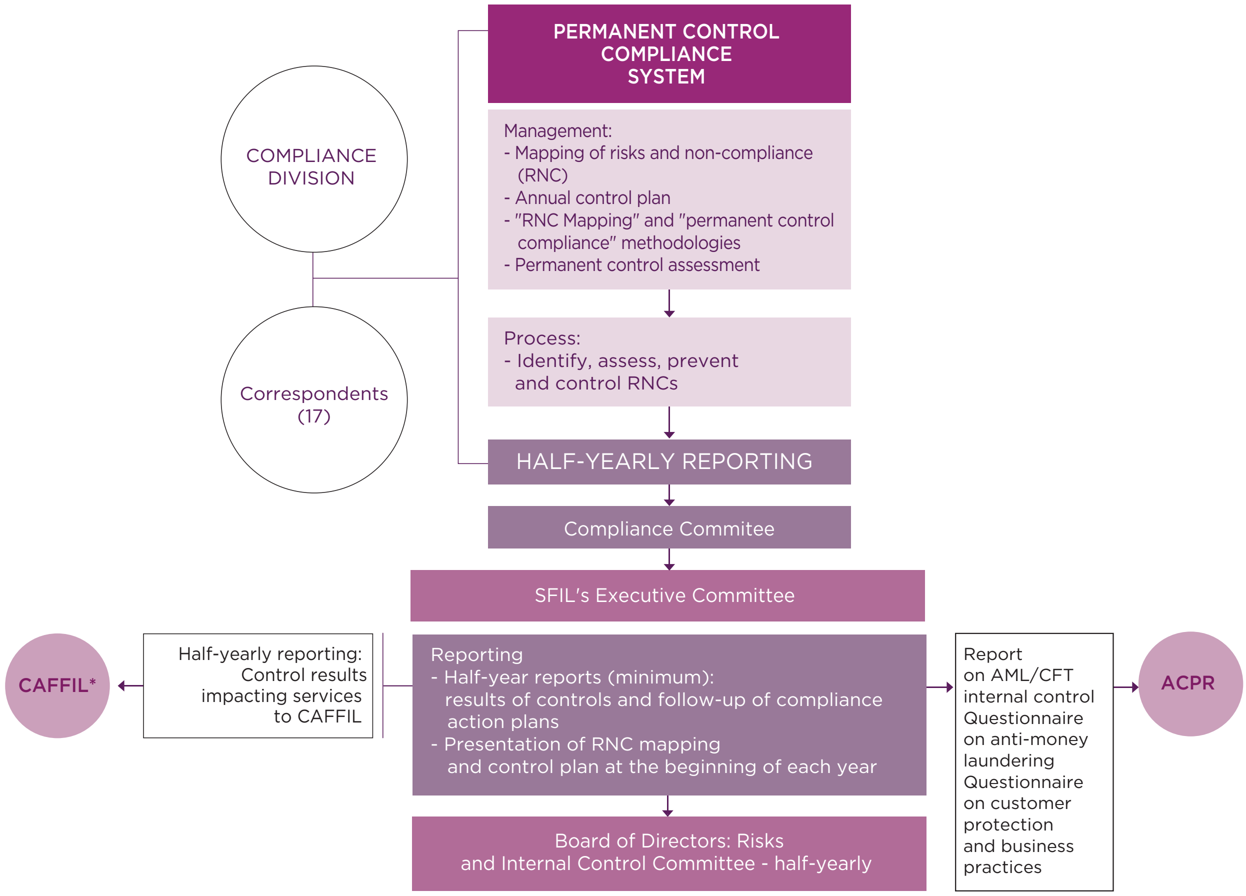
Permanent control system excluding compliance is based on a control plan covering the various departments, activities and processes of SFIL and CAFFIL. These controls are defined in conjunction with the operating divisions and reviewed each year, in order to adapt them to the situation of the SFIL Group, by integrating:

- the results of the controls carried out over the past year and their appropriateness to the risks to be covered;
- the review of incidents noted;
- the results of the operational risk mapping by process;
- the recommendations of the Internal Audit division, external auditors and the regulator;
- new activities and new processes at SFIL.

Duties	Activities and results in 2020
Implementation and evaluation of permanent controls	Permanent control plan comprising 128 controls
Regular monitoring of action plans	Twenty-one action plans were open on December 31, 2020. Over the period, nine action plans were implemented
Internal and external reporting	Four Committee meetings Contribution to four quarterly risk reviews (QRR) for the Risks and Internal Control Committee (RICC) and filed with the ECB One RICC meeting devoted to internal control
Change of risk management and compliance tool (GRC)	Implementation of a new tool at the end of 2020 dedicated to internal control functions
Coordination of the associates network	Training of correspondents on the new tool

1.6.1.5 Second level of control: compliance control

1.6.1.5.1 Organization and governance of the compliance control system



** Within the framework of the SFIL/CAFFIL agreement*

The permanent control system for non-compliance risks, as defined by article 10 p) of the ministerial *arrêté* of November 3, 2014 amended, is the responsibility of SFIL's Compliance division, which is independent of the operational teams. The permanent control of compliance is separated within a "permanent control" unit of the Compliance division (for a more precise description of the organization and governance of the compliance system, please refer to section 1.7.2.5. of the management report on Non-compliance risk). The system also covers the Caisse Française de Financement Local (CAFFIL), a subsidiary of SFIL, which delegated its management to it pursuant to article L.513-15 of the French Monetary and Financial Code.

Identifying and monitoring compliance with regulations in specific areas is the responsibility of the functions of the second line of defense, which have the appropriate expertise and resources (accounting standards, prudential ratios, control of major counterparty risks, IT security, etc.). The Compliance division's scope does not extend to the control of compliance with rules outside the banking and financial sphere (labor and social security law, regulations regarding personal and property safety, etc.), which other divisions are responsible for monitoring.

To ensure the effectiveness of SFIL's and CAFFIL's non-compliance risk management system, the Compliance division establishes a compliance control plan. This plan is based on the identification and assessment of the non-compliance risks identified in the non-compliance risk map. This map is reviewed at least once a year in order to take into account changes in SFIL's business and regulatory changes. The methodology for assessing non-compliance risks is identical to the methodology used by the Operational Risks and Permanent Control and Internal Audit divisions in order to share a common language between the three lines of defense. Since the end of 2020, these three lines of defense have had a common risk management tool that provides a consolidated and shared vision of the risks, the controls implemented and the monitoring of action plans by process and by department.

The risk map and control plan are presented for validation at the beginning of each year to the accountable officers at a meeting of the Executive Committee. They are then presented for approval at a meeting of the Risks and Internal Control Committee dedicated to hearing from the heads of the risk, compliance and periodic control functions without the presence of General Management.

The Compliance division implements its control plan as agreed. Any amendment and/or adaptation of the control plan must be brought to the attention of the SFIL and CAFFIL governance bodies.

The compliance controls have two components:

- the assessment of the level 1 control system, which consists of verifying the definition and effective implementation of level 1 controls and their correct traceability;
- the implementation of control points on specific topics through execution and control checks and/or assessment. These checkpoints ensure the effectiveness of the systems in place.

Anomalies or non-compliances identified as part of the controls are systematically the subject of specific action plans proposed to the departments concerned, in charge of their implementation. These action plans are monitored by compliance and reported to the SFIL and CAFFIL governance bodies.

As part of permanent control, the Compliance division also relies on internal reporting of breaches, infringements and malfunctions, namely: i) a network of 17 "risk" correspondents and ii) a professional or ethical whistleblowing procedure. No alert was made in 2020 to the General Secretary, who is Director of Compliance.

Persons effectively running SFIL, the Board of Directors of SFIL and the governance bodies of CAFFIL are regularly briefed on the compliance control system. Every three months or six months, the General Secretary presents the results of ongoing compliance controls to the Executive Committee, on which SFIL's accountable officers running the undertaking sit to the CAFFIL Executive Board, and to the Risks and Internal Control Committee. These bodies examine the results of the controls and the progress of the action plans. They assess the relevance of the controls, decide on improvements to be implemented and, more generally, give their opinion on the main issues related to the compliance system.

1.6.1.5.2 Permanent control activities of the Compliance division

During financial year 2020, the Compliance division carried out the following work as part of its compliance permanent control duties:

Duties	Work in 2020
Identify and evaluate non-compliance risks	Presentation of the updated non-compliance risk map and including the first corruption risk map to the Risks and Internal Control Committee on January 30, 2020. In total, 60 non-compliance risks mapped.
Control non-compliance risks	• The 2020 control plan was presented to the Risks and Internal Control Committee on January 30, 2020. The plan comprised 26 thematic controls to be carried out on a semi-annual or annual basis. • At the time of writing, the controls had been implemented in accordance with the 2020 plan for the first three quarters. Controls at the 4th quarter of 2020 are being finalized and will be presented to the Risks and Internal Control Committee on March 17, 2021.
Define the action plans and monitor them	All action plans were monitored on an ongoing basis during 2020 and their progress was presented to the Executive Committee and the Risks and Internal Control Committee. 62 new action plans opened during the period; 22 action plans were still open at December 31, 2020, compared with 27 at December 31, 2019.
Inform General management and the governance bodies	The results of the permanent controls relating to compliance at Q4 2019, Q1, Q2 and Q3 2020 and of action plans monitoring were presented to the: • accountable officers at the Executive Committee meetings of January 28, September 1, 2020 and January 26, 2021; • Risks and Internal Control Committee meetings of January 30, September 8, 2020 and January 28, 2021; highlighting the main risk points identified, the actions completed and those still to be addressed.
Report to the Banking Supervisor	Contribution to the 2020 report on internal control which is steered by Internal Audit. Preparation of the AML/CFT report on internal control (sent on March 31, 2020 for SFIL and CAFFIL). Anti-money laundering questionnaire (sent on February 21, 2020 for SFIL and CAFFIL). Questionnaire on customer protection and business practices (sent on September 24, 2020 for SFIL and CAFFIL).

1.6.1.6 The third level of control: periodic control

1.6.1.6.1 Organization and governance of the periodic control system

The periodic control function is exercised by the Internal Audit and Inspection division. This division's scope of intervention covers all SFIL activities, operational processes and systems, with no reservations or exceptions, including outsourced essential activities and anti-fraud procedures.

The independence and effectiveness of the Internal Audit and Inspection division are guaranteed, in addition to the reporting line of the General Auditor to the SFIL Chief Executive Officer, by:

- the absence of involvement in the operating management of SFIL's activities;
- unconditional, immediate access to all information, documents, premises, systems and people, as its activities require;
- the resources made available by General management to carry out these missions;
- compliance by the division's staff with the principles of integrity, objectivity, confidentiality and competence (through a permanent training plan on audit techniques and regulatory changes).

These principles are reflected in the internal audit charter and the inspection charter approved by the Risks and Internal Control Committee and distributed to all SFIL employees to remind them of the rights and duties of auditors and auditees.

As of January 1, 2021, the Internal Audit and Inspection division had nine staff (plus two work-study interns), including six auditors and audit managers. The General Auditor supervises all audit activities and reports issued by the division. She is assisted by a Supervisor, who is in charge of the team of auditors and oversees the audit missions carried out by the auditors under the responsibility of the audit managers. In addition, the auditors and audit managers are each responsible for a particular field, through updating permanent documentation, participation as observers in certain SFIL Group Governance Committees, risk monitoring, and following-up on recommendations to be implemented by the SFIL operating divisions.

1.6.1.6.2 Activities of the Internal Audit and Inspection division

The division's activities are described in a manual on internal audit activities, based on the IFACI's Professional Practices Framework for Internal Auditing, and are mapped[(1)] in a dedicated process for the management of major risks.

Duties	Work in 2020
Annual risk assessment	
An approach based on identifying SFIL's strategic objectives, followed by an independent review of the critical risks that could prevent these objectives being achieved.	SFIL's map of major risks was updated during the fourth quarter. The number of identified risks is decreasing and the overall criticality level is down slightly compared to the 2019 assessment.
Development and implementation of the multi-year audit plan	
The multi-year plan is drawn up on the basis of the results of the annual risk assessment and the objective of covering all of the SFIL Group's activities over a three-year cycle. The annual audit plan is implemented through a series of audits conducted from February 1 of the reference year to January 31 of the following year.	As part of its interactions with CDC's Internal Audit department, SFIL's Internal Audit department has updated its multi-year audit plan by incorporating assignments directly carried out by the Internal Audit department of the CDC Group on cross-cutting issues. The annual audit plan for 2021 was validated in January 2021 by the Risks and Internal Control Committee, which provides for the performance of 19 audits, four of which will be carried out by the CDC Internal Audit department. Under the 2020 audit plan defined at the end of 2019 and validated in January 2020, twelve audit assignments were carried out at the end of January 2021, *i.e.* 80% of the target for the year, knowing that all unfinished audit missions at the end of January 2020 have since been finalized with the exception of one postponed to 2021. These internal audit assignments concerned: • the core business of the SFIL Group (management of local public sector outstandings); • key operational processes (liquidity management, remittance of private credit loans to the Banque de France); • support processes (€uro Short-Term Rate project, payroll management, outsourced information system hosting service, data quality); • risk monitoring (processing of arrears and defaults, internal credit models, risk appetite, adequacy of risk resources on credit analysis & IFRS9, GDPR system and confidentiality framework).

(1) Institut Français de l'Audit et du Contrôle Interne (IFACI).

Duties	Work in 2020
Development and implementation of the inspection plan	
The purpose of this function is to participate in fraud prevention, detection and investigation in accordance with its inspection plan or at the request of the General Secretary or General management.	The 2021 inspection plan was defined during the fourth quarter, and foresees the implementation of three inspections. Under the 2020 inspection plan, two of the three checkpoints aimed at ensuring the segregation of duties in terms of entering bank details were carried out and one is being implemented at the date of publication of this report. Control over the application of SFIL's compensation policy is being finalized at the date of publication of this report.
Monitoring of the recommendations issued following the missions carried out by the Internal Audit and Inspection division	
This work is carried out through an automated process for monitoring implementation of the action plans resulting from these recommendations. Responsibility for the appropriate implementation of the action plans lies with the identified managers. The follow-up of this implementation is the responsibility of the auditors and audit managers, based on their area of competence. Validation of the progress or completion of these action plans is the responsibility of the supervisor and the General Auditor.	All of these recommendations gave rise to ongoing monitoring during 2020 and to the issue of two updates on May 31, 2020 and October 31, 2020, highlighting the main risk points closed during the review periods and those still to be addressed. From 2021, reports will be produced on a quarterly basis.
Financial Statements Committee and Risks and Internal Control Committee Secretariat	
Under the aegis of the Chairman of the Financial Statements Committee and the Chairman of the Risks and Internal Control Committee, the Internal Audit department organizes the meetings of these committees and monitors the actions decided upon during meetings.	Six risk and Internal Control Committees and five Financial Statements Committees were organized. The information and files required for meetings and deliberations were made available and communicated in a timely manner.

Indicators dedicated to monitoring the effectiveness and performance of the internal audit department's activities are monitored on a quarterly basis. Opportunities for optimization identified at the end of 2019 as regards the written commmunication of the results of internal audit assignments were institutionalized during the year 2020.

1.6.1.6.3 The reporting of the activities of the Internal Audit and Inspection division

The supervision of periodic control by the Board of Directors and the Risk and Internal Control Committee (RICC) is based on a structured and recurring reporting system for all the activities of the Internal Audit and Inspection division. The effective managers responsible for the efficient operation of the periodic control system are kept informed of the division's activities and progress *via* reports to the SFIL Executive Committee and the CAFFIL Executive Board.

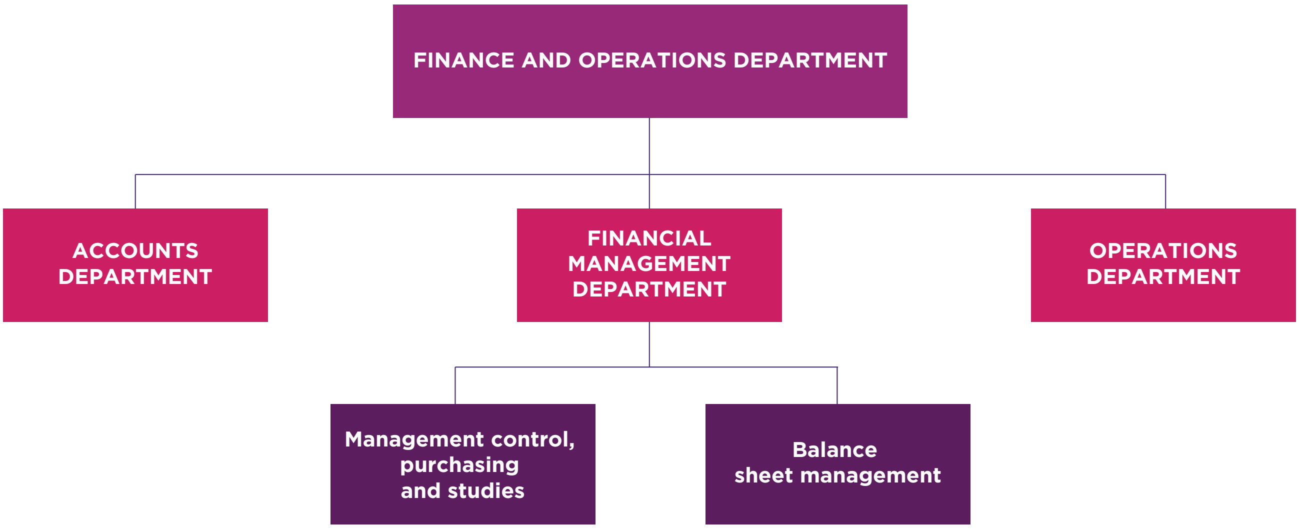
1.6.2 Preparation and processing of accounting and financial information

1.6.2.1 Financial statements

The main purpose of a company's annual financial statements and all the financial data produced by the Accounting department is to give a true and fair view of its assets, liabilities, financial position and results. The ministerial *arrêté* of November 3, 2014 emphasizes in its accounting section that the organization put in place must guarantee the existence of a set of procedures called an "audit trail". This audit trail must make it possible to link all accounting information to a proof of origin, and *vice versa*. All these items should make it possible to reconstitute, justify and explain any and all financial items produced for accounting or regulatory purposes. This principle dictates the organization of accounting practices in the SFIL Group and applies equally to SFIL and Caisse Française de Financement Local.

1.6.2.1.1 Role and organization of the Accounting department

SFIL's Accounting department reports to SFIL's Finance department. It numerous SFIL divisions, giving a cross-functional view of current activities.



The Accounting division revolves around four teams:

- the business line accounting team, which provides out first-level control on transactions relating to customers and market instruments;
- the overheads and payroll accounting team, which is in charge of paying supplier invoices. This team also provides the first-level control over automated accounting processing associated with supplier invoices and the payroll process;
- the Statutory Accounting and Regulatory Declarations team, which provides second-level control over the activities carried out by the two previous teams. This team is also responsible for preparing SFIL's consolidated financial statements and submitting them to the Caisse des Dépôts. It also prepares the financial statements for publication for SFIL and CAFFIL. Finally, this team makes the tax and regulatory declarations;
- the standards and studies team, which is responsible for managing the accounting basis and monitoring accounting and prudential standards. This team is totally independent of the others and reports to the Chief Accounting Officer.

The Accounting division is also responsible for producing the basic separate and consolidated accounting data and summary financial statements for SFIL and Caisse Française de Financement Local. It also handles the ancillary accounting for La Banque Postale within the context of the activities assigned to it. In conjunction with the Risks division teams, it oversees compliance with regulatory or prudential standards.

The Accounting division is tasked with analyzing and verifying accounting data. It relies in particular on a process of reconciling this data in the context of a contradictory approach with the other SFIL teams, in particular the finance department, in particular on the formation of results and the balance sheet and off-balance sheet balances of managed entities. This approach is also applied to the risk databases the Risks division used to calculate prudential data.

To carry out its role, the Accounting division sits on the main committees with a potential impact on its activity and has access to an extensive range of information, either directly or through the Chief Financial Officer. It participates actively in the technical development of IT systems, and relies on a cross-divisional team within the Technology and Organization division to improve, secure and ensure the sustainability of its IT system. The Technology and Organization division is notably in charge of accounting and regulatory tools as well as ALM and management control tools. Its mission is to actively participate in the development and improvement of the systems used by SFIL's operating divisions. This system makes it possible to ensure continuous improvement in terms of process quality and efficiency and in the reliability of financial information.

1.6.2.1.2 Preparation of the annual and consolidated financial statements

SFIL's accounting information system, which is used to prepare the annual separate financial statements, is to a large degree automatically fed by upstream systems that manage transactions with customers and market counterparties, as well as operating expenses. When data is entered into one of the management systems, it is recorded immediately and directly as one or more accounting entries, based on an automated process. This automatic entry system also includes manual entry for certain specific transactions. SFIL's accounting system can handle dual accounting for compliance with French GAAP and IFRS-EU standards. The summary of this data is then obtained automatically using configured publication tools.

The internal control system in the operating divisions ensures the completeness and accuracy of accounting entries. The team in charge of accounting standards ensures compliance with standards, validates automated business accounting procedures and individually examines complex or unusual transactions. When certain transactions cannot be completely incorporated into the available management tools, the accounting teams process them using specific internal control procedures related to these special operations.

A first-level control is conducted by accounting teams specialized by business line, in particular through the analysis of unit accounting and management data reconciliations, and through bank reconciliations and technical suspense account checks. Monthly comparisons with management data and reconciliations of microhedged transactions also make it possible to ensure that financial structuring is correctly replicated. These teams also reconcile the net banking income data with the management data produced by separate teams. This cross-referencing is done at least once a quarter and consistency from one period to the next is verified using analytical controls. The main changes must be accompanied by an explanation. In addition, these teams draft a summary work report highlighting areas that need particular attention and process improvements needed ahead of future account closings. Finally, the management control team, in order to check the consistency of interest income and expenses from one period to another, reports this data on average outstandings in order to produce average rates that are more easily comparable from one period to another.

Furthermore, the statutory accounting and regulatory declarations team, responsible in particular for the production of summary statements, ensures, through specific reviews, the quality of the work carried out by the business line accounting and general expense accounting teams in charge of the first-level control work.

To carry out its control plan, the Accounting division has a monitoring tool at its disposal with which it can verify the deployment and validation of key controls. The validation of key controls is carried out by the line manager of the employee who carried out the control. Lastly, this information and any comments on discrepancies are subject to review by the head of Accounting with the main team managers.

The preparation of the financial statements is carried out by aggregating the accounts thus produced using an automated process. This function requires a configuration administered by the standards and design team. Consolidation operations are handled using a set of processes in the SFIL Group's accounting IT system. Internal transaction reconciliations are facilitated by keeping the contributions of the both Group entities in the same system. The notes to the consolidated financial statements are drafted using an accounting database containing management information related to the underlying transactions, thus making it possible to produce accurate, detailed information.

Stability in reporting, which represents a key point in terms of communication, is thereby verified. The notes to the separate financial statements and regulatory declarations are generally produced using accounting data, possibly supplemented by management attributes. The Accounting division then carries out qualitative analyses through cross-cutting controls of summary data. The teams in charge of monitoring the Group's balance sheet or of producing the financial reports also contributes to this process. Cross-cutting controls are also carried out between the financial statements and the notes to the financial statements.

1.6.2.1.3 Financial statements approval process

The financial statements (including balance sheet and income statement) and the related notes are subject to particular scrutiny during the preparatory phase and in their final form by the head of the Accounting division and the Chief Financial Officer. The financial statements are presented quarterly to the Financial Statements Committee. The semi-annual and annual financial statements are approved by the Board of Directors. The main items of the management report for the period are also reviewed at this time. These annual and semi-annual financial statements are audited and reviewed (respectively) by the Statutory Auditors.

1.6.2.1.4 Publication of financial statements

This accounting and financial information is disclosed to the public in several ways. In addition to the BALO regulatory publication, the semi-annual and annual financial statements, together with the corresponding reports, are publicly available on the internet site www.sfil.fr. They are also filed with the AMF through the regulated information distributor (Intrado) registered with the AMF.

1.6.2.1.5 The role of the Statutory Auditors

SFIL's financial statements are audited by a panel of two Statutory Auditors. The same is true for the Caisse Française de Financement Local.

The Statutory Auditors are regularly consulted throughout the process of preparation of accounting and financial data in order to ensure efficiency and transparency. Their duties involve analyzing the accounting procedures and evaluating the current internal control systems to determine their audit scope, having established the main areas of risk. During these analyses, they may make recommendations to the Company's management on areas for improvement that could enhance and increase the reliability of the financial and accounting information production processes. They have access to all documents and memos drafted by the staff in charge of accounting principles and standards, and also review the accounting manuals and the summary analyses produced by the Accounting division teams. They have access to the Internal Audit and Inspection division's reports. They verify the consistency of the data in the management report with the financial statements, as well as the consistency of the management report and the financial statements with all audited information. Their contribution includes a review of all regulated agreements. They provide a full and complete account of their work in a specific report at the end of their statutory assignment. These tasks enable them to obtain reasonable assurance that the financial statements are free of any material misstatement.

1.6.2.2 Management information

The financial statements (balance sheet, off-balance sheet, income statement, cash flow statements and notes) that SFIL communicates to its shareholders and the public are complemented by the semi-annual management reports. In addition, the Caisse Française de Financement Local publishes quarterly activity reports containing management information. This management information also includes information on loans originated by La Banque Postale and acquired by Caisse Française de Financement Local and data on export credit refinancing and the sensitivity reduction of structured loans. Outlooks and risk assessments are also included in the semi-annual financial reports. This information is provided directly by the operating divisions or the Risks division. Their accuracy is therefore ensured by the internal control system of the divisions concerned. The Statutory Auditors also review the consistency of this information as part of their review of the management report section of the semi-annual and annual financial report.

For products offered by LBP and for the refinancing of large export credits after credit insurance policies of the French Republic granted by Bpifrance Assurance Export have been factored in SFIL is exposed to exclusively French counterparts. A geographic breakdown of assets based on the counterparty's country of residence, between France and other countries, is presented in the management report. This information is prepared by the Accounting and Finance divisions based on management and accounting data reconciliations.

SFIL also acts as manager for Caisse Française de Financement Local and service provider for La Banque Postale. To this end, it has implemented a specific cost accounting procedure to ensure proper billing of its services as a financial services provider.

1.7 Risk management

1.7.1 Risk management system (excluding non-compliance, legal and tax risks)

The SFIL Group has implemented a comprehensive risk management system aimed at:

- identifying, monitoring, managing and measuring risks using specific methodologies;
- deciding on limits to be implemented;
- deciding on the delegations to assign to the front office teams;
- deciding on the amount of provisions required;
- informing the competent committees about changes in these risks and proactively alerting them in the event a limit or alert threshold is potentially exceeded.

Risk appetite

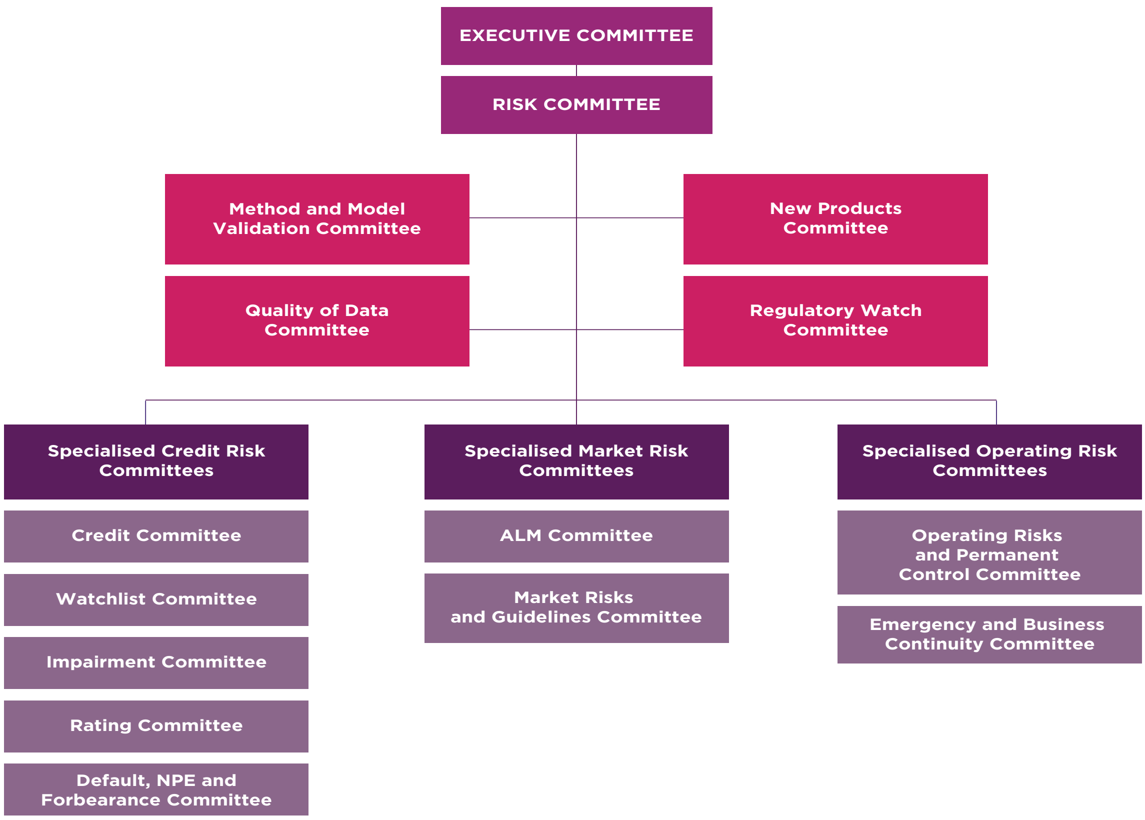
The SFIL Group's risk appetite is defined by SFIL's Executive Management and Risk Committee. It is approved by SFIL's Risks and Internal Control Committee and ultimately by SFIL's Board of Directors and CAFFIL's Supervisory Board. Within this framework, policies have been defined for the entire scope as well as limits and rules for delegating decisions. The Risks division monitors these limits and, where appropriate, proposes measures to General Management to ensure compliance therewith.

Risk review

A quarterly risk review (QRR) is presented to the Risks and Internal Control Committee by the Chief Risk Officer. This document provides a summary view of the Group's main risks (credit, ALM, market and operational) and any changes therein during the quarter as well as changes in regulations over the period.

Overall risk governance

The Risks division relies on several committees, whose missions and composition have been approved by SFIL's Risks and Internal Control Committee. There are cross-functional committees - Risks Committee, methods and models validation committees, New Products Committee - and committees specializing in credit, balance sheet and market risks and operational risks:



The missions of the cross-divisional committees are described below; those of the main specialized committees are described in the sections dedicated to the relevant risk.

Risk Committee

This committee is the risk committees' umbrella committee. It defines the SFIL Group's risk profile, validates the risk management systems and ensures compliance therewith. In particular, it is in charge of defining delegations for the granting of loans, approving the SFIL Group's risk policies concerning all types of risks and approving the limits defined by the Risks division.

Method and Model Validation Committee

The Market Validation Committee is responsible for validating and implementing market risk and derivatives valuation models. The Credit Validation and Quality Assurance Committee is responsible for validating and implementing the internal rating systems (IRS) used to calculate regulatory capital, the IFRS 9 impairment models and the economic capital models as well as their implementation.

New Products Committee (CNP)

The CNP is chaired by the Chief Risk Officer. It is tasked with examining all new products and management processes and changes to existing products or processes (to the extent where it substantially modifies the risk profile or the internal processes). It also determines and assesses the compliance risks associated with the creation of new products and material changes to existing products or new services based on the compliance opinion submitted to it.

1.7.2 The SFIL Group's risk profile

Ratios	CET1 ratio	Total capital ratio	Leverage ratio
Minimum requirement	7.75% (SREP)	11.25% (SREP)	3%
Value at 12/31/2020	29.4%, *i.e.* 3.8x higher than the minimum requirement	29.9%, 2.7%, *i.e.* 2.7x higher than the minimum requirement	8.8% (based on the methodological principles of the CRR II regulation)

The SFIL Group's risk profile is low:

- CAFFIL mainly has public sector borrowers[(1)] on its balance sheet on the one hand, and on the other, the export credit loans on SFIL's balance sheet benefit systematically from a Bpifrance Assurance Export policy covering 100% of the loan principal;
- interest rate risk is also low given the Group's hedging policy, under which it systematically hedges balance sheet items at fixed rates, by taking out new or canceling existing hedging instrument positions (interest rate derivatives);
- liquidity risk is, on the one hand, strictly managed using various internal liquidity stress tests, and on the other hand limited, as the Group mainly finances itself over the long term by issuing covered bonds – liquid instruments that offer investors a protective legal framework. In addition, the Group continues to diversify its sources of financing, as SFIL issues bonds in the market as a State agency. Lastly, even in the unlikely event that the Group is unable to issue on the markets, its liquidity needs could be covered *via* the mobilization of assets in the Banque de France, since the majority of the Group's assets are eligible for these refinancing operations;
- foreign exchange risk is marginal, outstandings in foreign currencies being systematically hedged on first balance sheet recognition and until their maturity;
- operational risk is governed by protective procedures;
- the Group has no trading portfolio.

As regards the risks related to climate change, and their impacts on the overall financial risks, SFIL fully agrees with the regulators' priority to fight against global warming and to participate in the measures towards the mitigation of its effects. A first climate risk roadmap has been established by the Risk Division and a « Climate Risk Committee » has been set up. SFIL is also involved in the CDC group climate risk workshops. In this context, the following points are in progress, or have already been carried out :

- a study on the French local authorities transition risk, within the framework of the climate stress tests proposed by the ACPR in its clmate risk pilot exercise. This study will enable in 2021 the calculation of the transition risk impacts on the bank's risk metrics;
- a synthetic mapping of climate risk aimed at identifying the types of climate risks faced by each sector, and their time frame;
- a preparatory work on the impact of natural disasters on the financial situation of the French local authorities.

(1) To a lesser extent, CAFFIL can also lodge in its balance sheet exposures on credit institutions in respect of replacement values. The latter benefit from the first or second best quality stage and the volume of exposures in respect of replacement values may not exceed 15% of the bonds. CAFFIL may also use derivative contracts with credit institutions with the sole aim of hedging its interest rate and exchange rate risks.

SREP

In the context of the health crisis, the European Central Bank has adapted its SREP (Supervisory Review and Evaluation Process) for 2020, by focusing on the capacities of institutions to manage the Covid-19 crisis and by maintaining them. Capital and Common Equity Tier 1 (CET1) requirements of 2019.

The Common Equity Tier 1 (CET1) capital requirement that the SFIL Group must meet on a consolidated basis is therefore 7.75% of which:

- 4.50% for Pillar 1 Common Equity Tier 1, the level applicable to all institutions;
- 0.75% in respect of the Pillar 2 requirement, unchanged compared to 2019;
- 2.50% for the capital conservation buffer, the level applicable to all entities;
- 0.0% for the countercyclical buffer (requirement removed in the context of the health crisis).

The Tier 1 capital requirement, meanwhile, stands at 9.25% and the total capital requirement at 11.25%.

As of December 31, 2020, SFIL's consolidated CET1 and total capital ratios stand at 29.4% and 29.9%, respectively, a level representing more than twice the minimum requirements set by the European supervisor.

Leverage ratio

Regulation No. 575/2013 of June 26, 2013 has introduced a leverage ratio, which corresponds to the amount of Tier 1 equity as a proportion of the total exposure of the concerned institution. Institutions have published their leverage ratio since the financial year starting January 1, 2015, without this ratio being subject to a specific quantitative requirement.

Based on the methodological principles of currently applicable regulations, the SFIL Group's leverage ratio was 2.0% as of December 31, 2020.

As a reminder, this regulation has, however, been amended (Regulation No. 876/2019 of May 20, 2019). The amendments in question, applicable as from end-June 2021, provide for the introduction of a minimum leverage ratio requirement of 3%, as well as measures designed to exclude development loans and the Export Credit business when calculating the total exposure. When these amendments come into force, the SFIL Group will therefore benefit from specific, appropriate leverage ratio calculation rules.

Calculated using the methodological principles of the amended regulations, the SFIL Group's leverage ratio is 8.8% and thus comfortably exceeds this minimum 3% requirement.

MREL

On February 22, 2021, the ACPR Resolution College notified SFIL of its decision to implement the Single Resolution Board September 23 2020 decision setting the minimum requirement for own funds and eligible liabilities (MREL) for SFIL.

In its regard, the Ordinary Insolvency Processing since it is now retained as SFIL's preferential resolution strategy, the MREL requirement will therefore be limited to only "Loss Absorption Amount." (LAA) of SFIL. Furthermore, MREL will only apply to SFIL's social scope, which will largely respect it.

1.7.2.1 Credit risk

1.7.2.1.1 Definition and credit risk management

Credit risk represents the potential impact that may affect the SFIL Group due to the deterioration of a counterparty's solvency.

As part of its credit risk monitoring role, the Credit Risks division is responsible for the following:

Definition	In line with the risk appetite of SFIL and CAFFIL: • the credit risk policies and directives; • the various concentration limits; • the delegations to be granted.
Credit granting	• the lending process (new commitments and restructured loans) by performing credit analyses and assigning ratings.
Monitoring of existing portfolios	• conducting annual reviews; • re-rating portfolios annually; • identifying assets with downgraded risks (watchlist, in default or NPE, contract in Forbearance); • estimating the provisions to be established; • proactively monitoring limits; • conducting stress tests.
Models	• development and monitoring of IRBA credit models, economic capital models or expert models.

1.7.2.1.2 Governance

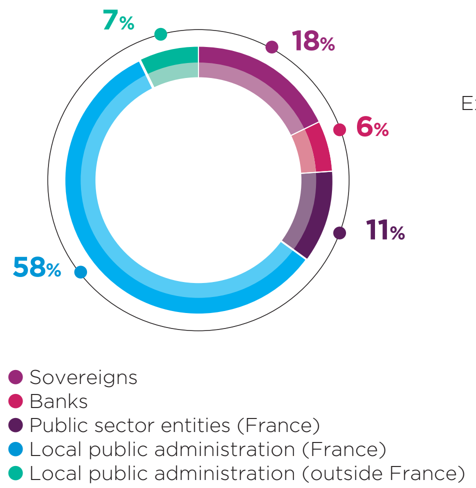
Credit risk governance relies on specialized committees meeting quarterly, except for the Credit Committee which meets weekly:

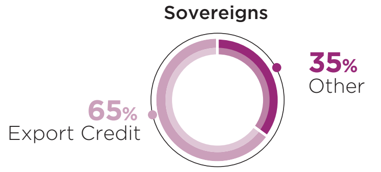
- the **Credit Committee**:
  - approves new commitments[1] undertaken by CAFFIL or SFIL (loans and market transactions) and restructured loans based on an independent analysis completed by the Risks division,
  - sets credit limits when certain predefined thresholds are exceeded,
  - reports on the commitments made under the granted delegations (to the Risks division, the Customer's Debt Management division, the Financial Markets division and the sales teams of La Banque Postale);
- the **Watchlist Committee**:
  - is responsible for monitoring assets requiring special attention given the associated risk downgrade;
- the **Default, Non-Performing Exposures & Forbearance Committee**:
  - decides the default or recovery from default status for borrowers,
  - determines whether arrears constitute a real default situation or technical arrears,
  - validates the list of counterparties whose exposures are non-performing,
  - validates the list of exposures in Forbearance;

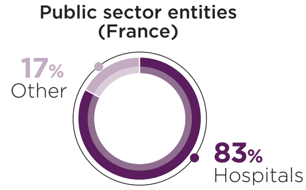
(1) *Not delegated to the Risk division, the Customer Debt Management division or the sales and marketing teams of La Banque Postale.*

- the **Impairment Committee**:
  - sets the amount of the provisions according to IFRS: Expected Credit Losses (ECL) for each of the three Stages, and in the case of Stage 3 does so based on the collection scenarios that the Watchlist Committee determines;
- the **Rating Committee** (managed by the Credit Validation and Quality Control team to ensure the independence of the control process):
  - ensures the proper application of the internal rating systems and the appropriateness of the rating processes.

1.7.2.1.3 Credit risk exposures







Exposure to credit risk, which is measured using the EAD (Exposure at Default) metric, amounted to EUR 76.3 billion as at December 31, 2020 (excluding non-current assets and accruals and other liabilities):

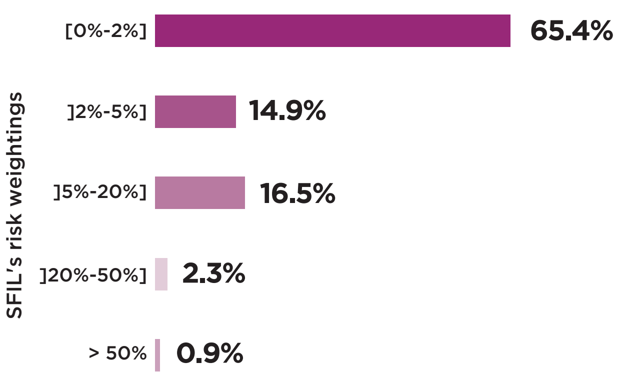
- nearly 60% of this exposure originates from French local public authorities (regions, departments and authorities);
- 18% of these exposures are included in “Sovereign” items including 65% as a result of the export credit activity;
- 11% of these exposures come from public sector entities, including 83% from public stakeholders in the healthcare sector.

The quality of SFIL’s and CAFFIL’s portfolio can also be seen in the Risk-weighted asset (RWA) weightings assigned to their assets to calculate the Group’s solvency ratio.

For most of its assets, the Group has opted for the advanced method of calculating regulatory capital requirements.

As of December 31, 2020, the breakdown of exposures by risk weighting (calculated on the basis of the counterparty’s probability of default and the Group’s loss given default) was as follows:

RISK WEIGHT (BASEL III) OF THE SFIL GROUP’S PORTFOLIO AT DECEMBER 31, 2020 (CONSOLIDATED BASIS)



This analysis confirms the excellent quality of the assets in SFIL’s portfolio. More than 80% of the portfolio has a weighting of less than 5% and more than 97% of the portfolio has a weighting that is less than or equal to 20%. It should be noted that exposures to Italian regional or local governments, central governments and central banks and social housing are now all treated using the standard method. Those relating to banks are now treated using the IRB-Foundation method.

The amount of risk-weighted exposures (RWA) stands at EUR 4.3 billion for credit risk.

1.7.2.1.4 Impact of the Covid-19 pandemic on credit risk

The impacts of the Covid-19 pandemic are limited at this stage for local public administrations and the French public sector entities.

As a public development bank and the leading financier of public hospitals in partnership with La Banque Postale, SFIL supported all health institutions as part of the national mobilization to fight against the global pandemic. SFIL proposed offset payment of 6 months without late payment interest and penalties, for their loan maturities between March 12, 2020 and June 30, 2020.

The following tables present the details of the payment delays operations granted as of December 31, 2020 to health institutions, according to the format proposed by the European Banking Authority in its guidelines GL/2020/07 appendix 3 of June 2, 2020 on the publication of information concerning the measures implemented by institutions in response to the Covid-19 pandemic, (table No. 3 of the EBA concerning Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to Covid-19 crisis is not applicable to SFIL):

- information on outstanding loans to health institutions with payment terms as of December 31, 2020 (EUR):

	Gross carrying amount						
		Performing loans			Non-performing loans		
			Of which exposures with forbearance measures	Of which instruments with significant increase in credit risk since initial recognition, but not doubtful (Stage 2)		Of which exposures with forbearance measures	Of which unlikely to pay that are not past due or past due <= 90 days
Loans subject to payment delays	224,870,109	204,975,936	-	-	19,894,172	-	-

	Accumulated impairment, Accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing loans			Non-performing loans			
			Of which exposures with forbearance measures	Of which instruments with significant increase in credit risk since their initial recognition, but not doubtful (Stage 2)		Of which exposures with forbearance measures	Of which unlikely to pay that are not past due or past due <= 90 days	Inflows to non-performing exposures
Loans subject to payment delays	(1,987,471)	(1,604,164)	-	-	(383,306)	-	-	2,386,966

- breakdown of the payment delay granted to health institutions by residual maturity (EUR):

		Gross carrying amount							
					Residual maturity of payment delays				
	Number of obligors		Of which legislative moratoria	Of which expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans for which payment delays was offered	27	224,870,109							
Loans for which payment delays have been granted	27	224,870,109	-	224,870,109	-	-	-	-	-

Requests for payment delays were also received from certain local authorities or French public sector entities.

The Covid-19 epidemic has had a greater impact on the export credit portfolio and in particular on the financing of cruise ships in the portfolio (whether under construction by Les Chantiers de l'Atlantique or already in operation), due to the interruption of cruise operations. The entire portfolio was placed on the watchlist. The whole export credit portfolio is 100% guaranteed by the French Republic *via* BPI AE credit insurance policies.

1.7.2.1.5 Past due, doubtful loans and provisions

Past due as of 12/31/2020	Doubtful and litigious loans (French accounting standards) at the level of CAFFIL	Net amount of financial assets and financing commitments classified under Stage 3	Non-performing exposures
EUR 37 million	**EUR 212 million**	**EUR 584 million**	**EUR 721 million**
(0.06% of CAFFIL's cover pool)	(of which loans with no past dues EUR 123 million)	(of which loans with no past dues EUR 553 million)	(of which loans with no past dues EUR 614 million)

Total arrears amounted to EUR 37 million as of December 31, 2020. They are down sharply compared to December 31, 2019 (EUR 65 million) due to the repayment of significant unpaid amount from a customer as part of the definitive reduction of the sensitivity of its sensitive structured loan. The remaining arrears are concentrated on a few counterparties, only French ones. The arrears resulting from the payment terms granted to certain local authorities, which amounted to EUR 18 million at the beginning of August, were reduced to EUR 0.9 million at end December, as the borrowers have complied with the payment terms granted, with the exception of the two counterparties for only EUR 0.3 million (remaining EUR 0.6 million, in line with the agreed payment schedule, to be repaid by June 30, 2021).

As of December 31, 2020, at the level of CAFFIL and in application of French accounting standards, doubtful and litigious loans amounted to EUR 212 million, *i.e.* 0.4% of CAFFIL's cover pool, reflecting the portfolio's excellent quality. They were down significantly by EUR 137 million, or 39%, compared to December 31, 2019 (EUR 349 million). This change is mainly due to the deletion in this category of counterparties whose outstandings, downgraded by spillover effect, are significant[(1)]. The outstandings downgraded by spillover effect represented EUR 123 million as of December 31, 2020.

Doubtful and litigious loans according[(2)] to French accounting standards consist of:

- EUR 208 million of receivables classified as doubtful, corresponding to loans granted to customers whose total arrears came to EUR 32 million;
- EUR 4 million of receivables classified as litigious, corresponding to interest unpaid by four clients who are subject to ongoing legal proceedings.

Pursuant to IFRS accounting standards, and more specifically to IFRS 9, all financial assets recognized at amortized cost and at fair value through equity income, as well as financing commitments, are provisioned for expected credit loss. They are classified in three Stages:

- Stage 1: performing assets with no significant credit risk deterioration since initial recognition;
- Stage 2: performing assets with significant credit risk deterioration since initial recognition;
- Stage 3: credit-impaired assets.

Stage 3 outstandings correspond mainly to customers:

- with an outstanding unpaid for more than 90 days;
- whose financial position is such that, even in the absence of an unpaid outstanding, it is possible to conclude that the debtor is unlikely to pay;
- that were in a situation of real default and for which arrears of more than 90 days were settled. These outstandings are kept in Stage 3 for a minimum period of one year, referred to as a "probation period".

The definition of default (Stage 3) under IFRS thus covers a broader scope than the concept of doubtful and litigious loans under French accounting standards, and is very close to the regulatory concept of non-performing exposures (NPE). Indeed, in addition to Stage 3 assets, NPEs include non-performing assets recorded at fair value through profit or loss (*i.e.* classified as non-SPPI (Solely Payment of Principal and Interest)).

Provisions are set aside for all of these outstandings, including Stage 1 and Stage 2 outstandings, for expected credit losses. The related impairment is based on forward looking scenarios (defined by probability of occurrence), and takes into account expected losses over the next 12 months (Stage 1) or the outstanding's life (Stages 2 and 3).

(1) When a customer is classified in default in terms of credit risk the outstanding amount of all its loans is automatically classified as non-performing, in addition to its existing past dues.

(2) A loan is considered doubtful if it presents one of the following characteristics:
• a probable or certain risk of non-recovery (unpaid for more than nine months for local government entities and three months for other counterparties);
• the existence of an observed risk on the counterparty (downgraded financial position or alert procedure).
A receivable is considered to be litigious when it is unpaid and is the subject of legal proceedings.

The table below shows SFIL's financial assets and financing commitments broken down by Stages, the associated IFRS provisions for expected credit losses, as well as regulatory Non-performing exposures.

	Carrying amount before IFRS provisions		Provisions	
EUR millions	12/31/2019	12/31/2020	12/31/2019	12/31/2020
Stage 1	57,978	54,586	(7)	(9)
Stage 2	4,610	9,590	(37)	(46)
Stage 3	1,103	584	(11)	(7)
TOTAL	**63,691**	**64,760**	**(55)**	**(62)**
Non-performing exposures	1,368	721		

Outstandings classified as Non-performing exposures as well as in Stage 3 were down sharply between December 31, 2020 and December 31, 2019 despite the health crisis. This improvement is directly related to the desensitization operation of a customer in the process of litigation with SFIL (but who was not considered to be in default from a credit risk point of view) which was removed from these categories following the settlement of all of its arrears. The operation to reduce the sensitivity of this client also brought an end to the dispute.

In addition, in the context of the health crisis, the cruise portfolio having been placed in default, saw its exposures transferred from Stage 1 to Stage 2. It should be noted that a significant portion of these loans has not yet been drawn down as of December 31, 2020.

This transfer explains most of the change in the breakdown in book values by Stage *as* well as the change in provisions recognized between December 31, 2019 and December 31, 2020. These went respectively from EUR 55 million to EUR 62 million.

Outstandings for health institutions that benefited from the moratoria set up by SFIL were not subject to declassification in Stage 3, in accordance with SFIL's interpretation of the European regulations.

In conclusion, all the risk metrics and in particular unpaid debts, doubtful and disputed loans (French accounting standards), and the carrying amounts allocated to Stage 3 (IFRS accounting standards) and Non-performing exposures have improved significantly over one year and reached their best level since the creation of SFIL in 2013. This demonstrates the Group's great resilience in the face of an unprecedented health crisis.

1.7.2.2. Market risk

1.7.2.2.1 Definition and scope of market risk

Market risk is defined as the risk of loss, whether recognized on the income statement or directly through equity, that may result from fluctuations in the price of the financial instruments that make up a specific portfolio.

As a public development bank, the SFIL Group is not intended to carry out transactions for trading purposes and is therefore not subject to market risk in the regulatory sense of the term. On a consolidated basis, all swaps are carried out for hedging purposes. Furthermore, as a *société de crédit foncier*, CAFFIL cannot hold a trading or investment portfolio and is therefore not exposed to regulatory market risk.

Certain positions or activities in the SFIL Group's banking book, which, even if they do not carry market risk in the regulatory sense of the term, are nevertheless sensitive to the volatility of market parameters and pose a risk to the accounting result or equity; they are monitored for non-regulatory market risks. These risks are mainly:

- risks arising from changes in the value of financial assets recognized at fair value through profit or loss or through equity;
- certain risks arising from the export credit activity (monitoring of the value changes of the indicator specific to export credit and, for loans denominated in foreign currencies, the change in the valuation of currency swaps hedging this activity);
- changes in accounting valuation adjustments on derivatives, such as credit valuation adjustments (CVA) and debit valuation adjustments (DVA), recognized in profit or loss in accordance with IFRS;
- the provision for investment securities in accordance with the French accounting standards;
- risks that may materialize at the level of SFIL's individual financial statements, in connection with its derivatives intermediation activity carried out on behalf of CAFFIL, if the derivatives that SFIL enters into with external counterparties are not perfectly mirrored with CAFFIL.

The crisis affected the Group's results in the first half of 2020 due to the unfavorable change in the market value of certain loans which, in application of international accounting rules, must be recognized at fair value through profit or loss: the fair value of these assets, for which the nominal outstanding stands at EUR 3.3 billion, suffered a deterioration related mainly to the deterioration of credit spreads, based on a market index model covering public counterparties with comparable credit quality. The portfolio value's sensitivity to a one basis point change in credit spread is EUR 2.6 million. After hitting a low point in mid-April, the value of these assets has since improved, with the increase in the credit spread index having been absorbed by three quarters in the second half of the year. Taking into account the amortization of the portfolio, the result of the revaluation is finally positive at EUR +8 million for the year 2020.

It should also be noted that these results have no economic impact on SFIL, insofar as these assets are intended to be maintained on the balance sheet until maturity (and are, moreover, financed at maturity). The corresponding results are recognized as non-recurring items.

Similarly, despite significant fluctuations in credit spreads during the year, the value of the securities in the portfolio of securities that may be held or sold, recognized at fair value through equity, ultimately has a positive impact on equity of EUR +1 million. The sensitivity of the porfolio to a one basis point variation in credit spread is EUR 0.1 million.

1.7.2.2.2 Governance and market risk monitoring

Governance of market risk monitoring is led by the Market Risks Committee, which monitors the following risk indicators on a quarterly basis:

- valuation of assets recognized at fair value through profit or loss or equity and provisions for investment securities under French accounting standards;
- interest rate limits;
- cash collateral paid/received;
- export credit activity indicators.

This committee is also responsible for approving policies, guidelines and procedures regarding non-regulatory market risks before they are submitted to the Risk Committee.

The continuous monitoring of non-regulatory market risks is carried out by SFIL's Market and Balance Sheet Risk division, which is mainly responsible for:

Definition	In line with the risk appetite of SFIL and CAFFIL: • market risk policies and directives; • the various limits; • methodologies for the calculation and measurement of various risks.
Certification	• valuation of derivatives for recognition in the accounts.
Valuation	• of balance sheet items (asset and liability); • adjustments to the value of derivatives (CVA and DVA).
Monitoring	• of the valuation of currency swaps for export credits in foreign currencies not yet used for hedging purposes; • of the valuation of swaps that are no longer used as hedges following the default of the hedged loan.
Daily control	• margin calls on derivatives (cash collateral) *via* the monitoring of market sensitivity. These correspond to the change in fair value of the instruments for a standardized movement (or shock) in market data.
Calculation and control	• of the impact of the spread risk on the securities portfolio.

Securities without an adjustable rate at outset that are recognized at fair value through equity under IFRS or as investment securities under French GAAP are generally hedged by swaps. The securities portfolio's residual risk is limited to credit spread risk: the Market and Balance Sheet Risk division calculates the recognized impact as a result of changes in the issuers' credit spreads.

1.7.2.3 Balance sheet management risks

The year 2020 was marked by the "Covid-19" crisis which impacted the entire global economy. However, the crisis has not had a significant impact on interest rate and foreign exchange rate risk for SFIL, given the very cautious policy conducted by the Group in this area and the reduced level of non-hedged positions.

With regard to liquidity risk, the annual issuance programs of CAFFIL and SFIL were carried out in line with the planned budget, both in terms of amount and spread, as the financing markets became active again after a marked slowdown observed in March-April. In addition, due to a still fragile health and economic environment, precautionary measures have been taken to strengthen the management of the Group's liquidity risk, in particular:

- an increase in the frequency of updating short -term liquidity projections and available liquidity reserves;
- the preventive mobilization of assets within the Banque de France, and participation for a limited amount in a refinancing operation, to guarantee refinancing capacities at the peak of the crisis (second quarter).

1.7.2.3.1 Governance

Balance sheet risk management revolves around three committees:

- the **Asset-Liability Management (ALM) Committee**, on which sit representatives of the Finance division's ALM unit, the Market and Financial Risks division and the other bank business lines concerned; this committee determines the strategy for managing ALM risks and ensures that it is correctly applied by monitoring management indicators;
- the **"Interest Rate ALM"** and **"Liquidity ALM"** committees prepare information for the ALM Committee and are responsible for implementing its decisions operationally.

The ALM Management division of the Finance department is in charge of managing the balance sheet risks generated by the Group's activity in compliance with the management limits and the regulatory framework. The principles of this management are described in the ALM management policies. The Market and Balance Sheet Risk division is in charge of defining the general ALM risk management policy, calibrating and monitoring the limits on ALM indicators and performing second-level controls.

1.7.2.3.2 Liquidity risk

Liquidity risk is defined as the risk that an institution will not meet its liquidity commitments on time and at a reasonable cost.

For CAFFIL, the main liquidity risk lies in its ability to not be able to repay its privileged debts on time due to a too great delay in the repayment rate of its assets and that of its privileged liabilities or a market closure.

With regard to SFIL, this risk lies in its inability to have sufficient resources to meet its CAFFIL's unsecured financing needs and the margin calls of its swap counterparties.

Financing requirements and sources

The Group's liquidity requirements are mainly of three types:

- the financing of balance sheet assets;
- the financing of liquidity requirements in connection with compliance with regulatory ratios;
- the financing of the cash collateral paid on SFIL derivatives.

As of December 31, 2020, the sources of financing used, other than the entity's equity, were as follows:

- privileged debt, *i.e.* the *obligations foncières* issued by CAFFIL and the cash collateral it receives;
- the negotiable debt securities issued by SFIL;
- the financing provided by shareholders CDC and LBP under the credit agreements implemented between SFIL and its shareholders.

In addition, the SFIL Group has a large number of assets held by CAFFIL or SFIL that are eligible for central bank refinancing. These assets can be mobilized through European Central Bank refinancing operations via the Banque de France.

Liquidity reserves

(EUR billions)	**12/31/2020**
Deposits in central bank	1.9
High-quality liquid assets (HQLA)(1)	2.2
Other eligible available securities in central bank(2)	3.4
Eligible private loans in central bank(3)	26.9
TOTAL LIQUIDITY RESERVES	**34.4**

(1) Value of high-quality liquid assets recognized by prudential regulation, after prudential discount.
(2) Value of other eligible securities with a central bank of the Eurosystem, after the discount applied by the central bank.
(3) Value of eligible loans with a central bank of the Eurosystem, after discount applied by the central bank.

Liquidity risk management principles implemented by the Group

To control their liquidity risk, SFIL and CAFFIL mainly rely on static, dynamic and stressed liquidity projections to ensure that the liquidity reserves they have in the short and long term will enable them to meet their commitments.

In normal conditions, dynamic liquidity forecasts take activity assumptions into account (new assets and new financing), under normal and stressed conditions:

- under normal conditions, these forecasts aim to define the amounts and maturities of the various sources of financing that may be raised by each entity (issuance of *obligations foncières* for CAFFIL and, for SFIL, of negotiable debt securities or EMTN issuances, or drawdowns of shareholder liquidity lines);
- under stressed conditions, these forecasts aim to assess the Group's capacity to withstand a liquidity shock and to determine its survival horizon, which, in line with its risk appetite, must remain longer than one year.

The Group's liquidity risk is also subject to compliance with regulatory liquidity ratios supplemented by internal liquidity indicators.

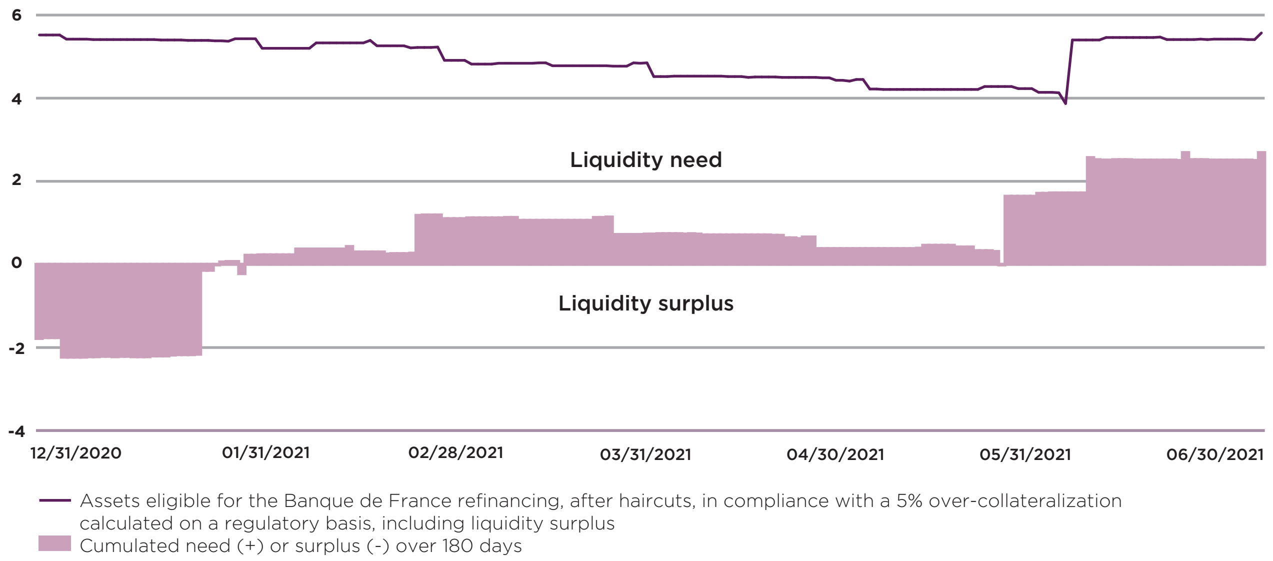
Regulatory liquidity indicators

CAFFIL, as a *société de crédit foncier* (SCF), must comply with the following specific regulatory indicators:

- the regulatory coverage ratio (or over-collateralization ratio): this represents the ratio between assets and liabilities benefiting from the legal privilege under the law on SCFs, and must be at least 105%;
- the 180-day cash needs forecast: CAFFIL ensures that, at all times, its cash needs over 180 days are covered by replacement assets and ECB-eligible assets.

COVERAGE OF LIQUIDITY NEEDS OVER 180 DAYS

In EUR billions



- the maximum gap of 1.5 year between the average maturity of liabilities benefiting from the legal privilege and that of assets eligible to make up the minimum amount necessary to meet the regulatory over-collateralization.

SFIL and CAFFIL must also comply with the regulatory liquidity indicators applicable to banks in application of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013, regarding:

- the LCR (Liquidity Coverage Ratio): as of December 31, 2020, the LCR stands at 176% for CAFFIL, 270% for SFIL on a parent-company basis, and 193% for SFIL on a consolidated basis;
- the Net Stable Funding Ratio (NSFR), a transformation ratio that measures stable resources over the next year and relates them to stable financing requirements: Regulation No. 2019/876 defines the methods for calculating this indicator, which will come into force in June 2021.

Internal liquidity indicators

The Group monitors the following main internal liquidity indicators:

- the Group's dynamic funding requirements over the next year, as well as the respective issuance conditions for SFIL and CAFFIL;
- the coverage ratio (or over-collateralization ratio), which targets an over-collateralization level consistent with CAFFIL's target rating;
- the one-year survival horizon in stressed conditions;
- the management of the Group's financing deadlines;
- the level of unencumbered assets available in the event of a liquidity crisis;
- the duration gap between privileged assets and liabilities: it is published quarterly. As of December 31, 2020, it stood at 0.11 year;
- sensitivity of the net present value of the consolidated static liquidity gap to an increase in the Group's financing costs;
- consumption of spread and basis risk appetite for export credit transactions, which measures the loss of revenue on these transactions that may result from stress on the Group's cost of financing in euros or from an increase in the cost of financing in foreign currencies (USD or GBP).

1.7.2.3.3 Interest rate risk

Interest rate structural risk is defined as the risk of loss incurred in the event of a change in interest rates that would lead to a loss in value of balance sheet and off-balance sheet transactions, excluding any trading portfolio transactions. As SFIL and CAFFIL do not hold a trading portfolio they are not affected by the latter exception.

SFIL identifies three types of interest rate risks, which are generally hedged with derivatives:

Fixed rate risk	Results from the difference in volume and maturity between fixed rate assets and liabilities, or adjustable rates for which the interest rate has been fixed. This risk can result in yield curve parallel shifts, steepening, flattening or rotation.
Basis risk	Results from the gap that may exist in the matching of assets and liabilities indexed to variable rates of different types or index tenors.
Fixing risk	Results, for each index, from the gap between the adjustment dates applied to all the variable rate balance sheet and off-balance sheet items linked to the same tenor.
Option risk	Results from the application of floors to 0 on adjustable-rate SPL receivables.

At CAFFIL, the fixed-rate risk appetite is broken down into a set of limits covering directional sensitivities and time-bucket Net Present Value (NPV).

In order to manage this sensitivity within the limits set, ALM has implemented a hedging strategy consisting of:

- micro-hedging balance sheet items denominated in a currency other than the euro or indexed to a complex rate structure. Certain euro-denominated vanilla transactions may also be micro-hedged if their notional value or duration could lead to a sensitivity limit being exceeded. Micro-hedging is carried out exclusively by swap;
- macro-hedging all transactions that are not micro-hedged. The transactions concerned are mainly (i) loans to the local public sector and (ii) issues of *obligations foncières* denominated in euros. This macro-hedging is obtained as much as possible by matching fixed-rate assets and liabilities *via* the unwinding of swaps and, for the rest, by setting up new swaps against Euribor or Ester;
- this fixed-rate risk management is supplemented by monitoring of the fixing of operations at adjustable rates in order to ensure that they do not lead to the short-term sensitivity limit being exceeded. Where appropriate, swaps against €str may be entered into to hedge the fixing risk.

Concerning the parent company SFIL, the hedging strategy involves a perfect microhedge of the interest rate risk, by swaps against Eonia or €str either by matching asset and liability transactions on the same index or, as regards the export credit activity, by hedging transactions carried out under the stabilization mechanism. SFIL therefore does not incur any interest rate risk.

These different types of interest rate risk are monitored, analyzed and managed through:

- the production of gaps (fixed rate, basis and fixing), calculated on a static basis:

Fixed-rate gap	Difference between balance sheet and off-balance sheet assets and liabilities for fixed rate transactions or variable rate transactions for which the rate has been fixed. It is calculated every month until balance sheet extinction.
Index gaps	Difference between balance sheet and off-balance sheet assets and liabilities for a given index tenor that has not yet been fixed. This gap is calculated every month until balance sheet extinction.
Basis gaps	Basis gaps, which result from the matching of two index gaps. There are therefore as many basis gaps as there are index pairs.
Fixing gap	For a given index tenor, the difference between adjustable rate balance sheet and off-balance sheet assets and liabilities, by fixing date.

- net present value (NPV) sensitivity indicators at an interest rate shock of 100 bp are produced monthly, to protect residual fixed rate positions set by CAFFIL (after hedging has been set up). These indicators are calculated based on four pre-defined time buckets, and supported by limits calibrated to restrict capital loss to 6% (EUR 80 million) with a 99% quantile calculated based on ten-year historical data:

Shift in the yield curve	Limit of EUR 25 million.
Sloping/rotation of the yield curve at distant points of the curve	Limit* of EUR 15 million on the time bucket ST, EUR 10 million on the MT and LT and EUR 9 million on the TLT.
Sloping/rotation of the yield curve within a time bucket	EUR 30 million limit** on sensitivity by time bucket in absolute value.

* *In the first half of 2020, CAFFIL's interest rate sensitivity limits were adjusted, while keeping the overall value of interest rate risk unchanged (EUR 80 million). The previous limit was EUR 10 million for the four time buckets.*

** *The limit applicable to points prior to May 31, 2020 was EUR 40 million. Since May 2020, it has stood at EUR 30 million.*

For the parent company SFIL, the limit is applied to the fixed rate gap. It is currently at zero, reflecting SFIL's strategy of perfect micro-hedge management.

These indicators are calculated from a static viewpoint.

The main risks identified and associated with a low interest rate environment are:

- exposure to a rapid normalization of rates;
- increase in early repayments not offset by early repayment penalties;
- margin reduction.

The SFIL Group has little exposure to changes in interest rates: each entity uses interest rate risk management indicators to manage and monitor exposure to the risks of both parallel and non-parallel shifts in the yield curve, including exposure to a risk resulting from a sudden normalization of rates.

The Group also has little exposure to early repayment risk as almost all of its loan agreements contain early repayment penalty clauses.

Lastly, the SFIL Group's business model, which is based on the financing of the local public sector and the refinancing of large export credits, is relatively insensitive to the low interest rate environment. In particular, because the Group does not take sight deposits, it is unaffected by the issue of transformation margin reduction in a low interest rate environment.

Based on a dynamic vision of the balance sheet and taking into account the renewal of operations on the basis of the outstandings recorded as of the closing date (projected at constant outstandings), the sensitivity of the Group's interest rate margin to a 200 bps change is as follows:

Net Interest rate margin sensitivity over 12 months - consolidatd SFIL *(EUR millions)*	**12/31/2020**
Parallel increase in rates of 200 bps	(32)
Parallel decrease in rates of 200 bps	15

1.7.2.3.4 Foreign exchange risk

Foreign exchange risk is defined as the risk of loss, observed or unrealized, linked to changes in the exchange rate of foreign currencies against a reference currency. The SFIL Group's reference currency is the euro; foreign exchange risk thus reflects any change in the value of assets and liabilities denominated in a currency other than the euro resulting from that currency's fluctuation against the euro.

Issues and assets denominated in foreign currencies give rise, at the latest when they are recognized on the balance sheet and until their final maturity, to a cross-currency swap against the euro, thereby ensuring currency hedging of these balance sheet items' nominal and interest rates. The floating rate exposures resulting from this management are covered by interest rate risk management. For operational reasons, SFIL continues to incur marginal foreign exchange risk resulting from the share of the margin not paid to CAFFIL on foreign currency export credit operations.

Foreign exchange risk is monitored using the net foreign exchange position in each currency, calculated on all foreign currency balance sheet receivables, commitments and accrued interest not yet due. The net position per currency must be zero, with the exception of that in USD and GBP, for which a marginal position is tolerated for operational reasons.

Certain export credit loans denominated in foreign currencies may generate a very limited foreign exchange risk for CAFFIL during their drawing phase. This residual risk is controlled by a very low sensitivity limit to the euro/currency basis.

1.7.2.4 Operational risk

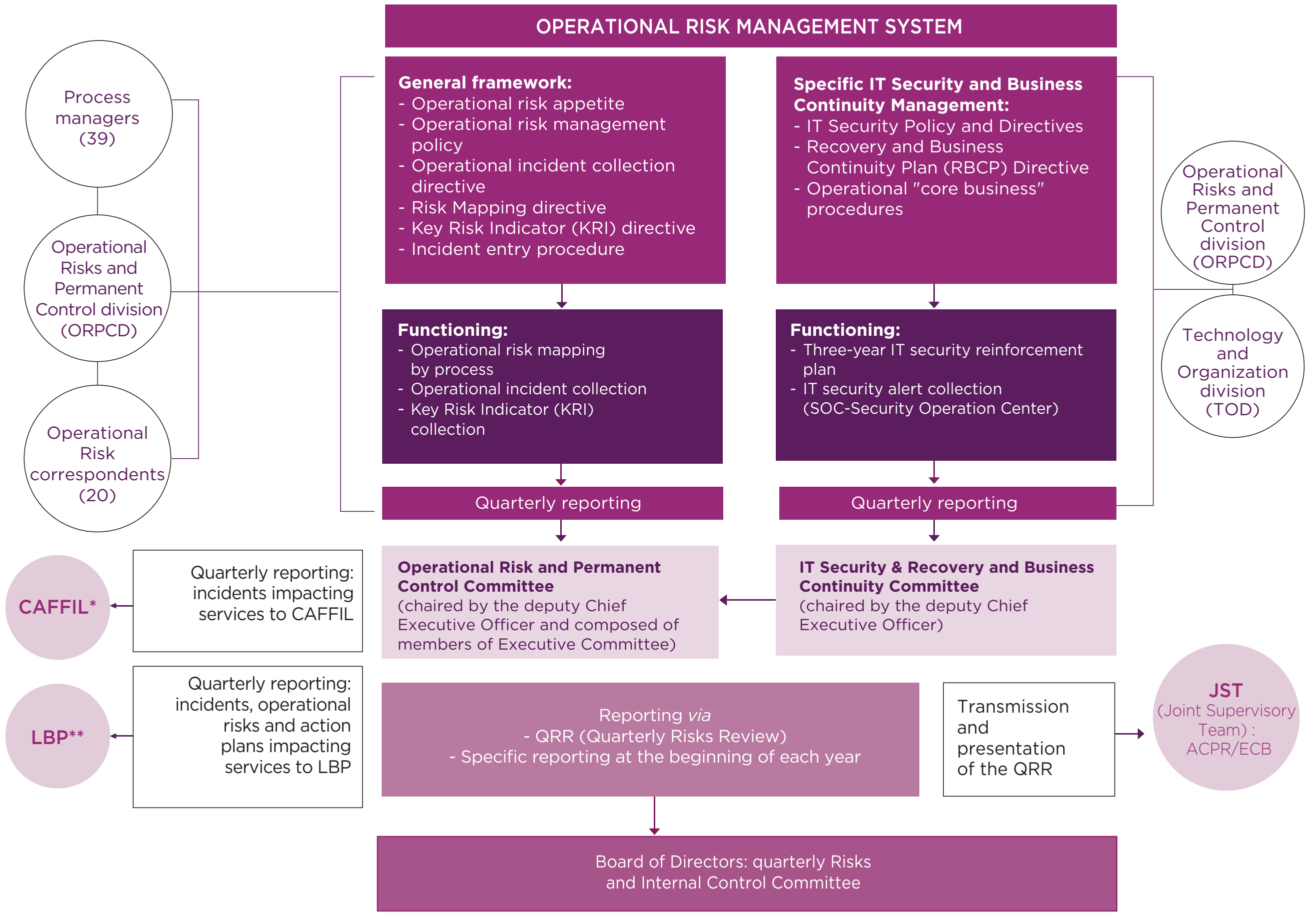
1.7.2.4.1 Definition

SFIL defines the operational risk as the risk of loss resulting from a lack of adaptation or a deficiency relating to internal processes, staff or systems or to external events, including legal risk. It includes model risk but not strategic risk.

The operational risk management processes apply to all Group divisions, activities and processes (SFIL and CAFFIL).

1.7.2.4.2 Organization and governance

SFIL has implemented an organization, procedures and a management system for monitoring and controlling its operational risks. This system is managed by the Operational Risks and Permanent Control division (ORPCD) which is composed of 6 employees and one manager.



* *Within the framework of the SFIL/CAFFIL agreement.*
** *Within the framework of the SFIL/LBP agreement.*

The Compliance division is responsible for the policy and supervision of the non-compliance and reputation risk management system (see overall internal control system).

1.7.2.4.3 Operational risk measurement and management risk excluding non-compliance risk

SFIL has opted for the standard approach of calculating its regulatory capital for operational risk. This capital requirement stands at EUR 26.6 million as of December 31, 2020.

SFIL's policy with regard to the measurement and management of operational risks involves regularly identifying and assessing incurred risks as well as existing arrangements to mitigate and control them in order to ascertain whether the level of residual risk is acceptable. This policy is implemented *via* three main processes:

- collection and reporting of operational incidents;
- mapping of operational risks;
- monitoring of key operational risk indicators.

This system is supplemented by an IT security policy, an Emergency and Business Continuity Plan (EBCP) and, where necessary, insurance policies to cover specific risks.

Missions	Activities and results in 2020
Definition of operational risk appetite	Two indicators defined and monitored on a regular basis
Collection of operational incidents	Four incidents in 2020 that led to losses in excess of the collection threshold (EUR 10,000) and whose financial impacts in 2020 were extremely limited.
Operational risk identification and assessment	Operational risks were mapped for 86% of SFIL's processes (see following item on operational risk identification)
Definition and monitoring of action plans	SFIL's Executive Committee monitored implementation of the action plans defined for residual risks assessed as major
Monitoring of key operational risk indicators	Sixty-two key operational risk indicators monitored and analyzed
IT security management	Presentation and validation of the three-year (2020-2022) IT security reinforcement plan
	Responses provided to three IT security self-assessment questionnaires from within the industry or at the request of the supervisory authority
	Two e-learning modules on IT security were deployed for SFIL employees
	A phishing simulation campaign was carried out in June 2020
	Plenary sessions to raise awareness of cyber risk were delivered to the functions most exposed to this risk
	In the context of the Covid-19 crisis, awareness-raising was carried out throughout the year, particularly on the risks of phishing
Business continuity and crisis management	Only one test of the functional system (back-up site) was carried out (following the Covid-19 crisis, the other planned tests were postponed until 2021)
	Since the start of the Covid-19 crisis, SFIL employees have benefited from teleworking
	Regular crisis units were held to manage the Covid-19 crisis
	Two tests of the IT recovery plan which covered 100% of the IS
	One test of the crisis unit carried out for a cyber crisis simulation
Internal and external reporting	Four SSI & EBCP committee meetings held Four ORPC committee meetings
	Contribution made to 4 quarterly risk reviews (QRRs) for SFIL's Risks and Internal Control Committee
	Specific contribution made at the annual meeting of the Risks and Internal Control Committee
Coordination of the associates network	Plenary session and training sessions for correspondents on the new tool

Collection of operational incidents

SFIL has defined an operational incident and loss collection process governed by a directive and procedures. This operational incident and loss collection process allows SFIL not only to comply with regulatory requirements but also to gather key data to improve the quality of its internal control system.

The mandatory reporting threshold for financial impacts has been set at EUR 10,000. The operational risk associates, with the ORPCD's support, are responsible for identifying and analyzing incidents using a dedicated tool. The results of the incident analysis determine whether preventive or corrective actions should be taken.

Operational risk identification and assessment

Operational risks are mapped and the resulting mapping is regularly updated for each SFIL process. The methodology used is in line with industry practices and the mapping relies in particular on an analysis of operational incidents that have occurred. This methodology makes it possible to identify and assess the various process-associated risks, identify factors (systems or controls in place) to mitigate them and determine the residual impacts in order to decide whether or not to accept them.

In the case where these residual impacts are regarded as too significant, and operational risks are identified as major, corrective or improvement actions must be implemented (strengthening of systems and procedures, strengthening of the permanent control plan and implementation of systems for monitoring and controlling risks). This methodology is being rolled out as the processes are formalized and is gradually replacing the mapping of operational risks by division. The full deployment of this methodology will be effective in 2021.

Monitoring of key operational risk indicators

In addition to the operational risk mapping, which provides a regular, instant snapshot of the risk profile, the SFIL Group has defined 62 key operational risk indicators accompanied by alert thresholds. These indicators are used to continuously and dynamically monitor changes in operational risks.

Definition and monitoring of action plans

The process managers define the actions to correct significant incidents or notable operational risks identified. The Operational Risks and Permanent Control division regularly monitors these action plans.

IT security management

The Operational Risks and Permanent Control department has put in place a set of measures, framed by a policy and directives, based on the requirements of the ISO 27001 standard, applicable to all SFIL's operational departments. These measures aim to protect the Group's data from any threat that could affect its confidentiality, integrity or availability. They are broken down into rules, procedures and operational processes determined in collaboration with the Technology and Organization division, and are subject to regular checks, in particular with regard to the management of access rights to SFIL's applications and systems and compliance with IT security principles.

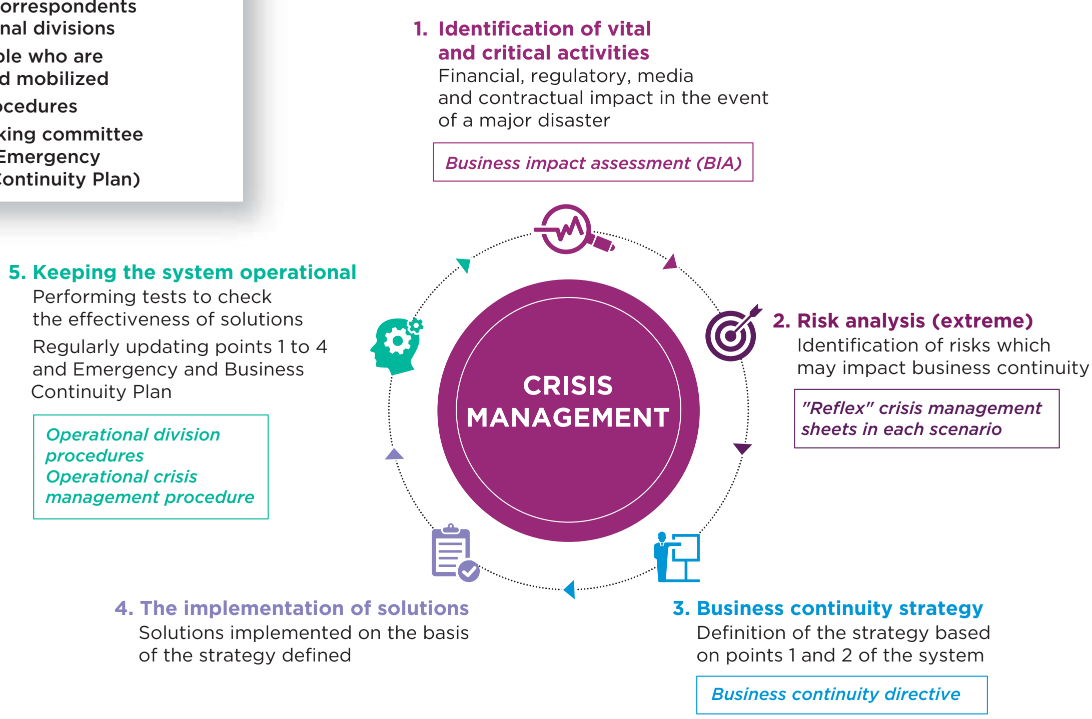
In addition, a three-year (2020-2022) IT security reinforcement plan has been defined to improve the existing systems. It is monitored regularly. An SOC (Security Operation Center) system has been implemented to prevent and manage IT security alerts and threats.

Business continuity and crisis management

The SFIL Group has developed an Emergency and Business Continuity Plan (EBCP). It consists of a set of measures and procedures designed to temporarily ensure the provision of services and other critical operational tasks carried out by SFIL in degraded mode, if necessary.

This system is based on five key components and a specific governance structure:

- A dedicated team (Operational Risks and Permanent Control division)*
- A network of correspondents in the operational divisions
- Identified people who are mobilizable and mobilized
- Up-to-date procedures
- A decision-making committee (IT Security & Emergency and Business Continuity Plan)



* *The Technology and Organization division for the IT backup plan*

Operational risk insurance

SFIL has insurance policies covering standard damages, premises-related multi-risks, IT equipment and civil liability. It has also taken out insurance policies to cover the liability of its corporate officers (RCMS), against professional liability, fraud, and cybercrime-related risks. The insurance program covers SFIL and its subsidiary CAFFIL.

Security of means of payment

The means of payment managed by SFIL for its own activity, as CAFFIL's managing institution or as La Banque Postale's service provider are as follows:

- bank accounts opened with the Banque de France (TARGET 2) or a network of correspondents for the execution of interbank settlements related to transactions negotiated by front office operators of the operational management of market activities or the export credit management as well as the settlement of invoices and payment of salaries;
- the SCBCM (ministerial budget and accounting control unit) network, used for disbursements and repayments on CAFFIL's loans to its public sector customers and for the services provided on behalf of La Banque Postale;
- the CORE (Compensation Retail) system, used for most payments to CAFFIL and for payment of invoices in euros.

SFIL does not provide its customers or those of CAFFIL with any means of payment.

Various procedures and systems are in place to ensure the security of means of payment, including payment processes under the responsibility of the back offices, segregation of duties, clearly defined rules for validating individual payments, secure message management, the business continuity plan and specific compliance controls. SFIL and CAFFIL also responded to the SWIFT and TARGET 2 self-certification requests in accordance with the requirements issued by these organizations, reflecting the Group's unerring commitment to increasing the level of security associated with means of payment.

Managing the pandemic

From the first days of March 2020, SFIL set up a crisis unit dedicated to managing the Covid-19 pandemic crisis, with three main objectives:

- protecting the health of internal and external employees
- maintaining the institution's operational capacity in order to ensure business continuity;
- managing all increased risks during this period.

This crisis unit, steered by the Deputy Chief Executive Officer and the Chief Risk Officer, comprising representatives of most of SFIL's departments (Risks, IT System, Finance, Financial Markets, Human Resources, Legal, Communication, Purchasing, etc.), met 38 times during 2020.

Amongst the actions carried out by this crisis unit, we can note:

- the implementation and management of remote working for all internal and external employees;
- the increase in the capacity of collaborative working tools, audio and video conferences, documentary sharing;
- the reinforcement of cyber risk monitoring and awareness raising of employees with regard to this risk during the period;
- specific monitoring of key activities, essential externalized services, IT projects and business lines.

A review of the most critical processes was also conducted to ensure business continuity, identify the increased risks during this lockdown period and implement new controls if required. This review indicated that business continuity with massive use of remote working could be carried out under good conditions. Some additional procedures and controls were set up during the lockdown period. They did not detect any major anomalies in the usual procedures.

The crisis unit created a dedicated lockdown exit task force steered by the Deputy Chief Executive Officer in order to organize a cautious and gradual return of employees on site whilst protecting their health.

Overall, few incidents were reported concerning the Covid-19 crisis. They generated low impacts, which were lower than regulatory collection thresholds.

1.7.2.5 Non-compliance risk

1.7.2.5.1 Definition

French regulations define non-compliance risk as the risk of legal, administrative or disciplinary sanctions, significant financial loss or reputational harm, resulting from failure to comply with provisions specific to the banking and financial activities, be they directly applicable national or European laws or regulations, ethical or professional conduct standards, or instructions from accountable officers of the executive body issued pursuant to guidance from the supervisory body.

The SFIL Group's non-compliance risks are divided into two major categories: regulatory compliance risks and financial security risks.

Regulatory compliance risks						Financial security risks		
Ethics and prevention of conflicts of interest	Integrity markets	Protection of customers' inter ests	Fight against corruption	Protection of personal data	Tax transparency	Know your Customer (KYC)	AML/CFT	Sanctions, asset freezes and embargoes

1.7.2.5.2 Organization and governance

The SFIL Group has defined and implemented an updated non-compliance risk prevention system that is adequate and appropriate to the Group's activities. It is based on shared responsibility among:

- all the operating divisions, which must incorporate compliance with laws and regulations, rules of professional conduct and the Group's internal procedures/rules into their daily actions and implement their activities' first-level controls;
- the Compliance division, which defines, implements, coordinates and monitors compliance with the compliance system.

Pursuant to article 29 of the *arrêté* of November 3, 2014, SFIL's Compliance division is autonomous, independent of all operating units and particularly of all commercial, financial and accounting activities. Reporting to the General Secretary, a member of SFIL's Executive Committee and named as Compliance Officer with the ACPR. Under the direct authority of the Chief Executive Officer, the General Secretary has direct and independent access to the Risks and Internal Control Committee and the Board of Directors.

To support the business lines and ensure the supervision of the system, the organization of the Compliance division is based on:

- employees identified as points of contact with the business lines for all their compliance issues;
- a unit dedicated to permanent compliance control and personal data protection.

At December 31, 2020, the Compliance division had five employees reporting to the General Secretary, who is the director of Compliance.

Reports on the compliance system are submitted to SFIL's and CAFFIL's governance bodies.

The General Secretary thus presents biannually an activity report and the results of the permanent compliance controls and the progress of compliance action plans to the Executive Committee on which SFIL's accountable officers sit, as well as to the Risks and Internal Control Committee.

At the Executive Committee meeting, the persons effectively running the undertaking assess the relevance of the controls, decide on any improvements to be made and, more generally, give their opinion on the main issues related to the compliance system. The other members of the Executive Committee are tasked with overseeing management of non-compliance risk and first-level controls within their area of responsibility in keeping with the Risk Appetite Statement. They monitor implementation of their divisions' compliance plans.

The SFIL's Board of Directors and CAFFIL's Supervisory Board, *via* the Risks and Internal Control Committee, review the results of the Compliance division's activity, the results of the compliance controls and the monitoring of the action plans intended to remedy any shortcomings. They are informed of major compliance issues, particularly in the event of regulatory changes. monitor implementation of their divisions' compliance action plans.

Lastly, a compliance activity report is also presented annually to the meeting of the Executive Committee and the Risks and Internal Control Committee.

Duties of the Compliance division

The Compliance division's primary responsibility is to define and implement the normative framework, *i.e.* the policies and procedures that fall within its area of expertise, any updates to these policies and procedures, and operational implementation of the aspects falling within its functional responsibility, in order to manage the non-compliance risks specific to the SFIL Group.

Compliance is also responsible for:

- drawing up and implementing a compliance training plan in close collaboration with the Human Resources division;
- analyzing projects to create or modify products or services, issuing compliance opinions and, more generally, conducting analyses of SFIL Group cross-functional projects that have compliance implications;
- anticipating and helping to apply regulatory changes impacting the compliance system through regulatory monitoring;
- advising employees on all compliance-related matters;
- implementing the internal alert system;
- managing the Division's transformation and efficiency projects, in particular the transformation of compliance activity tools/applications that are instrumental to the compliance system, in cooperation with the Technology and Organization division;
- mapping and updating non-compliance risks;
- defining and implementing an annual permanent compliance control plan;
- defining and monitoring action plans to remedy identified instances of non-compliance;
- informing General management and the governance bodies;
- submitting specific compliance-related reports to the banking supervisors.

The entire compliance system (organization, procedures, awareness-raising, training, controls) helps strengthen the control system within the Group.

1.7.2.5.3 Implementation of the compliance system

The non-compliance risk management system is based first and foremost on creating a strong ethics and compliance culture among all employees, mainly through awareness-raising and training initiatives.

Employee training programs are therefore a priority for the SFIL Group, which, for several years, has had awareness-raising and training objectives aimed at strengthening the compliance culture. These training courses cover all topics: the fight against money laundering and the financing of terrorism, customer protection, the fight against corruption, professional conduct and ethics, prevention of conflicts of interest and market abuse, protection of personal data. Numerous training sessions and training materials were rolled out and enhanced in 2020, with 23 sessions conducted and over 520 employees trained in person. As of December 31, 2020, 100% of employees convened during the year had been trained. Two new e-learning sessions were rolled out to prevent corruption and protect personal data.

In order to disseminate the compliance culture, a Compliance Committee, chaired by the General Secretary and Chief Compliance Officer, was set up in 2020 to promote information and discussions with operating divisions, particularly on regulatory changes impacting the SFIL Group and its compliance system, the results of compliance checks and the progress of action plans. In addition, the Compliance Department's charter, which specifies the role, missions, resources and positioning of the Compliance division as well as its governance, has been updated. This charter aims to enable each SFIL employee to fully understand the importance of compliance in their cross-functional role in terms of managing the non-compliance risk, providing assistance and advice to operational staff, as well as their role in the internal control system.

In addition, compliance activity resulted during 2020 in the following developments:

- The corruption prevention system continued to be strengthened with the improvement of the ethics whistleblowing system through the deployment of an external portal for whistleblowers. This portal is accessible to SFIL employees but also to external persons and is part of a prevention program that is broader than compliance alone, since it covers the scope of unethical, criminal or criminal behavior. All employees followed e-learning in terms of preventing corruption risks to increase everyone's commitment to the fight against corruption;
- Financial security risk management system: Compliance with international sanctions and the fight against money laundering are two key priorities for the SFIL Group, which has been refining its system for years in these high-stakes areas. In 2020 the bank updated several key elements of its normative framework, with regard to the transposition texts of the 5th Directive. The general AML/CFT procedure, the risk classification methodology and the country risk classification were updated. During the first half of 2021, the Compliance Department will support the operating divisions in the operational implementation of the new standards. In the area of "Know Your Client", the business lines continued to implement the Group's policies as part of the review of operational processes. They have endeavored to advance the compliance action plans, which are regularly monitored by General management. Significant IT developments were carried out during 2020 as part of the deployment of the financial security tool intended to strengthen the robustness of the filtering and monitoring system;
- Protection of personal data: the SFIL Group takes the greatest care to protect the personal data it collects in the course of its activities. To this end, in early 2020 it defined a confidentiality policy on personal data which aims to inform people outside the SFIL Group with whom it interacts, including visitors to the SFIL and CAFFIL websites, its prospects, borrowers and candidates for recruitment. In addition, the governance of the system in terms of personal data has been strengthened with the update of the internal personal data protection charter and the establishment of a biannual GDPR committee. This committee, chaired by the Data Protection Officer, brings together the 17 GDPR contacts, who are responsible for the data protection officer (DPO) in the various departments of SFIL. The Technology and Organization Department, the Head of IT system security and the Legal division are associated with this committee. The first report of the DPO, whose mission is to ensure the proper level of compliance of the SFIL Group with the regulations on the protection of personal data, was presented to the governance bodies in May 2020. The register of personal data processing has also been migrated to a new external collaborative tool offering monitoring reporting and centralized incident reporting functionalities. Lastly, a special effort was made to raise employee awareness through the deployment of e-learning followed in 2020 by 100% of SFIL employees;
- Customer protection: compliance aims to protect the interests of the SFIL Group but also the legitimate interests of its borrowing customers. In this context, actions were carried out in terms of the protection of customers with the update of the procedure for receipt and processing of complaints;
- The regulatory compliance control system: the SFIL Group is constantly improving this system in order to ensure the effectiveness of preventive actions and compliance with applicable regulations. This improvement continued in 2020, notably with (i) the review of level 1 compliance controls and a consistency check of level 2 controls with level 1 controls, (ii) an active contribution to the risk management tool project, a tool shared by the three internal control functions; in this context, the objective of compliance is to continue to consolidate and strengthen its supervisory role, by increasingly relying on the permanent control actions of the first line of defense and by supporting the operational departments during the transformation phase resulting from the new tool, while ensuring compliance at all times with the SFIL Group's regulatory obligations in terms of compliance.

The non-compliance risk management and reputation protection system also needs to be continuously adapted to changes in its internal and external environment. Efforts were therefore continued in 2020 to comply with the EBA's guidelines on outsourcing.

In addition, the DAC 6 tax regulations have been incorporated into the SFIL Group's non-compliance risk review system in order to comply with tax transparency requirements for the transactions that the SFIL Group refinances.

In general, the Compliance division thus also continued to take action to improve its organization, processes and tools with a focus on digital. It consistently aims to increase its efficiency so it can respond to regulatory changes and meet the supervisors' expectations.

The Compliance department must respond to the dual challenge of fine-tuning compliance risk management and efficiency.

1.7.2.6 Legal and tax risks

1.7.2.6.1 Legal risk

The *arrêté* of November 3, 2014 defines legal risk as the risk of any lawsuit with a counterparty, resulting from any inaccuracies, omissions or deficiencies that may be attributable to the company.

It is managed within the General Secretariat by:

- the Legal division, which has two teams: a "financial markets" team and a "public-sector credit and export credit" team;
- the Corporate Affairs and General Secretariat division dedicated to the corporate affairs of SFIL and its CAFFIL subsidiary, and their governance.

These two divisions report to the General Secretary, who is a member of the Executive Committee which approves the legal strategies implemented.

Their primary responsibilities are to:

- advise and support General Management and the bank's operating divisions to prevent, detect, measure and manage the legal and tax risks inherent in their business. To that end, the Legal division responds to all legal questions related to managing outstanding loans to the local public sector. It also plays an active role in the overall process of preparing, negotiating and managing export credit refinancing transactions. Lastly, it is regularly consulted on matters related to the management of the foreign local authorities' loan portfolio runoff;
- help organize governance and implement best practices in this area (policies, procedures and internal rules) to encourage risk management and oversight by the management bodies;
- monitor regulatory changes *via* legal watch initiated by both divisions;
- review and negotiate contracts, in particular contracts governing the partnership between SFIL/CAFFIL and La Banque Postale, master agreements for financial transactions, documentation for bond offering, green financing, and supplier contracts, including contracts for the provision of critical outsourced services and, more generally, adjust all contracts for regulatory changes that have an impact on the business;
- manage insurance (excluding social protection insurance);
- protect trademarks;
- manage pre-litigation and litigation. As such, the legal division helps define the provisioning policy by providing analyses of the legal issues and risks associated with each dispute.

These divisions participate in the work of the various committees:

- within the framework of the Regulatory Watch Committee, they provide principle positions on legal and regulatory provisions that affect the Bank's operations and its governance;
- within the framework of the New Products Committee, the Legal division issues opinions, as necessary, on the subjects discussed;
- within the framework of the Credit Committee, the Legal division analyzes the legal risks associated with the subjects discussed; it is involved in processing credit applications that present a concern or are questionable;
- within the framework of the Weekly Financial Markets Committee, the Legal division presents its analyses of the legal and regulatory provisions that affect the bank's capital markets activities and communicates on the contract negotiations in progress;
- within the framework of the Loan Sensitivity Reduction Committee, it reviews cases in litigation and the progress of proceedings. It also gives its opinion whenever a loan sensitivity reduction operation involves a legal risk.

The Legal division also participates in discussions within the framework of audit and internal control operations.

The persons effectively running SFIL, SFIL's Board of Directors and Caisse Française de Financement Local's Supervisory Board are regularly notified of significant events in the above areas and in particular of developments in any lawsuits.

Concerning judicial developments, the number of borrowers in litigation for structured loans was 10 as of December 31, 2020, compared with 15 at end-2019, 18 at end-2018, 25 at end-2017, 39 at end-2016 and 131 at end-2015. Since SFIL's creation, 213 borrowers have ended lawsuits they had brought.

In line with an established case law (in particular by its judgments of March 28, 2018 and June 26, 2019), the Court of Cassation once again confirmed the validity of the structured loans recorded in CAFFIL's balance sheet by two judgments dated May 20 and November 12, 2020.

Thus, since the entry into force on July 30, 2014 of the law on the securing of structured loan contracts with legal entities governed by public law, more than 60 court rulings have dismissed the borrowers' pleas to call into question the validity of structured loans recorded on CAFFIL's balance sheet.

As of December 31, 2020, to the best of SFIL's knowledge, there were no other governmental, legal or arbitration proceedings against SFIL or CAFFIL that could have a material impact on the SFIL Group's financial situation.

1.7.2.6.2 Tax risk

SFIL's Finance division is responsible for tax declarations and may consult the General Secretariat for tax advice. SFIL relies notably on tax advisory firms of excellent repute for managing its tax risk.

There was no change over the year of 2020 in the case concerning the tax treatment in Ireland of the income of the former Dexia Municipal Agency branch (former name of CAFFIL) in Dublin, which was closed in 2013, and, which was subject to an audit by the French tax authorities. Caisse Française de Financement Local paid the rights assessed.

In addition, the audit procedure initiated in 2019 by the tax authorities for the SFIL financial years 2016 to 2018 and finalized in 2020 gave rise to insignificant technical adjustments which mainly correspond to a delay in the financial year for the allocation of payroll expenses. This adjustment only results in deferred tax, which SFIL had taken into consideration when closing its 2019 financial statements.

1.8 Social, environmental and societal information

1.8.1 Social information

1.8.1.1 Job-related information

1.8.1.1.1 Total headcount and breakdown of employees by gender, age and site

As of December 31, 2020, SFIL had a total of 394 employees, of which 344 were under permanent contracts. In 2020, SFIL hired a total of 75 people, including 24 under permanent contract, (of which 7 were promoted from fixed-term to permanent contracts), 14 under temporary contracts and 28 under work-study contracts. It also took on 9 interns on work placement plans.

a) Employee breakdown by gender

Headcount	2018	2019	2020
Men	219	219	209
Women	169	174	185
TOTAL	**388**	**393**	**394**

b) Employee breakdown by age and grade

2020	< 25 years	25 to 29 years	30 to 34 years	35 to 39 years	40 to 44 years	45 to 49 years	50 to 54 years	55 to 59 years	60 years and +	Total
Managers	7	29	43	50	60	63	44	33	15	344
Non-managers	31	7	2	2	4	0	2	1	1	50
TOTAL	**38**	**36**	**45**	**52**	**64**	**63**	**46**	**34**	**16**	**394**

c) Distribution of employees by site geographical area

	2018	2019	2020
Issy-les-Moulineaux	370	375	377
Lyon	18	18	17
TOTAL	**388**	**393**	**394**

1.8.1.1.2 Changes in staff under permanent and temporary contracts

	2018	2019	2020
Hired under permanent contracts	20	24	14
Net switched to permanent contracts	9	7	7
Layoffs/terminations from permanent contracts	8	10	3
Resigned from permanent contracts	18	11	8
Switched from temporary to permanent contracts	9	3	15
Hired under temporary contracts (incl. work-study)	39	43	38
Layoffs/resignations from temporary contracts	4	1	0
Retired from permanent contracts	2	2	0
End of permanent/temporary contract probationary period (incl. work-study)	3	0	3
Expired temporary contracts (incl. Work-study)	39	34	34
Switched from CAP to temporary contracts			8
Transfer from STG to permanent contract			
Other	0	0	

1.8.1.1.3 Compensation and its evolution

a) Compensation policy

SFIL's Compensation Committee reviews all items related to the compensation policy. Its proposals are put to the SFIL's Board of Directors which decides on the concrete actions to take and approves the compensation policy.

SFIL defines its compensation policy around five key principles. The compensation policy must:

- be in line with market practices;
- be transparent;
- comply with regulations;
- ensure equal opportunities;
- ensure a balance between fixed and variable compensation and motivate employees.

This approach relates to both fixed compensation (not performance-related) and variable compensation (performance-related) and its general principles apply to all employees. One such principle is ensuring a balance between fixed and variable compensation, which is aimed at discouraging excessive risk-taking and encouraging a sufficiently flexible and coherent variable compensation policy at SFIL.

b) Cap on variable compensation

By virtue of the transposition into French law of the measure to cap the variable compensation of bank staff, adopted at the European level on April 16, 2013 (CRD IV), variable compensation for a given year cannot exceed 100% of fixed compensation.

c) Compensation of the Chief Executive Officer

The compensation of SFIL's Chief Executive Officer is submitted by the Compensation Committee to the Board of Directors for decision.

d) Compensation paid to members of the Executive Committee, the General Auditor and people whose professional activities have a material incidence on the Company's risk profile

SFIL's compensation policy includes specific provisions for an identified group of employees whose work could potentially impact SFIL's risk profile.

These people are the members of the Executive Committee, the General Auditor, financial market professionals, senior managers or staff with managerial responsibilities within a significant business unit, staff responsible for a function in charge of legal and financial affairs, including tax and budget preparation, human resources, compensation policy, information technology or economic analysis, professionals in the risk sector and those carrying out an activity related to internal control and compliance, as well as all employees whose variable compensation during a year exceeds EUR 87,500 or who received during a year an amount of fixed and variable income exceeding EUR 200,000.

The compensation of members of the Executive Committee (excluding the Chief Executive Officer) and the General Auditor is submitted, on the proposal of the Chief Executive Officer, to the Compensation Committee.

If the variable compensation awarded for year N exceeds EUR 87,500, one portion of the variable compensation (60%) will be paid on a non-deferred basis in year N+1 and the other (40%) on a deferred basis over three years (starting in the year following that in which it was awarded). This deferred portion will be subject notably to the level of performance being maintained. This principle of spreading variable compensation applies to all SFIL employees (including members of the Executive Committee and the General Auditor).

In 2020, the gross compensation paid to the abovementioned group of people totaled EUR 7.44 million for 51 employees, compared with EUR 7.65 million for 52 employees in 2019.

e) Gross payroll distributed

In 2020, the annual gross payroll was EUR 28.38 million (in 2019, this amount was EUR 28.97 million).

f) Average annual fixed compensation

This is the average annual fixed compensation of employees with permanent contracts at the Company as of December 31.

(In EUR)	2018	2019	2020
Permanent contract	65,273	65,580	66,213

g) Incentives and profit-sharing

Incentives and profit-sharing plans are in effect at SFIL (agreements of July 20, 2020).

h) Statement of employee profit-sharing

Pursuant to the provisions of article L.225-102 of the French Commercial Code, it is hereby stated that the employees of the Company and associated companies within the meaning of article L.225-180 of the French Commercial Code had no shares in the capital of the Company at the close of the financial year.

1.8.1.2 Organization of work

1.8.1.2.1 Organization of work time

2020	Number of employees	% of employees
Part-time employees	28	7%
Employees teleworking on a weekly basis (before lockdown)	151	38%
Employees teleworking from the first lockdown (March 2020)	397	100%
Employees with flat daily rate	338	85%
Employees with hourly rate	59	15%

1.8.1.2.2 Absenteeism[1]

In 2020, the absenteeism rate was 1.8% (in 2019, this rate was 1.9%).

(1) *Absence due to sickness or work or commuting accidents.*

1.8.1.3 Labor relations

1.8.1.3.1 Organization of social dialog, in particular the procedures for informing and consulting employees and negotiating with them

In 2019, SFIL replaced the various employee representative bodies, namely the Works Council, the CHSCT and the DPs, by a Social and Economic Committee (SEC).

The original employee relations agreement, made in 2016, was renegotiated in 2019 to create representative bodies better suited to the Company's needs and to reinvigorate the social dialog by giving greater credibility to their representatives.

Under the new agreement, SFIL's SEC meets at least eight times a year and is consulted annually on the Company's strategy, financial situation and labor relations policy. Besides its ordinary meetings, the SEC has four specialist committees which meet at least twice yearly:

- a health, safety and working conditions committee (C2SCT);
- an employee committee which leads on gender equality, training and disabilities;
- an economic and strategy committee;
- a social and cultural activities committee.

One of the elected SEC members is also designated as the correspondent for combating sexual harassment and sexist behavior.

In 2020, the employee representative bodies were convened according to the statutory, regulatory and contractual provisions in force and as required, including:

- 12 SEC meetings (the SEC agreement provides for 8);
- 8 meetings of the C2SCT (the SEC agreement provides for 2);
- 2 meetings of the social Commission;
- 2 meetings of the Economic and Strategic Committee;
- 2 meetings of the CSA commission.

Due to the health crisis of 2020, management and elected officials had to exchange views on a daily basis.

In 2020, at the end of the information/consultation process, elected members of the SEC unanimously issued three favorable opinions:

- on social policy;
- on the economic situation;
- on strategic orientations.

In 2020, elections for employee representatives on the Board of Directors were held. The first round of professional elections ended with a significant turnout of 70.98% at the end of which the three employee director seats were filled.

1.8.1.3.2 Collective bargaining agreement review

Numerous negotiations took place in 2020, resulting in the signing of the following agreements:

- agreement on the mandatory annual negotiation on compensation, working hours and value-added sharing (January 23, 2020);
- amendment No. 1 to the PEE agreement (April 16, 2020);
- amendment No. 1 to the PERCO agreement (April 16, 2020);
- agreement on profit-sharing (July 20, 2020);
- agreement on professional equality (November 25, 2020);
- amendment No. 1 to the "Well-being at work" agreement, which allows the donation of solidarity days to the Fondation de France (June 17, 2020);
- Pre-election memorandum of understanding on employee representatives on the Board of Directors (October 8, 2020).

In December 2020, trade union representatives were invited to negotiate the future teleworking agreement; these negotiations will continue in early 2021.

1.8.1.4 Health and safety

1.8.1.4.1 Work health and safety conditions

In 2020, SFIL reported five commuting accidents (no serious accidents but two of these accidents occurred during transport strikes at the beginning of the year, which forced some employees to change their itinerary). Actions to manage difficult situations, particularly as regards family carers, were taken in consultation with the HR division, the C2SCT secretary and the human risks correspondent (several days granted to employees to support end-of-life relatives).

Given the health situation, all employees benefited from general teleworking for several weeks in 2020, in accordance with government guidelines. Employees and managers were supported during these periods (best practices kit, surveys, reimbursement of professional expenses related to teleworking, etc.). Union elected representatives were involved in these arrangements and management remained attentive to employees facing particularly difficult situations. Faced with the health crisis and lockdown measures, SFIL has been able to thoroughly adapt its working methods by operating in a "hybrid" mode, and thus combining work on site and remotely. SFIL took this opportunity to ask the right questions and anticipate future developments, by launching the Demain@SFIL project. This large-scale project was carried out prior to the teleworking negotiations in order to ascertain employee expectations.

Building on its success in 2018 and 2019, a new vaccination campaign took place in 2020 for the third year at the Issy-les-Moulineaux site. Lyon employees could claim back the costs of getting themselves immunized. Over a hundred employees were vaccinated.

1.8.1.4.2 Review of agreements signed with trade unions or employee representatives on occupational health and safety

As part of its well-being at work policy, SFIL has maintained the concierge service.

It has also instigated weekly yoga lessons, paid for by the Company and a meditation session, attended by around 20 employees. While in early 2020, the sessions were held at SFIL's premises, they are now held remotely *via* the video conference system to ensure the employees' health and safety. Other workshops (boxing, choir) were offered at the beginning of the year. Given the health situation, SFIL's management has decided to postpone a number of workshops and events relating to quality of life at work. To mitigate the inconvenience related to the particular context, the Management has implemented a number of measures (green bonus, budget of EUR 200 for equipment, RIE allocation, etc.). SFIL worked throughout the year to maintain and improve working conditions.

Employees were informed of existing systems to prevent human risks: Allodiscrim, listening unit, ombudsman, etc. An external consultancy was brought in to give HR staff "Diversity" awareness training, with particular emphasis on non-discrimination. In addition to the Allodiscrim system, Allo Sexism was deployed. In addition, employees were invited to attend the e-learning "taking action against sexism."

1.8.1.4.3 Occupational accidents, in particular their frequency and severity, as well as occupational illnesses

2020	Number of employees	Frequency rate[(1)]	Severity rate[(2)]
Work accidents	1	1.58	0.05
Commuting accidents	5	7.92	0.15
Occupational diseases	0	-	-

(1) The frequency is the number of accidents for a given group of workers over a set period of time = number of accidents x 1,000,000/number of hours of exposure to risks.

(2) The severity rate is the number of calendar days of work incapacity for a given group of workers over a set period of time = number of calendar days of work incapacity x 1,000,000/number of hours of exposure to risks.

1.8.1.5 Training

1.8.1.5.1 Skill development at SFIL

SFIL attaches particular importance to developing the skills of the Company's employees and managers.

The main themes of the training policy reflect the Horizon 2021 strategic plan and training preferences expressed by employees in various one-to-one or group meetings (specifically career reviews, professional interviews and evaluation interviews) involving the human resources and business line teams. The members of the Executive Committee are involved in the co-construction of the training policy, in conjunction with the elected representatives of the Works Council.

The actions deployed aim to optimize employees' employability and promote professional mobility and career development within a managed framework.

This year, the focus was on three areas of skills development:

- the "Contributing to the corporate social responsibility" focus made it possible to launch the sessions "Becoming an actor of one's ambition" and the E-learning "Acting against ordinary sexism as part of SFIL's gender diversity policy. More compliance training (E-Learning and face-to-face) has been carried out, thus increasing the employees' Risk Attitude acculturation;
- the "Support for SFIL's change and transformation" focus has made it possible to support managers both in performance management and in remote management during periods of intense teleworking, and to continue to develop the skills required to work from home. agility and cross-functionality within the Company;
- the "Business & Regulatory Training" focus. For greater efficiency and to increase the responsibility of employees/managers in their professional trajectories, business/technical training is now decentralized to each department with an allocated budget.

The year 2020 was atypical in view of the long lockdown periods and therefore widespread teleworking. Thus, many training sessions planned for the first half of 2020 had to be canceled or postponed. In fact, a large part of the training courses that used to be in face-to-face have now had to adapt by digitizing their content.

1.8.1.5.2 Number of training days

In 2020, and despite the lockdown, 814 days of training were provided by SFIL (5,700 hours on a basis of seven hours a day), which represents 2.2 training days per employee (355 employees with permanent and temporary contracts). As a reminder, 964 days of training were provided in 2019, which represented 2.7 training days per employee.

1.8.1.6 Equality of treatment

1.8.1.6.1 Measures taken to promote gender equality

In 2020 as in 2019, SFIL continued to apply its professional equality agreement and meet its commitments with regard to monitoring the following indicators:

- number of beneficiaries of individual pay increases;
- average amount of individual pay increases in absolute value;
- average rate of award of variable compensation.

In accordance with the Avenir law of September 5, 2018 which seeks to eliminate the gender pay gap, SFIL published its gender equality index in 2020, scoring 92 out of a maximum 100 points for 2019. The level of the index thus increased by five points between 2018 and 2019, from 87 to 92 points.

1.8.1.6.2 Measures taken to promote the employment and integration of people with disabilities

SFIL signed a third three-year company agreement which was approved by the French State (DIRECCTE 92). In 2020, SFIL's employment rate for people with disabilities was on average 2.7%. Since its creation, SFIL has had a disability correspondent, as provided for by the *Pénicaud* law.

The two previous agreements and the current agreement have enabled SFIL to:

- achieve a 2% employment rate for people with disabilities in 2020;
- outsource contracts to various accessible companies (SOTRES 92 or HASC, *Handicap au service des compétences*) for workers with disabilities to do digitization work in the Company or provide awareness-raising and training through independent workers with disabilities;
- implement a range of awareness initiatives, onsite or online, in close collaboration with the Disability & diversity unit of La Banque Postale, and catering service provider ARPEGE;
- to welcome two people with disabilities as part of the Duodays days, set up by Sophie Cluzel, Secretary of State to the French Prime Minister in charge of disabled people;

- facilitating the disability declaration of five SFIL employees and supporting two employees with disabilities in their successful professional mobility (two people who created their company externally with the support of SFIL;
- train all disabled workers employed by SFIL as well as SFIL elected officials; and finally;
- hire two new employees with disabilities, an intern from CABAT hired on a permanent contract and another person who is now on a work-study internship. Another intern with a disability also joined the Company.

1.8.1.6.3 Anti-discrimination policy

SFIL has strengthened its system for combating discrimination and sexist behavior by adding the ALLOSEXISM module to its partnership with ALLODISCRIM, an external body of lawyers offering a listening and advice service anonymous with regard to employers, to employees, interns and work-study students who have faced alleged discriminatory or unequal treatment (discussions with lawyers are protected under the legislation applicable to the lawyers' Code of Ethics).

The additional implications of the employer and SEC contacts "responsible for combating harassment and sexist behavior" complete the system.

SFIL's objective is to prevent and resolve situations at work inducing a risk of non-compliance with the principles of equal treatment, non-discrimination and non-sexual or psychological harassment, and cases of racist or discriminatory abuse.

Among the awareness-raising actions carried out in 2020, we can mention the deployment to all employees of an awareness-raising module in digital format called "Acting against ordinary sexism", an e-learning program that was previously deployed within the Public Establishment of the CDC Group *via* the ALTER EGALES network.

SFIL continued to professionalize the network of its "human risk and mediation contacts" by organizing two digital workshops to exchange best practices relating to in-company mediation with other professionals: internal mediators from the Caisse des Dépôts Group, ICADE in particular, and external mediators.

1.8.1.7 Promotion of and compliance with the provisions of the fundamental conventions of the International Labor Organization

SFIL fully applies the French labor law, which in turn fully incorporates the related ILO conventions on:

- respect for freedom of association and the right to collective bargaining;
- the elimination of discrimination in respect of employment and occupation;
- the elimination of forced or compulsory labor;
- the effective abolition of child labor.

1.8.2 Environmental information

1.8.2.1 General environmental policy

Resource conservation and waste reduction

In 2020, the system for collecting and recycling cans, coffee capsules, cups, caps and plastic bottles at the Issy-les-Moulineaux site, renewed for the fourth year, enabled 462 kg of waste to be recycled. Due to the practice of working from home for a large part of the year, waste collection was naturally down by 45% compared to 2019.

The issue of plastic pollution has been identified as a priority for the year in terms of raising awareness at SFIL, and has been the subject of a campaign on the intranet, social networks and on SFIL premises, in order to encourage employees to reduce their use of disposable plastic in favor of sustainable containers.

In addition, as part of the organization of meetings and training sessions on SFIL's premises, orders for plastic bottles were replaced by those for glass bottles, and the provision of all types of single-use cups has been completely discontinued.

Finally, all computers purchased or renewed by SFIL in 2020 bear the TCO and EPEAT labels, which guarantee a manufacturing process that includes environmental aspects as well as criteria relating to energy consumption, the absence of hazardous substances, and the life of the equipment.

HQE certification and energy consumption

The SFIL registered office building has been awarded HQE "commercial buildings in operation" certification for sustainable buildings and management, which was renewed in March 2019 with a very good rating. The Lyon site has BREEAM certifications[1] and HQE Sustainable Buildings.

Under its contract with EDF Entreprises for both its sites (Issy-les-Moulineaux and Lyon) SFIL has subscribed to the 100% renewable energy option under which EDF commits to injecting into the grid an equivalent amount of electricity from renewable sources to that consumed by SFIL. This helps to limit greenhouse gas emissions.

Awareness-raising among employees

Due to the Covid-19 pandemic, some of the employee awareness-raising actions initially scheduled for 2020 could not be carried out. Nevertheless, SFIL has made every effort to keep its employees informed and aware of the challenges of sustainable development during the remote working period. The following actions were carried out:

- a "Zero Waste" conference led by a professional speaker *via* video-conference (three sessions between June and September). Nearly 50 employees took part in the conferences, which aimed to familiarize them with sustainable waste reduction practices on a daily basis;

(1) *Building Research Establishment Environmental Assessment Method, a method for assessing the environmental behavior of buildings developed by the Building Research Establishment, a private British building research organization.*

- on the occasion of the European Sustainable Development Week, held this year over three weeks in September, employees were made aware of the issue of plastic pollution, then the environmental impacts of digital technology and the principle of digital sobriety, *via* intranet communications and publications;
- in the fourth quarter, in an effort to act on the environmental impacts of digital technology, SFIL launched a major inter-departmental "challenge" to clean up the data stored in the Company's directories. The operation involved all of the Company's employees and reduced the stored data by more than 30%.
- Finally, at the end of 2020, SFIL paid the Pik-Pik Environment association an exceptional donation of EUR 5,000 in support of its financial difficulties due to the pandemic. SFIL has been unable to call on the services of the organization to put together its customary annual face-to-face awareness-raising actions for employees.

Amount of provisions and guarantees for environmental risks

The financial statements as of December 31, 2020, do not include any provision or guarantee regarding environmental risks.

1.8.2.2 Climate change

Carbon footprint audit

In accordance with its roadmap, and as part of its drive to continuously improve its CSR processes, SFIL carried out a voluntary audit of its greenhouse gas emissions for the second time, over the year 2019. The audit measured its sites in Issy-les-Moulineaux and Lyon, under all three greenhouse gas emission scopes:

- Scope 1: direct emissions due to the Company's activity;
- Scope 2: indirect emissions due to energy consumption;
- Scope 3: other indirect emissions other than investment.

The total emissions generated for the year 2019 is 5,790 TCO_2 compared to 7,860 TCO_2 in 2018. Scope 3 accounts for 99% of emissions.

The reduction in emissions achieved between 2018 and 2019 was made possible mainly by:

- the non-recharging of refrigerant gases in the Issy-les-Moulineaux building in 2019;
- the reduction in electricity consumption at the Lyon site following the move to a "High Environmental Quality" site;
- reduction of the overall supplier invoice.

Continuation of reduction actions

Reduction of emissions and costs related to the use of IT data	Rationalization projects: decommissioning of applications, abandonment of high-consumption old-generation servers, cleaning out of stored data.
Encouraging teleworking	One to two days of teleworking per week possible, subject to the manager's agreement outside the exceptional Covid-19 context and study underway for the implementation of new ways of working after the health crisis (Demain@SFIL project).
Encouraging soft mobility	Green bonus for the purchase of an electric bicycle and mileage allowance for employees traveling by bicycle for all or part of their home-work journey.
Business travel	Systematization of the use of the train, instead of the plane, for all destinations in metropolitan France and nearby Europe accessible by rail in less than three and a half hours.
Purchasing policy	Enhancement of discussions with suppliers in order to add extra-financial criteria.

1.8.2.3 Protection of biodiversity

SFIL continues to sponsor three mobile beehives managed by an independent beekeeper in the Cher region. In 2019, this honey production went organic earning Ecocert© certification.

As part of the microdonation program offered to employees, employees supported several projects to safeguard biodiversity run by Planète Urgence in 2020: restoration of the ecosystem in Indonesian mangrove swamps, reforestation of the La Bénoué national park in Cameroon and reforestation and relaunch of the wild silk project in Madagascar. Overall, 975 trees were planted thanks to support from SFIL employees.

1.8.3 Societal information

1.8.3.1 Territorial, economic and social impact of the Company's activity

Impact on employment and regional development

In 2020, SFIL employed an average of 387 people under permanent, temporary, work-study and internship contracts at its two office sites in Issy-les-Moulineaux (370 employees) and Lyon (17 employees).

1.8.3.2 Relationships with persons or organizations interested in the Company's activity

1.8.3.2.1 Conditions for dialogue with these persons or organizations

SFIL has provided:

- financing for the training of 64 work-study employees with 29 higher education institutions;
- financing *via* the 2020 "learning tax" of:
  - five higher education institutions: ENSAE, ISFA, ESSEC, Polytechnique, École d'Economie de Toulouse,
  - four organizations or associations promoting diversity: FEDEEH (disability), *Institut Télémaque*, *Institut de l'Engagement,* Article 1 (Passeport Avenir).

1.8.3.2.2 Partnership or sponsorship activities

In 2020, SFIL continued to support upper secondary schools located in disadvantaged areas *via* the "High School Innovation Campus", renewing its corporate patronage agreement with the Collège de France to promote equal opportunities and social diversity. This program is intended primarily for high school students attending schools in disadvantaged urban or rural areas. The goal is to enable students to demystify their relationship with academic knowledge, have confidence in themselves at a key moment in their education in which they must project themselves into the future and make career choices. Thanks to this program, in economics, ten high schools were visited (1,020 students and 120 teachers); in Life and Earth Sciences, 12 high schools were involved (930 students and 80 teachers).

SFIL has also initiated other partnerships in the areas of diversity and equal opportunities.

Since 2013, SFIL has participated in the *Campus l'Envol* project with its partner La Banque Postale. *L'Envol* was set up to support the schooling every year of 150 talented and deserving young people from modest backgrounds in both rural and urban areas, by coaching them individually from high school to entry into a high-level selective channel for further education or employment anywhere in France, including its overseas departments. Sponsorship by employee volunteers is one of the mainsprings of this program also. In 2020, several SFIL employees were approached for a new system, the "bridging sponsorship," which will make it possible starting in 2021 to support groups of young high school students in their orientation from a distance or to improve their English.

The *Institut Télémaque* program, through which SFIL employees mentor talented young high school students from disadvantaged backgrounds, continued in 2020, with nine sponsorships compared to six the previous year.

SFIL also had the pleasure of welcoming interns from third-year interns from REP+ (Priority Education Network) institutions. A tailor-made program was prepared for them throughout the week: presentations by each SFIL department, meeting with inspiring personalities, awareness-raising on mediation, presentation of our CSR and finally a morning immersion within the SFIL team of their choice.

SFIL employees can fund associations working in the social field or on sustainability through the arrondi sur salaire microdonation initiative in partnership with Microdon. SFIL's employees have chosen to fund two associations in this context, "*L'Etoile de Martin,*" which supports sick and hospitalized children, and "*Planète Urgence*", which is involved in sustainable development.

SFIL partnered with *La Cravate Solidaire* which collects second-hand work clothes for men and women. The suits and outfits are passed on to people who need formal clothes to help them get work, along with support from image coaches and recruiters who provide free advice.

SFIL is a Handi Welcome company. The Company thus continued its discussions with the Army Wounded Support Unit (CABAT) as well as with *Défense Mobilité.* A new partnership has been established with the ADH Association (Beyond our disabilities) which supports the revitalization and social and professional reintegration of mentally injured ("PTSD") nationals of "uniformed trades" (Armed Forces and National Police), people with disabilities. SFIL co-financed a social and professional reintegration course during which one of its employees, from the CABAT, was able to testify about his professional reorientation within SFIL.

SFIL continued its partnerships with *Club Être* Entreprises (exchanges of best practices between the disability missions of 200 large companies), with the HANDECO *Pas-à-Pas* network (responsible purchases), and with SOTRES 92 (provision of disabled employees for specific assignments), with the firm Auticonsult (IT consulting assignments carried out by autistic talents) as well as with HASC (disability at the service of skills for certain awareness-raising activities for all employees and for the training of elected employees).

SFIL signed a three-year partnership with ESSEC to take part in the "Disability & Talents certificate" week (conferences, legal information, company testimonials), or to mentor students with disabilities. In this context, SFIL took part in the ESSEC OPEN FORUM, a full day dedicated to the employment of people with disabilities. An intern was thus identified for an internship to be held in 2021.

1.8.3.2.3 Subcontracting and suppliers

Consideration of social and environmental issues and subcontracting in the purchasing policy, and taking into account suppliers and subcontractors' social and environmental responsibility in the Group's relations with them

SFIL chooses its suppliers and subcontractors very carefully.

Its purchasing policy stipulates that the Company promotes sustainable and socially responsible purchasing whenever its various constraints allow.

SFIL's framework agreements remind suppliers of the tax and social legislation and statutory labor provisions in force as regards the performance of services. SFIL regularly carries out the necessary controls in this area, with the help of the Provigis platform deployed at the end of 2019.

It also uses subcontracting clauses so that subcontractors are also bound by the same requirements.

In the context of calls for tender launched by SFIL, the final decision is based in particular on the service provider's compliance with ethical and socially responsible values, and specifically its commitment to a low-carbon approach.

In this respect, SFIL regularly calls on companies in the adapted sector. In 2014, SOTRES 92, a disabled persons employer, provided SFIL with workers for paperless document production. In 2020, SFIL initiated a partnership with a social enterprise providing digital services in favor of autism and integrated one of their services into its IT department.

The referencing of SFIL's suppliers takes into account CSR aspects.

Annual questionnaires requesting CSR information are sent to the main suppliers on social, environmental, corruption and governance aspects.

The drafting of a Supplier Charter is under consideration.

A procedure for assessing third parties as part of the Purchasing process was put in place in 2020 and due diligence with suppliers is systematically carried out at the start of the relationship.

For suppliers of intellectual services, representing nearly one-third of SFIL's Purchases, internal supplier evaluation campaigns take into account social ethics practices perceived through the services provided. Particular attention was paid to these suppliers in the context of the Covid-19 crisis to maintain services and their payment: introduction of a clause on remote working and provision of suitable material resources.

1.8.3.2.4 Fair practices

Anti-corruption initiatives

SFIL operates in an ecosystem where corruption prevention requirements have intensified. While SFIL falls outside the scope of the Sapin II law, as it does not meet the criteria of article 17 of the law (500 employees and EUR 100 million revenue), SFIL is also fully committed to the fight against corruption and, as previously indicated, has joined the United Nations Global Compact, the 10th principle of which states: "Businesses should work against corruption in all its forms, including extortion and bribery," reinforcing the need for a robust system that all employees must respect.

Prevention of corruption at SFIL is based first and foremost on creating a strong ethics and compliance culture among all group employees and managers, mainly through awareness-raising and training initiatives. In the very earliest stages means complying with the Ethics and Professional Conduct Code that was adopted when the Bank was first set up. The Code was revised in 2019 as part of the overhaul of anti-corruption procedures. It contains a code of conduct for preventing corruption, including the cross-group issue of conflicts of interest. It was distributed in March 2020.

As part of this voluntary initiative[1], SFIL produced a map of corruption risks. And a framework procedure for preventing corruption and a procedure for assessing third-party purchases have been adopted. The procedures for gifts and entertainment and for preventing and managing conflicts of interest were updated in 2019 thus completing this framework of standards.

In 2020, the corruption prevention system continued to be strengthened with the improvement of the whistleblowing system through the deployment of an external portal for whistleblowers. This portal is accessible to employees but also to external persons and is part of a prevention program that is broader than compliance alone, since it covers the scope of unethical, criminal or criminal behavior. In 2020 the training plan was enhanced by e-learning in terms of preventing corruption risks to increase everyone's commitment to the fight against corruption. It was followed by all employees.

(1) The Sapin II law does not apply to the SFIL Group's corruption prevention system.

1.9 Additional information

Changes to the by-laws in 2020

Within the framework of the possibility offered by article 1835 of the French Civil Code (as supplemented by article 169 of law No. 2019-486 of May 22, 2019 [Pacte law]) the Extraordinary Shareholders' Meeting decided to insert the following purpose in the preamble to SFIL's by-laws: *"Financing a sustainable future by sustainably and responsibly supporting the development of the regions and the international activity of large companies."*

The Extraordinary Shareholders' Meeting of July 23, 2020 decided to raise the age limit of the Chairman of the Board of Directors from 70 to 75 years.

The change in SFIL's shareholding structure on September 30, 2020 resulted in SFIL's removal from the scope of Ordinance No. 2014-948 of August 20, 2014 as amended relating to the governance and transactions on the share capital of companies to public shareholding. As a follow-up to this change of control, the Extraordinary Shareholders' Meeting of September 30, 2020 updated the by-laws to reflect this new situation.

Shareholders' Meeting of May 28, 2021

Regulated agreements submitted to the approval of the Shareholders' Meeting of May 28, 2021

In accordance with the provisions of article L.225-40 of the French Commercial Code, the following agreements authorized and entered into in 2020 shall be submitted to the approval of the Ordinary Shareholders' Meeting:

- amendment No. 4 to the revolving credit facility agreement concluded between SFIL and LBP, authorized by the Board of Directors on March 19, 2020 and by the Board of Directors on September 11, 2020;
- amendment No. 3 to the credit agreement concluded between SFIL and CDC, authorized by the Board of Directors on September 11, 2020;
- amendment No. 2 to the framework agreement for the assignment of receivables from LBP to CAFFIL in the presence of SFIL, authorized by the Board of Directors on October 15, 2020.

Setting the amount of the compensation package for directors

It will be proposed to the Ordinary Shareholders' Meeting to set the amount of compensation allocated annually to the Board of Directors for the current financial year and for each subsequent financial year at EUR 230,000.

Composition of the Board of Directors - Reappointment of two directors

As the terms of office of Serge Bayard and Pierre Sorbets expire at the Annual Shareholders' Meeting of May 28, 2021, it will be proposed to reappoint them as director for a period of four years, i.e. until the Ordinary Shareholders' Meeting to approve the financial statements for the financial year ending on December 31, 2024.

***

It is specified that, since the beginning of the fiscal year, the company has continued its activity normally.

In the context of the pandemic and taking into account the recommendations of the French government, from an operational point of view, SFIL has, resorted to 100% teleworking, with the possibility of voluntary return to the site one day per week.

Furthermore, no significant event that influences the Company's financial situation has occured between the closing date and the management report date.


Our commitment:
to support the public hospital sector through a dynamic financing policy in all regions

2

Report on corporate governance

Report on corporate governance prepared in accordance with Article L.225-37 of the French Commercial Code

This report was prepared by the Board of Directors of SFIL, which gathered the necessary information specifically from the General Secretary and the Human Resources division. The report focuses on the governance of SFIL by describing in particular the role and composition of its Board of Directors, compensation for the members of the Board of Directors and information on matters that could be affected in the event of a takeover bid or public exchange offer.

On September 30, 2020, Caisse des Dépôts bought back the entire stake held by La Banque Postale in the capital of SFIL (*i.e.* 5%) and the entire stake held by the French State (*i.e.* 75%), with the exception of an ordinary share retained by the French State. Following this change of control, Caisse des Dépôts became the reference shareholder of SFIL.

SFIL, which received its approval as a bank on January 16, 2013, is subject to the French Commercial Code as a commercial company, and to the national and European laws applicable to it as a credit institution. In addition, SFIL has structured its governance rules with reference to the Afep/Medef Code (see the conditions for its application, below) and by relying on the provisions or guidance of the European Central Bank and European Banking Authority.

All of the items presented are as of December 31, 2020.

2.1 Governance information

2.1.1 Overview of corporate governance structure and bodies

COMPOSITION OF THE BOARD OF DIRECTORS

KEY FIGURES

Independent Directors*	Women*	Attendance rate	Average age	Average length of service on the Board of Directors
33.3%	**41.7%**	**94.2%**	**54 years**	**3 years**

* *Excluding Members of the Board of Directors representing employees.*

15 MEMBERS

	Financial Statements Committee ■	Risks and Internal Control Committee ▲	Governance, Appointments and CSR Committee ★	Compensation Committee ●
CHAIRMAN				
Pierre Sorbets*	✓	✓		
CHIEF EXECUTIVE OFFICER				
Philippe Mills				
Caisse des Dépôts				
(Represented by Olivier Fabas)	✓	✓		
Serge Bayard				
Virginie Chapron du Jeu			✓	✓
Laetitia Dordain				
Pierre Laurent		✓		
Fabienne Moreau	✓			
Quentin de Nantes	✓	✓		
INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS				
Brigitte Daurelle	✓	✓	✓	✓
Eckhard Forst	✓	✓		
Cathy Kopp			✓	✓
DIRECTOR EMPLOYEE REPRESENTATIVE				
Sandrine Barbosa				✓
Frédéric Guillemin	✓		✓	
Cécile Latil-Bouculat		✓		

** Independent Director*

NON-VOTING DIRECTOR
Gabriel Cumenge

REPRESENTATIVE OF THE SOCIAL AND ECONOMIC COMMITTEE
Thomas Perdriau

COMMITTEES OF THE BOARD OF DIRECTORS

	4 committees			
	Financial Statements Committee ■	Risks and Internal Control Committee ▲	Governance, Appointments and CSR Committee ★	Compensation Committee ●
Members	7	7	4	4
Meetings	5	6	7	4
Independent Directors*	50%*	50%*	66.7%*	66.7%*
Attendance rate	85.7%	83.3%	80%	87.5%

* *Excluding Members of the Board of Directors representing the employees.*

MANAGEMENT BODIES

GENERAL MANAGEMENT

EXECUTIVE COMMITTEE

10 members **+ 1** permanent guest**

27% women***

- Export credit division
- Risks division
- Debt Portfolio Management division
- Financial Markets division
- Finance and Operations division
- CAFFIL Coordination division
- Human Resources division
- General Secretariat

*** The General Auditor attends all meetings as a guest.*

**** 27%, taking into account the participation of the General Auditor (permanent guest).*

2.1.2 The Board of Directors

2.1.2.1. Overview of the Board of Directors

As of December 31, 2020

	Personal Information			Experience			Position on the Board			
	Age	Gender	Nationality	Number of shares	Number of directorships in listed companies	Indepen-dence	Initial date of Appointment	Expiry of mandate	Seniority on the Board	Participation in Board Comm.
Pierre Sorbets	70	♂	🇫🇷	None	None	✓	5/26/2016	2021	4.5 years	■ ▲
Philippe Mills Chief Executive Officer	55	♂	🇫🇷	None	None		1/31/2013	2024	8 years	
Caisse des Dépôts represented by Olivier Fabas	38	♂	🇫🇷	9 285 724	None		9/30/2020	2024	3 months	■ ▲
Sandrine Barbosa Member of the Board of Directors representing the employees	51	♀	🇫🇷	None	None		11/13/2020	2024	1.5 months	●
Serge Bayard	57	♂	🇫🇷	None	None		3/24/2016	2021	5 years	
Virginie Chapron du Jeu	59	♀	🇫🇷	None	None		9/30/2020	2024	3 months	★ ●
Brigitte Daurelle	51	♀	🇫🇷	None	None	✓	5/28/2020	2024	7 months	■ ▲ ★ ●
Laetitia Dordain	52	♀	🇫🇷	None	None		9/30/2020	2024	3 months	
Eckhard Forst	61	♂	🇩🇪	None	None	✓	5/28/2020	2024	7 months	■ ▲
Frédéric Guillemin Member of the Board of Directors representing the employees	57	♂	🇫🇷	None	None		12/12/2014	2024	6 years	■ ★
Cathy Kopp Independent Director	71	♀	🇫🇷	None	None	✓	1/31/2013	2024	8 years	★ ●
Cécile Latil-Bouculat Member of the Board of Directors representing the employees	48	♀	🇫🇷	None	None		11/13/2020	2024	1.5 months	▲
Pierre Laurent	54	♂	🇫🇷	None	None		9/30/2020	2024	3 months	▲
Fabienne Moreau	52	♀	🇫🇷	None	None		9/30/2020	2024	3 months	■
Quentin de Nantes	36	♂	🇫🇷	None	None		9/30/2020	2024	3 months	■ ▲

Financial Statements Committee: ■
Risk and Internal Control Committee: ▲
Governance, Appointments and CSR Committee: ★
Compensation Committee: ●

Members having left the Board of Directors between January 1 and December 31, 2020

	Personal Information				Experience	Position on the Board				
	Age	Gender	Nationality	Number of shares	Number of directorships in listed companies	Indepen-dence	Initial date of appointment	End of mandate	Seniority on the Board	Participation to Board Committees
Jean-Pierre Balligand	70	♂	🇫🇷	None	None	✓	1/31/2013	5/28/2020	7.4 years	■ ▲ ★ ●
French State				6,964,293						
Represented by Élodie Boulch	34	♀	🇫🇷		None		9/3/2019	9/30/2020	1 year	■ ▲ ★ ●
Pascal Cardineaud Member of the Board of Directors representing the employees	59	♂	🇫🇷	None	None		4/24/2013	11/13/2020	7.5 years	●
Gabriel Cumenge	40	♂	🇫🇷	None	None		3/29/2018	9/30/2020	2.5 years	
Marion Domalain Member of the Board of Directors representing the employees	41	♀	🇫🇷	None	None		4/24/2018	11/13/2020	2.5 years	★
Virginie Fernandes	46	♀	🇫🇷	None	None		3/29/2018	9/30/2020	2.5 years	■ ▲
Chantal Lory	67	♀	🇫🇷	None	None	✓	6/5/2014	5/28/2020	6 years	■ ▲
Thomas Morisse Member of the Board of Directors representing the employees	48	♂	🇫🇷	None	None		4/24/2018	11/13/2020	2.5 years	▲
Françoise de Panafieu	72	♀	🇫🇷	None	None	✓	1/31/2013	5/28/2020	7.5 years	★ ●
Sandrine Peraud-Chemla Member of the Board of Directors representing the employees	45	♀	🇫🇷	None	None		4/24/2018	11/13/2020	2.5 years	■

Financial Statements Committee: ■
Risk and Internal Control Committee: ▲
Governance, Appointments and CSR Committee: ★
Compensation Committee: ●

Changes made in the composition of the Board of Directors and the Committees during the financial year

As of December 31, 2020

<table>
<tr><th></th><th>Exit</th><th>Appointment</th><th>Reappointment</th></tr>
<tr><td>Board of Directors</td><td>Jean-Pierre Balligand
5/28/2020
Chantal Lory
as Member and Chair
of the Board of Directors
5/28/2020
Françoise de Panafieu
5/28/2020
French State, represented by
Élodie Boulch
9/30/2020
Gabriel Cumenge
As Director
9/30/2020
Virginie Fernandes
9/30/2020
Pascal Cardineaud
Member of the Board of Directors
representing the employees
11/13/2020
Marion Domalain
Member of the Board of Directors
representing the employees
11/13/2020
Thomas Morisse
Member of the Board of Directors
representing the employees
11/13/2020
Sandrine Peraud-Chemla
Member of the Board of Directors
representing the employees
11/13/2020</td><td>Brigitte Daurelle
5/28/2020
Eckhard Forst
5/28/2020
Caisse des Dépôts,
represented by Olivier Fabas
9/30/2020
Virginie Chapron du Jeu
9/30/2020
Laetitia Dordain
9/30/2020
Pierre Laurent
9/30/2020
Fabienne Moreau
9/30/2020
Quentin de Nantes
9/30/2020
Gabriel Cumenge
as a non-voting Board member
9/30/2020
Sandrine Barbosa
Member of the Board
of Directors representing
the employees
11/13/2020
Cécile Latil-Bouculat
Member of the Board
of Directors representing
the employees
11/13/2020</td><td>Philippe Mills
5/28/2020
Gabriel Cumenge
As Director
5/28/2020
Cathy Kopp
5/28/2020
Frédéric Guillemin
re-elected as Member
of the Board of Directors
representing the employees
11/13/2020</td></tr>
<tr><td>Financial Statements Committee</td><td>Jean-Pierre Balligand
5/28/2020
Chantal Lory
5/28/2020
Serge Bayard
9/30/2020
Élodie Boulch*
9/30/2020
Virginie Fernandes
9/30/2020
Pierre Sorbets
as Chairman
5/28/2020
Sandrine Peraud-Chemla
11/13/2020</td><td>Brigitte Daurelle
as member and Chair
5/28/2020
Eckhard Forst
5/28/2020
Olivier Fabas**
9/30/2020
Fabienne Moreau
9/30/2020
Quentin de Nantes
9/30/2020
Frédéric Guillemin
12/11/2020</td><td></td></tr>
<tr><td>Risks and Internal Control Committee</td><td>Jean-Pierre Balligand
5/28/2020
Chantal Lory
5/28/2020
Serge Bayard
9/30/2020
Élodie Boulch*
9/30/2020
Virginie Fernandes
9/30/2020
Pierre Sorbets
as Chairman
5/28/2020
Thomas Morisse
11/13/2020</td><td>Brigitte Daurelle
5/28/2020
Eckhard Forst
as member and Chairman
5/28/2020
Olivier Fabas**
9/30/2020
Pierre Laurent
9/30/2020
Quentin de Nantes
9/30/2020
Cécile Latil-Bouculat
12/11/2020</td><td></td></tr>
</table>

* *As representative of the French State on the Committee.*
** *As representative of Caisse des Dépôts on the Committee.*

	Exit	Appointment	Reappointment
Governance, Appointments and CSR Committee	**Jean-Pierre Balligand** 5/28/2020 **Françoise de Panafieu** 5/28/2020 **Élodie Boulch*** 9/30/2020 **Marion Domalain** 11/13/2020	**Brigitte Daurelle** 5/28/2020 **Virginie Chapron du Jeu** 9/30/2020 **Frédéric Guillemin** 12/11/2020	**Cathy Kopp** 5/28/2020
Compensation Committee	**Jean-Pierre Balligand** 5/28/2020 **Françoise de Panafieu** 5/28/2020 **Élodie Boulch*** 9/30/2020 **Pascal Cardineaud** 11/13/2020	**Brigitte Daurelle** 5/28/2020 **Virginie Chapron du Jeu** 9/30/2020 **Sandrine Barbosa** 12/11/2020	**Cathy Kopp** 5/28/2020

* *As representative of the French State on the Committee.*
** *As representative of Caisse des Dépôts on the Committee.*

2.1.2.2 Information on the Members of the Board of Directors

The following section contains the information on the terms of office (mandates) and functions of Members of the Board of Directors required pursuant to Article L.225-37-4-1 of the French Commercial Code.

Note: *the business address is only listed for persons still active. For the others, mail can be sent to the registered office: SFIL (1-3, rue du Passeur de Boulogne - 92130 Issy-les-Moulineaux).*

Chairman of the Board of Directors

Chantal Lory (until May 28, 2020)
PRINCIPAL FUNCTION: Chair of the Board of Directors of SFIL, Independent Member of the Board of Directors

Born on April 11, 1953 – French
Dates of beginning and end of mandate: May 26, 2016- May 28, 2020
Date of initial mandate: June 5, 2014

BIOGRAPHICAL DATA

- Graduate of *Institut d'études politiques de Paris*, Eco-Fi Section
- Graduate of Cesa Finance
- 1979-1984: Assistant Vice-President – Commercial Banking – American Express Bank
- 1984-1989: Vice-President Corporate Finance – Investment Banking – The Chase Manhattan Bank
- 1989-1992: Head of Mergers & Acquisitions – Trianon France – Marceau Investissements Group
- 1992-1997: Chief Executive Officer France HSBC Investment Bank – Paris Branch
- 1997-2008: Head of Financial Management at Cofinoga, then Chief Financial Officer of the holding company, then Head of Strategy and Outside Relations for the LaSer-Cofinoga Group
- 2009-2014: Member of the Management Committee, then of the Executive Committee of La Banque Postale (LBP); Chair of the Executive Board of La Banque Postale Financement, then of La Banque Postale Asset Management

MANDATES AND FUNCTIONS

- SFIL, Member of the Board of Directors, Chair of the Board of Directors, Member of the Financial Statements Committee and Member of the Risks and Internal Control Committee (until May 2020)
- IN Groupe (formerly Imprimerie Nationale), Member of the Board of Directors, Chair of the Audit Committee, Member of the Strategy Committee and Member of the Appointments and Compensation Committee
- Milleis Banque, Director, Chair of the Audit Committee and Member of the Risk Committee

Pierre Sorbets (since May 28, 2020)
PRINCIPAL FUNCTION: Chairman of the Board of Directors (since May 28, 2020), Independent Director

Born on August 30, 1950 – French
Dates of beginning and end of mandate: May 31, 2017-2021
Date of initial mandate: May 26, 2016

BIOGRAPHICAL DATA

- Graduate of HEC (*Hautes Études Commerciales*)
- Graduate of *Institut d'études politiques de Paris*
- Bachelor's degree in Economics (*Université Paris X*)
- Alumnus of *École nationale d'administration*
- 1977-1990: Ministry of the Economy and Finance
  - Export Promotion Office (1977-1979)
  - Agent responsible for Brazil and Mexico (export finance structuring and monitoring of bilateral economic relations) (1979-1980)
  - Economic and Trade Adviser at the French Consulate General in Rio de Janeiro (1980-1983)
  - Bureau Chief for Eastern countries (1983-1984)
  - Bureau Chief for agricultural products (1985-1986)
  - Economic and trade advisor at the French embassy in Brasilia, head of the Economic Development department in Brazil (1986-1988)
  - Head of Medium-Term at Coface (1988-1990)
- 1991-2000: CCF (Crédit Commercial de France)
  - Head of the Foreign Trade division (export credits) (1991-1994)
  - Director of the International Financing division (1994-2000)
- 2000-2017: HSBC France (acquisition of CCF by HSBC)
  - Manager responsible for financial institutions (2001-2002)
  - Managing Director then Vice-Chairman, responsible for the French and Belgian public sectors and European institutions (2002-2017)

MANDATES AND FUNCTIONS

- SFIL, Member of the Board of Directors, Chairman of the Board of Directors, (since May 2020) Chairman of the Financial Statements Committee and Chairman of the Risks and Internal Control Committee (until May 2020), member of the Financial Statements Committee and member of the Risks and Internal Control Committee.
- Les Sorbets du Clos Marie, Manager
- Magnard Finance Conseil, Chairman
- Société du Grand Paris, Chairman of the Financing Committee

Chief Executive Officer

Philippe Mills **PRINCIPAL FUNCTION: Chief Executive Officer of SFIL, Director**	
Born on November 4, 1965 – French **Dates of beginning and end of mandate:** May 28, 2020-2024 **Date of initial mandate:** January 31, 2013	**Business address** SFIL 1-3, rue du Passeur de Boulogne 92130 Issy-les-Moulineaux
BIOGRAPHICAL DATA • Graduate of *Institut d'études politiques de Paris* • Alumnus of *École nationale d'administration* • 1990-1994: Assigned to the Ministry of the Economy as deputy to the head of the public administrations bureau, then of general macro-economic forecasts, Forecasts division • 1994-1996: European Bank for Reconstruction and Development • 1996-1997: Bureau Chief, Economic Environment, Forecasts division, Ministry of the Economy • 1997-2000: Bureau Chief, General Economic Forecasts, Forecasts division, Ministry of the Economy • 2000-2003: Economic Adviser to the General Director of the Economic and Financial Affairs, European Commission	• 2003: General Secretary, Forecasts division, Ministry of the Economy • 2004-2006: Deputy Director, Public Finances, Forecasts division and then Treasury and Economic Policy division • 2006-2008: Deputy Commissary for Planning, then Deputy Chief Executive Officer, Strategic Analysis Center in charge of economic, financial and European issues • 2008-2013: Chief Executive Officer, Agence France Trésor • 2013-2017: Chairman of the Board of Directors and Chief Executive Officer of SFIL • Since 2016: Chairman of the EAPB • Since 2017: Chief Executive Officer of SFIL
MANDATES AND FUNCTIONS • SFIL, Member of the Board of Directors, Chief Executive Officer and Chairman of the Executive Committee • Caisse Française de Financement Local, Chairman of the Supervisory Board	• European Association of Public Banks – EAPB, Member of the Board of Directors and Chairman

Members of the Board of Directors

Élodie Boulch (until September 30, 2020) **PRINCIPAL FUNCTION: Deputy Director of "Services and Finance" Investments of *Agence des Participations de l'État***	
Born on February 7, 1986 – French **Dates of beginning and end of mandate:** September 3, 2019-September 30, 2020 **Date of initial mandate:** September 3, 2019	**Business address** Agence des Participations de l'État 139, rue de Bercy - 75572 Paris Cedex 12

BIOGRAPHICAL DATA
• Graduate of *Institut d'études politiques de Paris*
• Master's degree in Public Affairs
• Fixed Income Certificate from ICMA
• 2011-2017: Banque de France
  • Market Economist in the Monetary Policy Implementation division (2011-2014)
  • Senior Bond Portfolio Manager in the Markets division (2014-2017)
	• Since 2017: *Agence des Participations de l'État* - French Ministry for the Economy and Finance
	  • Investment officer (2017-2019)
	  • Deputy Director of "Services and Finance" Investments (since July 2019)

MANDATES AND FUNCTIONS • French State Investment Agency, Deputy Director of Investments in Services and Finance • SFIL, Representative of the French State on the Board of Directors, Member of the Governance, Appointments and CSR Committee, Member of the Compensation Committee, Member of the Financial Statements Committee, and Member of the Risks and Internal Control Committee (until September 2020) • *Imprimerie Nationale,* representative of the French State on the Board of Directors • *Société anonyme d'économie mixte d'aménagement et de gestion du marché d'intérêt national de la région parisienne* (SEMMARIS), Representative of the French State on the Board of Directors (since September 2019)	• *Société nationale de programme Radio France*, representative of the French State on the Board of Directors • *France Médias Monde,* Representative of the French State on the Board of Directors

Jean-Pierre Balligand (until May 28, 2020)
PRINCIPAL FUNCTION: independent member of the Board of Directors

Born on May 30, 1950 – French
Dates of beginning and end of mandate:
May 26, 2016- May 28, 2020
Date of initial mandate: January 31, 2013

BIOGRAPHICAL DATA

- Law degree and post-graduate degree in public law
- Experience as an elected official (1981-2013)
- Member of the Finance Commission of the National Assembly (1981-2012)
- Chairman (1997-2002) and member (1997-2012) of the Supervisory Board of Caisse des Dépôts
- Delegated Chairman of the APVF *(Association des Petites Villes de France)*

MANDATES AND FUNCTIONS

- SFIL, Member of the Board of Directors, member of the Governance, Appointments and CSR Committee, member of the Compensation Committee, member of the Financial Statements Committee and member of the Risks and Internal Control Committee (until May 2020).
- La Banque Postale, Chairman of the Steering Committee for Local Finances
- CDC Habitat (previously *Société Nationale Immobilière* SNI), Vice-Chairman of the Supervisory Board and member of the Strategic Orientation Committee
- ADOMA, member of the Board of Directors
- Institut de la Décentralisation, Chairman of the Board of Directors
- *Maisons et Cités,* non-voting Director on the Board of Directors

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Serge Bayard
PRINCIPAL FUNCTION: Director of Companies and Regional Development at La Banque Postale

Born on October 24, 1963 - French
Dates of beginning and end of mandate: May 31, 2017-2021
Date of initial mandate: May 31, 2016

Business address
La Banque Postale
1-3, rue du Passeur de Boulogne
92130 Issy-les-Moulineaux

BIOGRAPHICAL DATA

- DUT in Corporate Management (Université Lyon I)
- Bachelor's degree in Administration (Université Paris XII)
- *École nationale du Trésor*
- Training cycle for chief inspectors of the Treasury
- 1984-1999: Public Accounting department
  - Category B Treasury Controller of the Administration (1984-1988)
  - In charge of the economic mission of the redevelopment center of Creusot/Montceau-les-Mines (1989-1994)
  - Director of the Treasury department in charge of audit and control for the Rhône-Alpes region (1994-1999)
- 1999-2002: General Inspection of Finances, Inspector general of finance
- 2002-2004: Caisse des Dépôts, Director of Finances and C3D Strategy (Caisse des Dépôts Développement)
- 2004-2008: Groupe Caisse d'Épargne
  - Director of public-private partnerships (2004-2007)
  - Director of real estate markets (2007-2008)
- Since 2008: La Banque Postale
  - Director of Strategy (2008-2011)
  - Director of Companies and Regional Development (since 2011)

MANDATES AND FUNCTIONS

- La Banque Postale, Director of Companies and Regional Development
- SFIL, Member of the Board of Directors, Member of the Financial Statements Committee (until September 2020) and Member of the Risks and Internal Control Committee (until September 2020)
- La Banque Postale Collectivités Locales, Chairman of the Board of Directors
- La Banque Postale Leasing and Factoring, Chairman of the Executive Board
- La Banque Postale Home Loan SFH, Director
- KissKissBankBank & Co, Member of the Administration Committee

Virginie Chapron du Jeu (since September 30, 2020)

PRINCIPAL FUNCTION: Chief Financial Officer CDC Group

Born on October 13, 1961 - French
Dates of beginning and end of mandate:
September 30, 2020-2024
Date of initial mandate: September 30, 2020

Business address
Caisse des Dépôts
56, rue de Lille - 75007 Paris

BIOGRAPHICAL DATA

- Graduate of *Institut d'études politiques de Paris*
- DESS International Affairs
- Master's degree in Financial Management and Management Control
- From 1986 to 1989: CEPME (since integrated into Bpifrance SA) - Finance department, Head of International Debt Management
- From 1989 to 1995: CDC - DABF (department of Banking and Financial Activities) - Interest Rate Markets department, origination, structuring and financial engineering division.
- 1995-1998; CDC - DABF - Interest Rate Markets department, Deputy Head of Credit Risk
- 1998-2001: CDC - DABF - Head of Risk Management and Control department
- 2001-2004: CDC IXIS - Finance department, head of the financing and financial communication department
- 2004-2007: IXIS CIB (Natixis Group - CEP) - Finance department, Head of Strategy - Financing - General Affairs division
- 2007-2011: CDC - Savings funds department - Financial department, head of the financial balances department (ALM, financial steering, accounting and regulatory management), deposits and complex financing
- 2011-2013: CDC - Finance, Strategy, Subsidiaries and International Division, project manager to the Chief Operating Officer of CDC
- 2013-2016: CDC - department of pensions and solidarity, Director of Investments and Accounting, member of the Management Committee DRS
- Since 2016: CDC - Group Finance department, CDC Group Finance Director, member of the Group Executive Committee and Management Committee

MANDATES AND FUNCTIONS

- Caisse des Dépôts, Chief Financial Officer CDC Group, member of the Group Executive Committee and Management Committee
- SFIL, Director, member of the Governance, Appointments and CSR Committee and member of the Compensation Committee (since September 2020)
- Bpifrance, Director, member of the Audit Committee and member of the Risk Committee
- CDC Investissement Immobilier, Director
- La Poste, Director, Chair of the Audit Committee and member of the Quality and Sustainable Development Committee
- Novethic, Chair and member of the Strategic Committee
- CTE (Electricity Transmission Joint Venture), Director
- RTE (Réseau de Transport d'Électricité), Director and member of the Economic Oversight and Audit Committee
- I4CE (Institute for Climate Economics), Director
- Alter Egales, Chair

Gabriel Cumenge (Director until September 30, 2020 and non-voting Board member since September 30, 2020)

PRINCIPAL FUNCTION: Deputy Director of International Corporate Financing at the Directorate General of the Treasury

Born on July 19, 1980 – French
Dates of beginning and end of mandate:
March 29, 2018-September 30, 2020
Date of initial mandate: March 29, 2018

Business address
Direction Générale du Trésor
139, rue de Bercy - 75572 Paris Cedex 12

BIOGRAPHICAL DATA

- Economics degree
- Master's degree in Roman history
- History fellowship
- *École normale supérieure* (History, Economics)
- Government administration diploma from *Institut d'études politiques de Paris*
- Alumnus of *École nationale d'administration*
- 2008-2012: Ministry of the Economy and Finance
  - Deputy Head, European Coordination and Strategy Office (2008-2010)
  - Deputy Head, Banking Affairs Office (2010-2012)
- 2012-2014: International Monetary Fund (IMF)
  - Adviser to the Executive Director for France at the IMF and the World Bank (2012-2013)
  - Alternate Executive Director for France (2013-2014)
- 2014-2016: Office of the Minister of Finance and Public Accounts, adviser on European and international financial affairs
- 2016-2017: Office of the Minister of the Economy and Finance, Deputy Director
- Since 2017: Directorate General of the Treasury, Deputy Director, International Corporate Financing

MANDATES AND FUNCTIONS

- Directorate General of the Treasury, Deputy Director, International Corporate Financing
- SFIL, Member of the Board of Directors (until September 2020), non-voting member (since September 2020)
- Caisse d'Amortissement de la Dette Sociale, representative of the Minister for the Economy and Finance on the Board of Directors
- Ministry for the Economy and Finance, representative of the Minister for the Economy and Finance on the body referred to in Article L.432-2 of the French Insurance Code
- ODAS, Member of the Board of Directors
- Naval Group SA, non-voting Board member on the Board of Directors

Brigitte Daurelle (since May 28, 2020)
PRINCIPAL FUNCTION: Chief Executive Officer (CEO) and Director of Euroclear (Belgium, France and Nederland)

Born on April 1, 1969 – French
Dates of beginning and end of mandate: May 28, 2020-2024
Date of initial mandate: May 28, 2020

Business address
Euroclear
66, rue de la Victoire - 75009 Paris

BIOGRAPHICAL DATA
- Master in Management Science and Management
- DESS management and organization
- Accelerated development program for Executives (London Business School)
- 1996-1999: Director of Commercial Development of the Trésor Public network at CNP Assurances
- 2000-2006: Head of Strategy and Products at Euroclear France
- 2006-2014: Chief Business Development Officer - Member of the Management Committee of Euroclear France
- Since 2015: member and Chair of the Management Committee and Chief Executive Officer of Euroclear France, Euroclear Belgium and Euroclear Nederland

MANDATES AND FUNCTIONS
- Euroclear France, Euroclear Belgium and Euroclear Nederland, Chief Executive Officer and Director
- SFIL, Member of the Board of Directors, Chair of the Financial Statements Committee, Member of the Risks and Internal Control Committee, Member of the Compensation Committee and Member of the Governance, Appointments and CSR Committee (since May 2020).
- Euroclear Properties, Director
- European Central Securities Depositories Association, Vice-President
- Liquidshare SA, Director (until October 2020)
- PrefX, Director
- AFTI (French association of securities professionals), permanent representative

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Laetitia Dordain (since September 30, 2020)
PRINCIPAL FUNCTION: Head of the Consignments and Specialized Deposits department of the Banking Clients department - Banque des Territoires of Caisse des Dépôts

Born on May 13, 1968 – French
Dates of beginning and end of mandate:
September 30, 2020-2024
Date of initial mandate: September 30, 2020

Business address
Caisse des Dépôts
56, rue de Lille - 75007 Paris

BIOGRAPHICAL DATA
- DESS Economic Development
- Master in Management Sciences - Dauphine
- Researcher for the Massif Central Planning Company SOMIVAL (1993-1996)
- Director of studies and projects at Prospective & Patrimoine (1996-2001)
- Head of Marketing and Quality, Director of Marketing and Communications then Director of Product Clients and member of the Executive Committee of Foncière Logement ICADE (2001-2006).
- Chief Financial Officer and member of the Management Committee of Foncière Logement ICADE (2006-2010)
- Caisse des Dépôts
  - Assistant to the General Secretary and Head of the Communication department of the Banking Customer department (2010-2016)
  - Deputy Head of the Branches and Networks department of the Banking Customer department (2016-2017)
  - Deputy Head of the Consignments and Specialized Deposits department of the Banking Customer department-Banque des Territoires (2017-2019)
  - Head of the Consignments and Specialized Deposits department and member of the Management Committee of the Banking Customers department - Banque des Territoires (since July 2019)

MANDATES AND FUNCTIONS
- Caisse des Dépôts, Head of the Consignment and Specialized Deposits department of the Banking Customers department - Banque des Territoires
- SFIL, Member of the Board of Directors (since September 2020)

Olivier Fabas (since September 30, 2020)
PRINCIPAL FUNCTION: Head of the Financial Institutions and Private Equity division within the department management of strategic investments of Caisse des Dépôts

Born on May 29, 1982 – French
Dates of beginning and end of mandate:
September 30, 2020-2024
Date of initial mandate: September 30, 2020

Business address
Caisse des Dépôts
56, rue de Lille - 75007 Paris

BIOGRAPHICAL DATA

- Preparatory classes for the *Grandes Écoles*
- Master Grandes Écoles - ESCP Europe
- From 2004 to 2018: BNP Paribas
  - Analyst/Portfolio Manager (2004-2006)
  - Senior Analyst (2006-2013)
  - Director (2013-2018)
- Since 2018, head of the financial institutions and private equity division within the management of strategic investments at Caisse des Dépôts

MANDATES AND FUNCTIONS

- Caisse des Dépôts, head of the financial institutions and private equity division within the Strategic Investments Management department
- HEC, temporary professor
- SFIL, Member of the Board of Directors, Member of the Financial Statements Committee and Member of the Risks and Internal Control Committee (since September 2020).
- Icade, Director (since February 2020)
- Qualium Investment, Director
- *Société Forestière de la Caisse des Dépôts*, Director and Chairman of the Audit and Strategy Committee

Virginie Fernandes (until September 30, 2020)
PRINCIPAL FUNCTION: Director of strategic investments management within Caisse des Dépôts Group

Born on September 30, 1974 – French
Dates of beginning and end of mandate:
March 29, 2018-September 30, 2020
Date of initial mandate: March 29, 2018

Business address
Caisse des Dépôts
56, rue de Lille - 75007 Paris

BIOGRAPHICAL DATA

- *École Supérieure de Commerce de Rouen* – banking and finance degree
- Graduate of *Société Française des Analystes Financiers* (French Association of Financial Analysts SFAF)
- 1998-2000: manager at Ernst & Young Audit
- 2000-2006: Senior financial analyst at Oddo Securities
- 2006-2009: Senior financial analyst at Crédit Agricole Cheuvreux
- Since 2010: Caisse des Dépôts Group
  - Responsible for monitoring financial holdings at the Strategic Investment Fund (2010-2012)
  - Head of the Real Estate, Housing and Tourism department of the Finance, Strategy and Holdings division (2012-2016)
  - Head of Strategic Investments Management (since 2017)

MANDATES AND FUNCTIONS

- Caisse des Dépôts, Director of Strategic Investment management
- SFIL, Member of the Board of Directors, Member of the Financial Statements Committee and Member of the Risks and Internal Control Committee (until September 2020)
- Bpifrance Investissement, Member of the Board of Directors and Member of the Appointments and Compensation Committee
- Bpifrance Participations, Member of the Board of Directors and Member of the Investment Committee
- Compagnie des Alpes, representative of Caisse des Dépôts, Director, Vice-Chair of the Board of Directors, Member of the Strategy Committee and Member of the Appointments and Compensation Committee
- Icade, Member of the Board of Directors representing Caisse des Dépôts, Member of the Strategy Committee and Member of the Appointments and Compensation Committee
- Transdev Group, Member of the Board of Directors and Member of the Audit and Risks Committee
- La Poste, Director and Member of the Strategy and Investment Committee (since March 2020)

M. Eckhard Forst (since May 28, 2020)
PRINCIPAL FUNCTION: Chairman of the Executive Board of NRW Bank (Germany)

Born on November 21, 1959 - German
Dates of beginning and end of mandate: May 28, 2020-2024
Date of initial mandate: May 28, 2020

Business address
NRW Bank
Kavalleriestraße 22 - 40213 Düsseldorf - Germany

BIOGRAPHICAL DATA

- Banking diploma (Deutsche Bank AG)
- First+second state law exam (University of Bonn and University of Lausanne)
- 1990-1999: various functions within Deutsche Bank AG
- 2000-2003: Managing Director of Deutsche Bank AG in Paris (Head of Corporate and Investment Banking)
- 2003-2006: Managing Director of Deutsche Bank AG in Bielefeld (Head of Corporate and Investment Banking)
- 2001-2003: Chief Executive Officer of Banque Worms (then part of the Deutsche Bank Group)
- 2007-2016: Member of the Management Committee of Norddeutsche Landesbank Girozentrale (NORD/LB)
- Since November 2016: Chairman of the Executive Board of NRW Bank

MANDATES AND FUNCTIONS

- NRW Bank, Chairman of the Executive Board
- SFIL, Member of the Board of Directors, Chairman of the Risks and Internal Control Committee and Member of the Financial Statements Committee (since May 2020)
- HSBC Trinkaus & Burkhardt AG, Member of the Advisory Board
- Portigon AG, Chairman of the Supervisory Board
- VÖB (Bundesverband Öffentlicher Banken Deutschlands eV), Chairman
- EAPB (European Association of Public Banks), Vice-Chairman, Member of the Executive Board and Member of the Board of Directors (until November 2020)
- Honorary Consul of France in Münsterunster

Cathy Kopp
PRINCIPAL FUNCTION: independent member of the Board of Directors

Born on April 13, 1949 – French
Dates of beginning and end of mandate: May 28, 2020-2024
Date of initial mandate: January 31, 2013

BIOGRAPHICAL DATA

- After studying mathematics, joined IBM France in 1973
- 1992: Head of Human Resources at IBM France, then in 1996 appointed Vice-Chair, Human Resources, Storage Systems division of IBM Corp.
- In 2000, appointed Chair and Chief Executive Officer of IBM France
- In 2002, joined Accor Group as Managing Director of Group Human Resources, a position held until 2009
- Chair of the labor commission on service professions at MEDEF from 2003 to 2009; Lead negotiator for the industry-wide negotiations on diversity at MEDEF in 2006, and on labor market modernization in 2007

MANDATES AND FUNCTIONS

- SFIL, Member of the Board of Directors, Chair of the Governance, Appointments and CSR Committee and Chair of the Compensation Committee

Pierre Laurent (since September 30, 2020)
PRINCIPAL FUNCTION: Director of the Development department at Banque des Territoires (CDC)

Born on January 19, 1966 - French
Dates of beginning and end of mandate:
September 30, 2020-2024
Date of initial mandate: September 30, 2020

Business address
Caisse des Dépôts
56, rue de Lille - 75007 Paris

BIOGRAPHICAL DATA

- Master in Economics and International Finance
- Doctorate in Economics
- From 1997 to 1998: interest rate economist at CDC Marchés, economic and financial studies department
- From 1999 to 2003: economist at IXIS (currently Natixis) in the economic and financial studies department, in charge of monitoring emerging financial markets
- From 2004 to 2010: lending department for Caisse des Dépôts savings funds:
  - Asset-Liability Manager (2004-2008)
  - Head of Sustainable Infrastructure Financing (2008-2010)
- Since 2010: Director of the Development department of Banque des Territoires (CDC)

MANDATES AND FUNCTIONS

- Caisse des Dépôts, Head of the Development department at Banque des Territoires
- SFIL, Member of the Board of Directors, Member of the Risks and Internal Control Committee (since September 2020)
- COOP'HLM Financement (SFHC), Director

Fabienne Moreau (since September 30, 2020)
PRINCIPAL FUNCTION: Head of the Accounting and Regulatory department in the Group Finance department Caisse des Dépôts

Born on August 22, 1968 – French
Dates of beginning and end of mandate:
September 30, 2020-2024
Date of initial mandate: September 30, 2020

Business address
Caisse des Dépôts
56, rue de Lille - 75007 Paris

BIOGRAPHICAL DATA

- Accounting diploma
- Diplôme d'Études Supérieures Comptables et Financières (DESCF)
- Master's degree in Accounting and Financial Sciences and Techniques (MSTCF)
- 1990-1995: associate then project manager at EXCO-BOURGOGNE-GRANT THORNTON
- 1995-1999: Administrative and Financial Director of a subsidiary, then Executive Officer in the Accounting and Tax department of the Saint Louis Group
- 2001-2004: Deputy CEO and member of the Management Committee of SCET
- 2004-2010: Director of Financial Affairs and member of the Coordination Committee of ICADE
- 2010-2015: Deputy Chief Executive Officer and member of the Executive Committee of Informatique CDC
- From January 2016 to December 2018, Director of the Finance and Equity Investments department and member of the Management Committee of the CDC Investment and Local Development department (ILDD).
- Since January 2019, Head of the Accounting and Regulatory department in the Finance department of the CDC Group and member of the Management Committee

MANDATES AND FUNCTIONS

- Caisse des Dépôts, Head of the Accounting and Regulatory department within the Finance department of the CDC Group
- SFIL, Member of the Board of Directors, Member of the Financial Statements Committee (since September 2020)
- STOA, Member of the Board of Directors, Member of the Audit and Risk Committee

Quentin de Nantes (since September 30, 2020)
PRINCIPAL FUNCTION: in charge of shareholder management within the Caisse des Dépôts Group's strategic investments management department

Born on October 16, 1984 - French
Dates of beginning and end of mandate:
September 30, 2020-2024
Date of initial mandate: September 30, 2020

Business address
Caisse des Dépôts
56, rue de Lille - 75007 Paris

BIOGRAPHICAL DATA

- Physics/Chemistry preparatory classes
- Supélec Engineer
- From 2008 to 2010: strategy and organization consultant at Accenture
- From 2010 to 2018: BNP Paribas Cardif
  - Finance and Strategy Analyst (2010-2016)
  - Actuary (2016-2018)
- 2018 -2020: insurance controller in charge of a portfolio of insurers within one of the ACPR "teams"
- Since 2020: within the management of strategic investments of the CDC Group, in charge of shareholder management of La Banque Postale - CNP Assurances and SFIL.

MANDATES AND FUNCTIONS

- Caisse des Dépôts, in charge of shareholder management within the Strategic Investments Management department (since February 2020)
- SFIL, Member of the Board of Directors, Member of the Financial Statements Committee and Member of the Risks and Internal Control Committee (since September 2020)
- La Banque Postale Collectivités Locales, Director (since July 2020)

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Françoise de Panafieu (until May 28, 2020)
PRINCIPAL FUNCTION: independent member of the Board of Directors

Born on December 12, 1948 – French
Dates of beginning and end of mandate:
May 26, 2016 to May 28, 2020
Date of initial mandate: January 31, 2013

BIOGRAPHICAL DATA

- *Institut Français des Administrateurs* (IFA)
- Bachelor's degree in sociology
- Diploma from the Chamber of Commerce and Industry of Paris
- 1983-1995: Deputy Mayor of Paris, in charge of culture
- 1986-2012: elected official for Paris in the National Assembly
- 1995: Minister of Tourism
- 1996-1997: Ambassador delegate of France to UNESCO
- 1997-2002: Deputy Mayor of Paris, in charge of the environment
- 2001-2008: Mayor of the 17th *arrondissement* of Paris

MANDATES AND FUNCTIONS

- SFIL, Member of the Board of Directors, Member of the Governance, Appointments and CSR Committee and Member of the Compensation Committee (until May 2020)
- Honorary member of the National Assembly – former minister
- *Association La Société des Amis du musée du Quai Branly - Jacques Chirac*, Chair of the Board of Directors
- *Association Les Rencontres d'Arles Photographie,* Vice-Chair of the Board of Directors
- *Maison Européenne de la Photographie,* Member of the Board

Members of the Board of Directors representing employees

Sandrine Barbosa (since November 13, 2020)
PRINCIPAL FUNCTION: Data Architect in the Technology and Organization department of SFIL

Born on December 19, 1969 – French
Dates of beginning and end of mandate:
November 13, 2020-2024
Date of initial mandate: November 13, 2020

Business address
SFIL
1-3, rue du Passeur de Boulogne
92130 Issy-les-Moulineaux

BIOGRAPHICAL DATA
- Baccalaureate
- Accounting training
- Legal training
- 1988-1995: *Institut Supérieur de Gestion* - Management of teachers and timetables
- 1995-2000: Dexia Crédit Local-Financial Controller
- 2000-2010: Dexia Crédit Local - Accounting controller Back-office markets
- 2010-2013: Dexia Crédit Local - Administrative Manager of the Works Council
- 2013-2019: SFIL - Secretary of the Works Council
- Since 2019: SFIL - DATA Architect in the Technology and Organization department

MANDATES AND FUNCTIONS
- SFIL, Data Architect in the Technology and Organization department
- SFIL, Member of the Board of Directors (since November 2020), Member of the Compensation Committee (since December 2020)

Pascal Cardineaud (until November 13, 2020)
PRINCIPAL FUNCTION: Head of Mediation at SFIL

Born on August 12, 1961 – French
Dates of beginning and end of mandate:
April 24, 2018-November 13, 2020
Date of initial mandate: April 24, 2013

Business address
SFIL
1-3, rue du Passeur de Boulogne
92130 Issy-les-Moulineaux

BIOGRAPHICAL DATA
- Economic sciences degree
- Master's degree in Sciences and Financial and Accounting Techniques (DECF and MSTCF)
- Certified Director of companies IFA-Sciences PO
- 1986-1990: clerk at currency desk and equities and derivatives trader
- 1990-1992: back office operator for various markets at *La Compagnie Financière Edmond de Rothschild Banque*
- 1992-1994: Head of back office markets and depositary at *caisse centrale du Crédit Mutuel*
- 1997-2001: Financial Engineer, asset manager at Dexia CLF Banque
- 2001-2012: Head of Client Relations at Dexia Crédit Local
- 2008-2012: Secretary of the CFDT Union for banks and financial institutions in the Paris region
- 2013-2016: Head of Financial Engineering at SFIL
- Since 2016: Head of Mediation at SFIL

MANDATES AND FUNCTIONS
- SFIL, Head of Mediation
- SFIL, Member of the Board of Directors, Member of the Compensation Committee (until November 2020)

Marion Domalain (until November 13, 2020)
PRINCIPAL FUNCTION: Modeling Analyst in the Internal Models department of SFIL's Risks division

Born on June 13, 1979 – French
Dates of beginning and end of mandate:
April 24, 2018-November 13, 2020
Date of initial mandate: April 24, 2018

Business address
SFIL
1-3, rue du Passeur de Boulogne
92130 Issy-les-Moulineaux

BIOGRAPHICAL DATA
- Economic sciences degree
- Industrial and international economics master's degree
- DESS/master's degree in public policy evaluation and financial analysis of local authorities
- 2004-2007: Finance Director at Poiré-sur-Vie municipality
- 2007-2013: Customer Manager at Dexia
- 2013-2018: Senior Credit Analyst in SFIL's Risks division
- Since July 2018: Modeling Analyst in the Internal Models department of SFIL's Risks division

MANDATES AND FUNCTIONS
- Principal function: Modeling Analyst in the Internal Models department of SFIL's Risks division
- SFIL, Member of the Board of Directors and Member of the Governance, Appointments and CSR Committee (until November 2020)

Frédéric Guillemin **PRINCIPAL FUNCTION: Head of the Reporting Unit in the Risks division at SFIL**	
Born on April 1, 1963 – French **Dates of beginning and end of mandate:** November 13, 2020-2024 **Date of initial mandate:** December 12, 2014	**Business address** SFIL 1-3, rue du Passeur de Boulogne 92130 Issy-les-Moulineaux
BIOGRAPHICAL DATA • Ph.D. in Mathematics • 1987-2000: Treasury Manager, Fund Manager and then Head of Debt Management Advisory at Crédit Coopératif	• 2000-2013: Head of New Product Development, then Head of Marketing, then Head of Client and Social Media Relations, then Head of Defaults unit at Dexia Crédit Local • Since 2013: Head of the Reporting Unit in the Risks division at SFIL
MANDATES AND FUNCTIONS • SFIL, Head of the Reporting Unit in the Risks division	• SFIL, Member of the Board of Directors, Member of the Financial Statements Committee (since December 2020) and Member of the Governance, Appointments and CSR Committee (since December 2020)

Cécile Latil-Bouculat (since November 13, 2020) **PRINCIPAL FUNCTION: Transformation and Innovation Director in the Technology and Organization department of SFIL**	
Born March 7, 1972 - French **Dates of beginning and end of mandate:** November 13, 2020-2024 **Date of initial mandate:** November 13, 2020	**Business address** SFIL 1-3, rue du Passeur de Boulogne 92130 Issy-les-Moulineaux
BIOGRAPHICAL DATA • Master in Market Finance and Banking Management • Master's in Economics, Finance option • Erasmus degree finance option (Queens University of Belfast) • 1995-1996 CNCA: Broker assistant on futures and options • 1998-2004: CGI-Consultant in Capital Markets • 2005-2010: Dexia Crédit Local - IT Project Manager & Markets	• 2010-2015: Dexia Crédit Local - Head of the BSM Projects & Market Risk department, then Deputy Head of Markets • 2015-2018: SFIL-Director of FMR Solutions and Valuation • Since 2018: SFIL - Transformation and Innovation Director
MANDATES AND FUNCTIONS • SFIL, Transformation and Innovation Director in the Technology and Organization department	• SFIL, Member of the Board of Directors (since November 2020) and Member of the Risks and Internal Control Committee (since December 2020)

Thomas Morisse (until November 13, 2020) **PRINCIPAL FUNCTION: Head of Operations and Quality Integration in the Technology and Organization department of SFIL**	
Born on December 21, 1972 – French **Dates of beginning and end of mandate:** April 24, 2018 to November 13, 2020 **Date of initial mandate:** April 24, 2018	**Business address** SFIL 1-3, rue du Passeur de Boulogne 92130 Issy-les-Moulineaux
BIOGRAPHICAL DATA • Mechanical engineering degree • Mechanical technology degree • Organization and change management Master's degree • 1994-1995: Quality & Methods assistant at Renault • 1995-2001: Lean Management Coordinator at Renault • 2001-2006: IS project management Consultant at Consort group	• 2006-2011: IT Manager at AFPA • 2011-2012: Business Unit Director at Amettis • 2013-2014: IT Transition Manager at Dexia • Since 2014: IT Manager at SFIL
MANDATES AND FUNCTIONS • SFIL, Head of Operations and Quality Integration in the Technology and Organization department • SFIL, Member of the Board of Directors, Member of the Risks and Internal Control Committee (until November 2020)	

Sandrine Peraud-Chemla (until November 13, 2020) PRINCIPAL FUNCTION: ALM Manager at SFIL	
Born on April 23, 1975 – French **Dates of beginning and end of mandate:** April 24, 2018-November 13, 2020 **Date of initial mandate:** April 24, 2018	**Business address** SFIL 1-3, rue du Passeur de Boulogne 92130 Issy-les-Moulineaux

BIOGRAPHICAL DATA
• Corporate and administrative management degree
• Financial engineering Master's degree
• 1999-2013: Dexia Crédit Local
  • Documentation Manager in credit back office and then market back office at Dexia Crédit Local (1999-2006)
  • Back office reconciliations Manager (2006-2008)
  • Back office documentation Manager (2008-2013)
	• Since 2013: SFIL
	  • Project Manager in the Market Back Office (2013-2018)
	  • ALM Manager (since 2018)

MANDATES AND FUNCTIONS • SFIL, ALM Manager • SFIL, Member of the Board of Directors and Member of the Financial Statements Committee (until November 2020)	

Representative of the Social and Economic Committee: Thomas Perdriau

2.1.2.3 Attendance rate of members of the Board of Directors

	Attendance at Board Meetings	Attendance at Financial Statements Committee meetings	Attendance at Risks and Internal Control Committee meetings	Attendance at Governance, Appointments and CSR Committee meetings	Attendance at Compensation Committee meetings
Chantal Lory* Chair of the Board of Directors (until May 28, 2020)	100%	100%	75%	n/a	n/a
Pierre Sorbets Chairman of the Board of Directors (since May 28, 2020)	100%	100%	100%	n/a	n/a
Philippe Mills Chief Executive Officer	100%	n/a	n/a	n/a	n/a
French State (1)*	100%	100%	100%	100%	100%
Caisse des Dépôts (2) **	100%	100%	100%	n/a	n/a
Jean-Pierre Balligand*	50%	0%	50%	0%	0%
Sandrine Barbosa**	0%	n/a	n/a	n/a	n/a
Serge Bayard	75%	66.7%	60%	n/a	n/a
Pascal Cardineaud*	100%	n/a	n/a	n/a	100%
Virginie Chapron du Jeu**	100%	n/a	n/a	33.3%	50%
Gabriel Cumenge*	80%	n/a	n/a	n/a	n/a
Brigitte Daurelle**	100%	100%	100%	100%	100%
Marion Domalain*	100%	n/a	n/a	100%	n/a
Laetitia Dordain**	100%	n/a	n/a	n/a	n/a
Virginie Fernandes*	100%	66.7%	60%	n/a	n/a
Eckhard Forst**	83.3%	66.7%	100%	n/a	n/a
Frédéric Guillemin	87.5%	100%	n/a	100%	n/a
Cathy Kopp	100%	n/a	n/a	100%	100%
Cécile Latil-Bouculat**	100%	n/a	100%	n/a	n/a
Pierre Laurent**	100%	n/a	100%	n/a	n/a
Fabienne Moreau**	100%	100%	n/a	n/a	n/a
Thomas Morisse*	100%	n/a	100%	n/a	n/a
Quentin de Nantes**	100%	100%	100%	n/a	n/a
Françoise de Panafieu*	100%	n/a	n/a	66.7%	100%
Sandrine Peraud-Chemla*	100%	100%	n/a	n/a	n/a

** Member who left the Board of Directors during financial year 2020.*
*** Member who joined the Board of Directors during financial year 2020.*
(1) Represented by Élodie Boulch.
(2) Represented by Olivier Fabas.

2.1.2.4 Its role, organization and work

The Board of Directors determines SFIL's business strategy and ensures its proper implementation. Subject to the powers expressly conferred to Shareholders' Meetings and within the limits of the Company's corporate purpose, it addresses all issues affecting the Company's operations and, through its deliberations, settles all matters concerning such.

Since May 28, 2020, Pierre Sorbets has assumed the role of Chairman of the Company's Board of Directors, replacing Chantal Lory. Philippe Mills assumes the function of Chief Executive Officer. The Chairman of the Board of Directors organizes and directs the work of the Board, ensures the smooth operation of the Company's governance bodies and participates in the Company's relations with control and supervisory authorities. The Chief Executive Officer has the broadest authority to act in the name of the Company in all circumstances. He exercises these powers within the limits of the Company's corporate purpose and subject to the powers expressly conferred by law and the Company's by-laws to Shareholders' Meetings and to the Board of Directors.

An internal rulebook, updated in September 2020, defines the operation of the Company's Board of Directors (its principal missions are included in the following table). More specifically, the aim of these rules is to present the manner in which the Board of Directors can best assume its role as guardian of the common interests of all the Company's stakeholders, including in particular its shareholders, employees and partners. It lists the rights and responsibilities of the members of the Board of Directors, including conflict of interest rules.

The Board of Directors meets at least once each quarter. In 2020, the Board of Directors met eight times. Average attendance of the Members was 94.2%, a slight increase (+1%) from the previous year.

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The Chairman of the Board of Directors provides Board members with all information, particularly of a strategic nature, that they may need to perform their duties properly.

Prior to the meeting, members of the Board of Directors receive an agenda and a file containing memoranda and documents related to the agenda. To improve access to information and exchanges with directors, SFIL uses a digital platform.

During Board meetings, General Management presents the activity and accounts of the previous period (or the financial position if there is no accounts closure) and an update of the main projects under way within the Company or important issues it may face. During the year 2020, a systematic update was made on SFIL's situation in relation to the pandemic, and in particular its impact on employees, the Company's operations and risk management.

The Board is also periodically asked to review the deliberations of the Company's specialized committees.

Its principal work for the year 2020 is shown in the following table.

Principal missions of the Board of Directors	Specific work completed by the Board of Directors in 2020
Strategy:	
• Determine the guidelines for operations; • Ensure long-term value creation by the corporation in consideration of the social and environmental stakes of its operations; • Deliberate on the major strategic, economic, financial, and technological guidelines for operations; • Respond to the Works Council's opinion on strategic orientations.	• Impact analysis and management monitoring in the context of the health crisis (Covid-19 pandemic); • Quarterly review of the SFIL Group's operations, including bond issuance strategy of SFIL and its subsidiary CAFFIL; • Strategy review of the local public sector; • Strategy review of the export credit market; • Approval of CSR policy guidelines and CSR report; • Proposal to the General Meeting, which adopted it, to include in the preamble to SFIL's by-laws the purpose "To finance a sustainable future by effectively and responsibly supporting local development and the international activity of large companies"; • Monitoring the work being done on the transfer of control of SFIL to CDC and its completion on September 30, 2020; • Monitoring risks in the context of the pandemic, including cyber risk; • Response to the Works Council's opinion on strategic orientations.
Governance-internal control and accounts	
• Propose the appointment of members of the Board and the Chief Executive Officer, appoint the Chairman; • Ensure the individual and collective skills of members of governance bodies; • Develop a succession plan, for the purpose of planning and organizing changes in directorships and positions of members of supervisory and management bodies; • Ensure the establishment of effective policies for preventing and managing conflicts of interest; • Approve the management report and prepare the corporate governance report; • Conduct a review of budgets and accounts, and the approval of these latter, ensuring their fair presentation.	• Overhaul of the composition of the Board of Directors and its specialized committees as part of the change in control of the Company; • Appointment of the Chairman of the Board of Directors, the Chief Executive Officer and a non-voting Board member; • Determination of the date of the election of employee representatives to the Board of Directors; • Fit & Proper analysis by the Governance, Appointments and CSR Committee as well as by the Board of Directors at the time of appointments/renewals of members of governance bodies; • Review and update of all internal rules of governance bodies, taking into account changes in shareholding structure; • Approval of the update of the code of conduct and ethics • Validation of the outsourcing policy; • Approval of the management report and preparation of the report on corporate governance; • Budget review, approval of the annual financial statements, and review of interim statements of accounts; • Approval of the 2019 annual financial report and approval of the 2020 first-half financial report.

Principal missions of the Board of Directors	Specific work completed by the Board of Directors in 2020
• Ensure that the obligations incumbent on it in matters of internal control met and, at least twice a year, conduct a review of operations and of internal control results; • Authorize agreements between the Company and any member of the Board of Directors or shareholder.	• Validation of internal control report; • Validation of the RACI LCB-FT; • Review of the first-half reports on the internal audit and compliance, and monitoring of audit and compliance control plans; • Monitoring of supervisor interventions and the responses to their recommendations; • Approval of amendments to the financing agreements between SFIL and its shareholders CDC and La Banque Postale as well as the master agreement for the sale of receivables from La Banque Postale to CAFFIL.
Risk management	
• Define risk appetite; • Approve the overall risk limits set and reviewed at least once a year by the accountable officers; • Regularly examine the policies established in the Company; • Ensure that compliance policies are in place; • Approve emergency plans.	• Validation of risk appetite; • Approval of the ICAAP and ILAAP reports and the preventive recovery plan for 2020; • Review of the Pillar 3 report; • Systematic review of quarterly reports on risk monitoring; • Review of the AML-CFT general procedure; • Review of the ML-FT risk classification; • Review of the emergency and business continuity plan (RBCP).
Compensation	
• Determine the distribution of the compensation package for directors set by the General Meeting; • Adopt and regularly review the general principles of the compensation policy and control its implementation.	• Update to the compensation policy; • Review of the 2020 overall budget for variable compensation; • Determination of the compensation of the Chief Executive Officer; • Review of the gender equality index.

Furthermore, the Board convened a Combined Shareholders' Meeting for May 28, 2020. The purpose of the meeting was to approve the annual and consolidated financial statements, the allocation of income, the approval of related-party agreements, and the opinion on the overall amount of compensation for the financial year 2019, the recognition of the expiry of the mandate of six directors, the renewal of the mandate of three directors and the appointment of two new directors. The Extraordinary Shareholders' Meeting included the adoption of a *raison d'être* and its introduction into the by-laws.

An Extraordinary Shareholders' Meeting was convened on July 23, 2020 to raise the age limit for serving as Chairman of the Board from 70 to 75 years.

Lastly, a Combined Shareholders' Meeting was convened on September 30, 2020 to amend the Company's by-laws in the context of the change of control and to appoint new members of the Board of Directors. In addition, to appoint two new Statutory Auditors to replace the previous ones and organize new elections of Directors representing employees.

2.1.2.5 Conditions for appointing directors, assessment of the skills and qualifications of independent members

Members of the Board of Directors are appointed taking into account their skills and experience in relation to the Company's activities. The Governance, Appointments and CSR Committee performs an analysis for each appointment based on an analysis grid that lists the main areas of expertise sought by the Board for its candidates. This is an individual assessment while taking into account the collective skills within the Board (a specific grid was updated in 2020). New appointments are approved by the European supervisor on the basis of a "fit and proper" analysis.

As part of its review of the integrity and skills of the members of the Board of Directors carried out in 2020, the Governance, Appointments and CSR Committee confirmed that the Board collectively has the appropriate knowledge, skills and experience. However, he noted that the themes of export credit, IT, cyber risk and taxation were, while being mastered, less shared. In the areas of banking activities, training was organized for all directors or new members. This was notably the case for risk management and steering, compliance and regulatory aspects related to finance.

In accordance with the Afep/Medef Code, the Board of Directors, acting on the report of its Governance, Appointments and CSR Committee, reviewed the situation of each of its members with respect to the Code criteria. During the course of 2020, the Board concluded that four members of the Board, Brigitte Daurelle and Cathy Kopp as well as Eckhard Forst(1) and Pierre Sorbets, are independent, i.e. one-third of independent members excluding the directors representing employees.

(1) *Independent status being re-assessed*

Criteria*	Pierre Sorbets	Philippe Mills	Serge Bayard	Virginie Chapron du Jeu	Brigitte Daurelle	Laetitia Dordain	Caisse des Dépôts repre-sented by Olivier Fabas	Eckhard Forst	Cathy Kopp	Pierre Laurent	Quentin de Nantes	Fabienne Moreau
Criterion 1: Corporate officer for the previous five years	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 2: Cross-directorships	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 3: Meaningful business relationships	✓	x	x	x	✓	x	x	✓	✓	x	x	x
Criterion 4: Family tie	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 5: Statutory Auditor	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 6: Term of office longer than 12 years	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 7: Status of non-executive corporate officer of management and supervisory bodies	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Criterion 8: Major shareholder status	✓	✓	✓	x	✓	x	x	✓	✓	x	x	x

* *" ✓ " for independence criterion met according to Afep/Medef Code criteria.*
"x" for independence criterion not met according to Afep/Medef Code criteria.

2.1.2.6 Assessment of the Board

In view of the changes that took place within the Board and its specialized committees in 2020, the Board, on the basis of the work of the Governance, Appointments and CSR Committee, during the meeting provided an update on the main changes in their functioning since the previous survey conducted in the form of a questionnaire. It gathered the suggestions and expectations of the old and new directors. The overall very positive opinion on the functioning of the bodies and the quality of the files was confirmed. Improvements were underlined, such as the increased involvement of the Board in the definition of the strategy and in particular in the area of CSR, in the knowledge and monitoring of the recruitment and compensation policy of sectors under pressure, training for members and operational procedures *via* the new platform made available. Among the suggestions are an even more pronounced focus on the sustainable policy, maintaining attention on the trade-off between summary and detailed documents to meet the wishes of the various parties (directors and supervisors in particular), etc. From a more operational point of view, it was requested that the status used to monitor the decisions and requests of the Board be communicated prior to the meetings and alternate in the order of business of the items on the agenda.

2.1.3 Specialized committees of the Board of Directors

The Board of Directors may decide to create committees made up of its members tasked with assisting the Board, for which it determines the composition, powers, and compensation, if any, of the members who carry out their activities under its responsibility and report on their work. The Chairman of each committee is appointed by the Board of Directors.

The members are from the Board of Directors, but do not have a position within the Company's management. Members are chosen on the basis of their expertise (finance, banking, human resources management, etc.) and the contribution they may make to the work of the committee in question. Their chairmanship is entrusted to an independent Board member, who has proven competency in the areas under review by the committees. Twelve members of the Board of Directors are therefore members of the specialized committees.

2.1.3.1. The Financial Statements Committee

Number of members	Members	Proportion of independent member	Number of meetings	Attendance rate
7	**Brigitte Daurelle** Olivier Fabas Eckhard Forst Frédéric Guillemin Fabienne Moreau Quentin de Nantes Pierre Sorbets	50%	5	85.7%

Name *of the Committee Chair*

In 2020, the Financial Statements Committee met five times. It reviewed the financial statements as of December 31, 2019 and June 30, 2020 as well as the related Statutory Auditors' reports, the quarterly accounting situation as at March 31, 2020 and September 30, 2020 of SFIL and Caisse Française de Financement Local, organizational changes made to the process of preparing the accounting information to meet the needs of Caisse des Dépôts for the submission of consolidation packages, the 2021 budget and the 2022-2025 budget forecasts, as well as the independence of the Statutory Auditors and their services rendered other than those of the Statutory Auditors.

2.1.3.2 The Risks and Internal Control Committee

Number of members	Members	Proportion of independent member	Number of meetings	Attendance rate
7	Brigitte Daurelle Olivier Fabas **Eckhard Forst** Cécile Latil-Bouculat Pierre Laurent Quentin de Nantes Pierre Sorbets	50%	6	83.3.%

Name *of the Committee Chairman*

In 2020, the Risks and Internal Control Committee met six times. The primary purpose of the first meeting in 2020 was to study the procedures used (mapping, risk management procedures including non-compliance risk, annual control plan, and the results of controls) for permanent and periodic internal control activities at SFIL and Caisse Française de Financement Local and the results of the intermediary review by the Company's Statutory Auditors. The participants of this first Committee's meeting included only Committee members, the Statutory Auditors and the heads of internal control at SFIL (the Operational Risks and Permanent Control division, the Compliance division and the Internal Audit and Inspection division). The other meetings in 2020, in the presence of the general management and the operational functions concerned by the subjects presented, mainly dealt with regular updates on the health situation of Covid-19, quarterly reports on risk monitoring and the Pillar 3 report, the ICAAP and ILAAP reports, the update of the preventive recovery plan and risk appetite, the internal credit models. The selection of SFIL and Caisse Française de Financement Local Statutory Auditors was also presented, as well as the report of the data protection officer, the update of the general policy to combat money laundering and the financing of terrorism, the classification of ML-FT risks, the updated Internal Audit and Compliance Charter, the 2019 reports on internal control, including one dedicated to the fight against money laundering and the financing of terrorism and half-yearly reports on the compliance and audit functions.

2.1.3.3 The Governance, Appointments and CSR Committee

Number of members	Members	Proportion of independent member	Number of meetings	Attendance rate
4	Virginie Chapron du Jeu Brigitte Daurelle Frédéric Guillemin **Cathy Kopp**	66.7%	7	80%

Name *of the Committee Chair*

In 2020, the Governance, Appointments and CSR Committee met seven times. At its meeting of February 27, 2020, the committee in charge of reviewing the CSR policy approved its new appointment to the "Governance, Appointments and CSR Committee" and examined the CSR report for the year 2019. The Committee also reassessed and issued a positive opinion on the independence of the following directors of SFIL: Brigitte Daurelle, Cathy Kopp, Chantal Lory, Françoise de Panafieu, Jean-Pierre Balligand, Eckhard Forst and Pierre Sorbets. Finally, as part of the change of control, the Committee examined the new by-laws of SFIL and gave a positive opinion on the modification of the composition of the Board of Directors.

2.1.3.4 The Compensation Committee

Number of members	Members	Proportion of independent member	Number of meetings	Attendance rate
4	Sandrine Barbosa Virginie Chapron du Jeu Brigitte Daurelle **Cathy Kopp**	66.7%	4	87.5%

Name *of the Committee Chair*

In 2020, the Financial Statements Committee met four times. The meetings were mainly devoted to the review of the compensation of the Chief Executive Officer and members of the SFIL Executive Committee. In addition, the Committee issued an opinion in favor of the payment in April 2020 of the variable compensation package proposed by General management. Moreover, the Committee reviewed the results of the equal opportunity policy, the measures proposed for 2019, and the results of the gender equality index for 2019 (92/100 points). Lastly, the Committee validated the 2020 cross-functional targets that serve as indicators for determining the variable compensation of General Management and the Executive Committee members not occupying control functions.

2.1.4 Application of the Corporate Governance Code

With respect to governance, the Company refers to the Afep/Medef[1] Code, whose recommendations it applies with a few exceptions. These exceptions pertain to its shareholding structure, and more particularly the fact that Caisse des Dépôts is its majority shareholder. The main differences between the Company's governance and provisions of the Code in its current version, updated in January 2020, are as follows:

Recommendation of the Code	Comments
Recommendation 5 - Participation by directors at Shareholders' Meetings	Since both shareholders are represented on the Board of Directors and all of the agenda items have already been presented at Board Meetings, the participation of directors in Shareholders' Meetings in addition to the representatives of the two shareholders, the Chairman and the Chief Executive Officer does not have the same importance as for a company with a diverse Group of shareholders.
Recommendations 7.1 and 7.2 - Gender diversity in the management bodies	A policy with a medium-term objective of achieving at least a rate of 40% will be presented to the Governance, Appointments and CSR Committee during the first half of 2021. As of December 31, 2020, 2 of the 10 members of the Executive Committee, or 20%, are women. Including the participation of the General Auditor, a permanent guest of the Executive Committee, the percentage of women participating in this body is 27%.
Recommendation 11.3 - Meeting of a Board of Directors at least once a year, in the absence of the executive corporate officers	A meeting of the Risks and Internal Control Committee is held in the absence of general management in order to review the bank's overall internal control system. The Governance, Appointments and CSR Committee and the Board of Directors had decided to extend the principle of an executive annual session following one of the scheduled meetings. This option was not used.
Recommendation 16.1 - Number of independent members of the Risks and Internal Control Committee and of the Financial Statements Committee	The representation of independent members was 50% (not including directors representing employees), but not two-thirds as recommended, notably due to the composition of the Board of Directors and the number of Independent Directors who can be members of specialized committees. It should be noted that the Board includes several members appointed on the proposal of the shareholder holding almost all the shares, as well as three directors representing employees.
Recommendation 23 - Number of shares held by the members of the Board of Directors	This provision is not applied by SFIL, whose shareholding is described above and whose shares are not listed.

(1) Code updated in January 2020, available at www.afep.com.

2.2 Compensation information

This section presents and describes the compensation allocated to the corporate officers and gives details of the principles and criteria for determining, allocating and granting the fixed, variable and exceptional components of total compensation and benefits of all kind attributable to the Chair of the Board of Directors and Chief Executive Officer in connection with their mandates for financial year 2020 and constituting the compensation policy applicable to them.

It is drawn up on the basis of the recommendations of the Afep/Medef Code, SFIL having made this choice whereas these recommendations specifically target companies whose shares are listed.

Finally, the provisions of Decree No. 53-707 of August 9, 1953, as amended by Decree No. 2012-915 of July 26, 2012, on State control over national public companies and certain organizations with an economic purpose which provided for the approval by the Minister for the Economy of the amount and method of distribution of the budget relating to the remuneration of the directors, as well as the elements of remuneration for the activity of the Chair of the Board of Directors are no longer applicable to SFIL since the change in its shareholder structure. The same applies to the provisions of the same decree applicable to the compensation of the Chief Executive Officer.

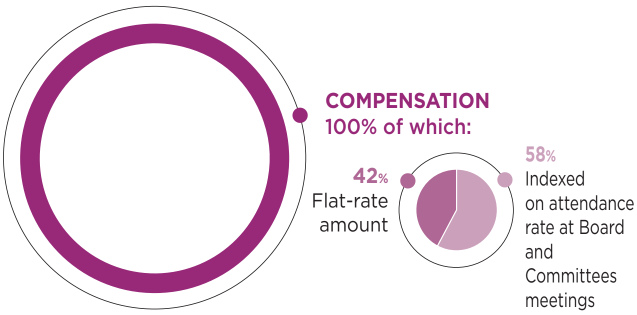
2.2.1 Principles and rules for determining compensation for the Chairman of the Board of Directors and the Chief Executive Officer

2.2.1.1 Compensation of the Chairman of the Board of Directors

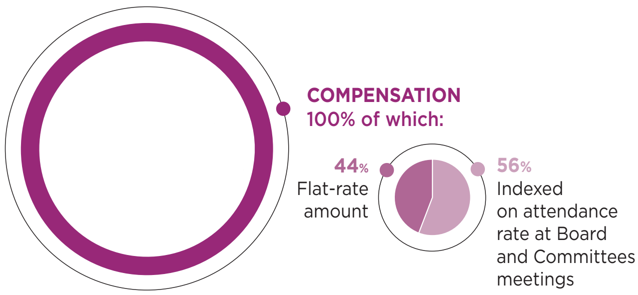
The Chairman of the Board of Directors receives compensation consisting of a standard amount to which are added attendance fees for attendance at Board Meetings and, where applicable, specialized committee meetings, subject to a cap proposed by the Compensation Committee and approved by the Board of Directors.

COMPENSATION STRUCTURE OF THE CHAIR

From January 1, 2020 to May 28, 2020, the compensation structure of Chantal Lory is as follows:



From May 28, 2020 to December 31, 2020, the compensation structure of Pierre Sorbets is as follows:



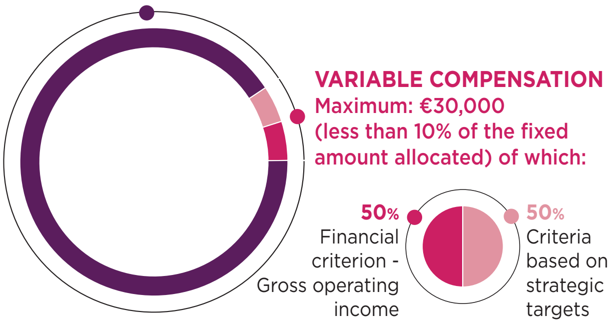
2.2.1.2 Compensation of the Chief Executive Officer

The compensation for the Chief Executive Officer, revised at the time of the change of control and his new appointment, includes a fixed portion and a variable portion. The whole package is proposed to the Board of Directors for decision. For the 2020 financial year, payment of the variable portion is appraised by the Compensation Committee on the basis of criteria that take into account a financial indicator (gross operating income) and cross-functional objectives linked to the Company's activity. This amount is then proposed by the Compensation Committee to the Board of Directors for decision.

STRUCTURE OF THE CHIEF EXECUTIVE OFFICER'S COMPENSATION

From January 1, 2020 to September 30, 2020, the compensation of the Chief Executive Officer was set as follows:

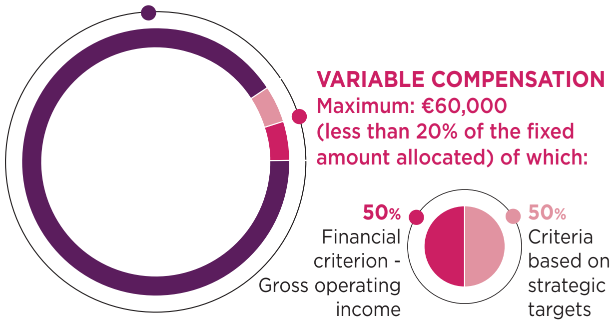
FIXED COMPENSATION
€320,000



From October 1, 2020, the compensation of the Chief Executive Officer was set at:

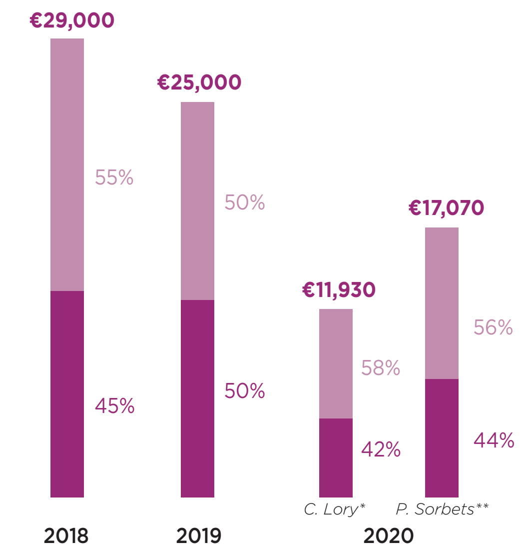
- fixed compensation: EUR 350,000;
- maximum variable compensation: EUR 60,000 (less than 20% of the fixed amount awarded)

FIXED COMPENSATION
€350,000



Change in compensation over the past three financial years

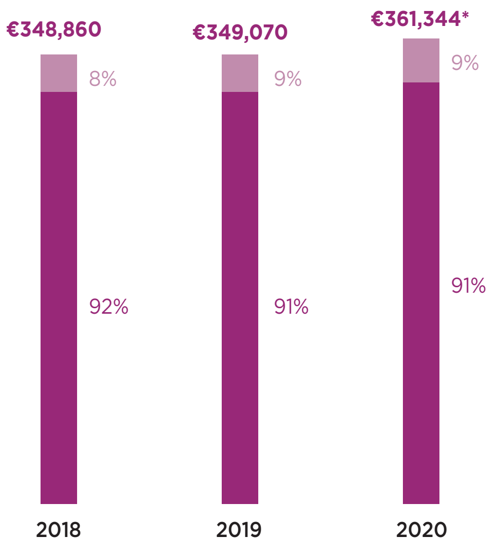
OF THE CHAIR OF THE BOARD OF DIRECTORS



** Until May 28, 2020*
*** Since May 28, 2020*

- Flat-rate amount
- Amount linked to rate of attendance at Board of Directors' and Committees meetings

OF THE CEO



** Of which EUR 33,844 allocated, not yet paid.*

- Fixed compensation
- Variable compensation

LEVEL OF ACHIEVEMENT BY OBJECTIVE

		2018	2019	2020
Financial criterion (GOI)	Weight	55.0%	50.0%	40.0%
	Level of achievement	55.0%	50.0%	40.0%
Criteria for strategic objectives	Weight	45.0%	50.0%	60.0%
	Level of achievement	41.2%	46.9%	50.25%
Overall level of achievement of objectives	**Weight**	**100.0%**	**100.0%**	**100.0%**
	Level of achievement	**96.2%**	**96.9%**	**90.25%**

2.2.2 Compensation and benefits for the corporate officers

Table 1 - Summary table of compensation, options, and shares for each executive corporate officer

N/A

Table 2 - Summary compensation table for each executive corporate officer

(In EUR)

	Financial year 2019		**Financial year 2020**	
Chantal Lory Chair of the Board of Directors (up to May 28, 2020)	Amounts allocated for the financial year	Amounts paid out for the financial year	**Amounts allocated for the financial year**	**Amounts paid out for the financial year**
Gross fixed compensation				
Gross variable compensation				
Exceptional gross compensation				
Compensation for the office of Member of the Board of Directors and chair of the Board of Directors		25,000	11,930	
Benefits in-kind				
TOTAL		**25,000**	**11,930**	

	Financial year 2019		**Financial year 2020**	
Pierre Sorbets Chairman of the Board of Directors (since May 28, 2020)	Amounts allocated for the financial year	Amounts paid out for the financial year	**Amounts allocated for the financial year**	**Amounts paid out for the financial year**
Gross fixed compensation				
Gross variable compensation				
Exceptional gross compensation				
Compensation allocated upon appointment as Chairman of the Board of Directors			17,070	
Benefits in-kind				
TOTAL			**17,070**	

	Financial year 2019		**Financial year 2020**	
Philippe Mills Chief Executive Officer	Amounts allocated for the financial year	Amounts paid out for the financial year	**Amounts allocated for the financial year**	**Amounts paid out for the financial year**
Gross fixed compensation		320,000		327,500
Gross variable compensation		29,070	33,844	
Exceptional gross compensation				
Compensation allocated for term of office as Director				
Benefits in-kind				
TOTAL		**349,070**	**33,844**	**327,500**

Table 4 - Stock options allocated during the financial year to each executive corporate officer by the issuer and by any company in the Group

N/A

Table 5 - Share subscription or purchase options exercised during the financial year by each executive corporate officer

N/A

Table 6 - Performance shares allocated during the financial year to each executive corporate officer by the issuer and by any company in the Group

N/A

Table 7 - Performance shares that became available during the financial year for each executive corporate officer

N/A

Table 8 - History of share subscription or purchase options

N/A

Table 9 - History of performance shares allocated

N/A

Table 10 - Summary table of the multi-year variable compensation of each executive corporate officer

N/A

Table 11 - Contractual situation of executive corporate officers

	Employment contract		Supplementary pension plan		Payments or benefits due or potentially due as a result of the cessation or change in positions		Payment related to a non-compete clause	
Executive corporate officer	Yes	No	Yes	No	Yes	No	Yes	No
Pierre Sorbets Chairman of the Board of Directors		✓		✓		✓		✓
Philippe Mills Chief Executive Officer		✓		✓		✓		✓

2.2.3 Compensation paid by SFIL to non-executive corporate officers (Table 3)

The rules for distributing compensation set by the Board of Directors, within the budget set by the Shareholders' Meeting, are as follows:

- EUR 7,500 per year and per director participating in all Board Meetings. This amount is pro-rated according to the ratio of the number of Board Meetings attended divided by the total number of meetings;
- EUR 1,000 for each specialized committee meeting attended, with a cap of EUR 10,000 per financial year for the cumulative attendance at the various committee meetings;
- an additional EUR 12,500 per financial year for the Chair of the Board of Directors;
- an additional EUR 2,000 per financial year for the chairmanship of each specialized committee.

	2019	2020
Non-executive corporate officers	Gross amount paid for the financial year	Gross amount allocated and paid for the financial year
Jean-Pierre Balligand*	17,500 (1)	2,937.50(1)
Sandrine Barbosa**	/	/(2)
Serge Bayard	12,000 (3)	10,625 (3)
Pascal Cardineaud*	/(2)	/(2)
Caisse des Dépôts**	/	5,812.50 (4)
Virginie Chapron du Jeu**	/	4,812.50 (5)
Gabriel Cumenge*	4,500 (6)	3,750 (6)
Brigitte Daurelle**	/	16,810.79 (7)
Marion Domalain*	/(2)	/(2)
Laetitia Dordain**	/	2,812.50
French State*	16,500 (8)	14,687.50(8)
Virginie Fernandes*	11,500 (9)	9,687.50(9)
Eckhard Forst**	/	9,873.29 (4)
Frédéric Guillemin	/(2)	/(2)
Cathy Kopp	17,000 (10)	21,500(10)
Cécile Latil-Bouculat**	/	/(2)
Pierre Laurent**	/	3,812.50 (11)
Fabienne Moreau**	/	4,812.50 (12)
Thomas Morisse*	/(2)	/(2)
Quentin de Nantes**	/	5,812.50(9)
Françoise de Panafieu*	12,000 (10)	4,875(10)
Sandrine Peraud-Chemla*	/(2)	/(2)
Pierre Sorbets	20,500 (13)	9,503.42 (13)
TOTAL	**111,500**	**132,125**

* *Member who left the Board of Directors in 2020.*
** *Member who joined the Board of Directors in 2020.*
(1) *Including the amount paid for participation in the Financial Statements Committee, the Risks and Internal Control Committee, the Governance, Appointments and CSR Committee and the Compensation Committee.*
(2) *The members of the Board of Directors representing the employees do not receive any compensation for their office on the Board of Directors.*
(3) *Including the amount paid for participation in the Financial Statements Committee and the Risks and Internal Control Committee. Compensation paid to La Banque Postale.*
(4) *Including the amount paid for participation in the Financial Statements Committee and the Risks and Internal Control Committee.*
(5) *Including the amount paid for participation in the Governance, Appointments and CSR Committee and the Compensation Committee. Compensation paid to Caisse des Dépôts.*
(6) *Compensation paid into the French State budget.*
(7) *Including the amount paid for participation in the Financial Statements Committee, the Risks and Internal Control Committee, the Governance, Appointments and CSR Committee and the Compensation Committee.*
(8) *Including the amount paid for participation in the Financial Statements Committee, the Risks and Internal Control Committee, the Governance, Appointments and CSR Committee and the Compensation Committee. Compensation paid into the French State budget.*
(9) *Including the amount paid for participation in the Financial Statements Committee and the Risks and Internal Control Committee. Compensation paid to Caisse des Dépôts.*
(10) *Including the amount paid for participation in the Governance, Appointments and CSR Committee and the Compensation Committee.*
(11) *Including the amount paid for participation in the Risks and Internal Control Committee. Compensation paid to Caisse des Dépôts.*
(12) *Including the amount paid for participation in the Financial Statements Committee. Compensation paid to Caisse des Dépôts.*
(13) *Amount paid in respect of his duties as Member of the Board of Directors, Chairman of the Risks and Internal Control Committee and Chairman of the Financial Statements Committee for the period prior to May 28, 2020.*

2.3 Information on items that could be affected by a takeover bid or public exchange offer

Given that SFIL's stock is not listed and that the securities issued by the Company do not provide access to its share capital, and given the composition of the share capital itself, it is not necessary to provide specific information regarding a takeover bid or public exchange offer (see Article L.22-10-11 of the French Commercial Code).

Information about capital and shares

Amount of the capital, number and nature of the shares

The share capital of SFIL amounts to EUR 130,000,150; it is divided into 9,285,725 shares, each with a voting right and not subject to any pledge.

The shares are divided into two categories:

- 7,428,580 Common Shares and;
- 1,857,145 Preferred Shares issued in accordance with the provisions of article L.228-11 of the French Commercial Code and containing the rights and obligations defined in the by-laws.

There are no other securities giving access to the capital of SFIL.

Breakdown of capital

The share capital of SFIL is held by Caisse des Dépôts with the exception of one share held by the French State (*via* the Agence des Participations de l'Etat).

Information on voting rights (article 28 of the by-laws)

The voting rights attached to the capital shares or *jouissance* shares shall be proportional to the fraction of capital they represent. Each share conveys one voting right.

Voting shall be realized by show of hands, by roll call, or by secret ballot, according to the decision of the Board of the meeting or the shareholders. Shareholders may also vote by mail.

2.4 Additional information

Information concerning transactions by executive officers on the Company's shares and those of its subsidiary CAFFIL

Pursuant to the provisions of Article 223-26 of the AMF General Regulation, Eckhard Forst informed SFIL that the entity of which he chairs the Executive Board (NRW Bank) has acquired EUR 9 million in SFIL bonds out of a total of EUR 1.6 billion issued in 2020.

Agreements covered by Article L.225-37-4-2° of the French Commercial Code

There were no agreements, as covered by Article L.225-37-4-2° of the French Commercial Code, to mention.

Statutory Auditors

SFIL's Statutory Auditors are:

PricewaterhouseCoopers Audit

63, rue de Villiers - 92200 Neuilly-sur-Seine

Company represented by Ridha Ben Chamek, partner

Appointed at the Ordinary and Extraordinary Shareholders' Meeting of September 30, 2020, to replace Deloitte & Associés, for the remainder of the current mandate, *i.e.* until the Ordinary General Meeting called to approve the financial statements of the Company's financial year to end on December 31, 2024.

KPMG SA

Tour Eqho - 2, avenue Gambetta - 92066-Paris-La Défense Cedex

Company represented by Jean-François Dandé, partner

Appointed at the Ordinary and Extraordinary Shareholders' Meeting of September 30, 2020, to replace Ernst & Young et Autres, for the remainder of the current mandate, *i.e.* until the Ordinary General Meeting called to approve the financial statements of the Company for the financial year to end on December 31, 2022.

In accordance with the option allowed by Article L.823-1 of the French Commercial Code, an alternate Statutory Auditor was not appointed.

> Our mission: to support sustainable and responsible regional development

3

IFRS
Financial Statements

3.1 Financial Statements

3.1.1 Assets

EUR millions	*Note*	12/31/2019	12/31/2020
Central banks	*2.1*	1,191	1,932
Financial Assets at fair value through profit or loss	*2.2*	4,906	4,266
Hedging derivatives	*4.1*	5,177	5,154
Financial Assets at fair value through equity	*2.3*	1,334	625
Financial Assets at amortized cost			
Loans and advances to banks at amortized cost	*2.4*	323	328
Loans and advances to customers at amortized cost	*2.4*	47,332	49,867
Securities at amortized cost	*2.4*	9,184	9,124
Fair value revaluation of portfolio hedge		2,774	2,842
Current tax assets	*2.5*	8	3
Deferred tax assets	*2.5*	70	79
Tangible assets	*2.6*	16	13
Intangible assets	*2.7*	31	26
Accruals and other assets	*2.8*	2,450	2,777
TOTAL ASSET		**74,796**	**77,036**

3.1.2 Liabilities

EUR millions	*Note*	12/31/2019	12/31/2020
Central banks		-	-
Financial liabilities at fair value through profit or loss	*3.1*	1,120	1,037
Hedging derivatives	*4.1*	7,062	7,595
Financial liabilities at amortized cost			
Due to banks at amortized cost	*3.2*	379	-
Customer borrowings and deposits at amortized cost		-	-
Debt securities at amortized cost	*3.2*	62,466	64,398
Fair value revaluation of portfolio hedge		338	739
Current tax liabilities	*3.3*	8	5
Deferred tax liabilities	*3.3*	-	-
Accruals and other liabilities	*3.4*	1,788	1,572
Provisions	*3.5*	14	23
Subordinated debt		-	-
EQUITY		**1,621**	**1,667**
Capital		1,445	1,445
Reserves and retained earnings		155	204
Net result through equity		(29)	(26)
Net income		50	44
TOTAL LIABILITIES		**74,796**	**77,036**

3.1.3 Income Statement

EUR millions	*Note*	2019	2020
Interest income	*5.1*	2,675	2,472
Interest expense	*5.1*	(2,544)	(2,337)
Fee and commission income	*5.2*	7	19
Fee and commission expense	*5.2*	(5)	(2)
Net result of financial instruments at fair value though profit or loss	*5.3*	31	20
Net result of financial instruments at fair value though equity	*5.4*	-	-
Gains or losses resulting from derecognition of financial instruments at amortized cost	*5.5*	2	7
Gains or losses resulting from reclassification of financial assets at amortized cost to fair value through profit or loss		-	-
Gains or losses resulting from reclassification of financial assets at fair value through equity to fair value through profit or loss		-	-
Other income		0	1
Other expense		(0)	(0)
NET BANKING INCOME		**166**	**180**
Operating expenses	*5.6*	(94)	(94)
Depreciation and amortization of property and equipment and intangible assets	*5.7*	(16)	(18)
GROS OPERATING INCOME		**56**	**68**
Cost of risk	*5.8*	7	(6)
OPERATING INCOME		**63**	**62**
Net gains (losses) on other assets		-	-
INCOME BEFORE TAX		**63**	**62**
Income tax	*5.9*	(13)	(18)
NET INCOME		**50**	**44**
EARNINGS PER SHARE *(IN EUR)*			
• Basic		5.35	4.75
• Diluted		5.35	4.75

3.1.4 Net income and unrealized or deferred gains and losses through equity

EUR millions	2019	2020
NET INCOME	**50**	**44**
Items that may subsequently be reclassified through profit or loss	**9**	**3**
Unrealized or deferred gains and losses of financial assets at fair value through equity	2	(0)
Unrealized or deferred gains and losses of cash flow hedges	10	4
Tax on items that may subsequently be reclassified through profit or loss	(3)	(1)
Items that may not be reclassified through profit or loss	**(0)**	**(0)**
Actuarial gains and losses on defined-benefit plans	(1)	(0)
Tax on items that may not subsequently be reclassified through profit or loss	0	0
TOTAL UNREALIZED GAINS OR LOSSES THROUGH EQUITY	**9**	**3**
NET INCOME AND GAINS OR LOSSES THROUGH EQUITY	**59**	**47**

3.1.5 Equity

EUR millions	Capital and reserves: Share capital, additional paid-in capital	Capital and reserves: Retained earnings and net income for the period	Capital and reserves: Total	Unrealized or deferred gains and losses: Remeasurement gains (losses) related to post-employment benefit plans, after tax	Unrealized or deferred gains and losses: Net change in fair value of financial assets at fair value through equity, after tax	Unrealized or deferred gains and losses: Net change in fair value of cash flow hedging derivatives, after tax	Unrealized or deferred gains and losses: Total	Total equity
EQUITY AS OF JANUARY 1, 2019	**1,445**	**155**	**1,600**	**(1)**	**(1)**	**(36)**	**(38)**	**1,562**
Stocks issued	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Changes in fair value of financial assets through equity	-	-	-	-	1	-	1	1
Changes in fair value of derivatives through equity	-	-	-	(0)	-	8	8	8
Changes in fair value of derivatives through profit and loss	-	-	-	-	-	-	-	-
Net income for the period	-	50	50	-	-	-	-	50
Other movements	-	-	-	-	-	-	-	-
EQUITY AS OF DECEMBER 31, 2019	**1,445**	**205**	**1,650**	**(1)**	**0**	**(28)**	**(29)**	**1,621**
Stocks issued	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-
Changes in fair value of financial assets through equity	-	-	-	-	0	-	0	0
Changes in fair value of derivatives through equity	-	-	-	0	-	3	3	3
Changes in fair value of derivatives through profit and loss	-	-	-	-	-	-	-	-
Net income for the period	-	44	44	-	-	-	-	44
Other movements	-	-	-	-	-	-	-	-
EQUITY AS OF DECEMBER 31, 2020	**1,445**	**248**	**1,693**	**(1)**	**0**	**(25)**	**(26)**	**1,667**

3.1.6 Cash flow statement

EUR millions	2019	2020
NET INCOME BEFORE TAX	**63**	**62**
+/- Depreciation and write-downs	(25)	13
+/- Expense/income from investing activities	(110)	(245)
+/- Expense/income from financing activities	(12)	(108)
+/- Other non-cash items	(119)	124
Non-monetary items included in net income before tax and other adjustments	**(266)**	**(216)**
+/- Cash from interbank operations	(1,637)	(331)
+/- Cash from customer operations	(1,239)	(1,485)
+/- Cash from financing assets and liabilities	654	836
+/- Cash from not financing assets and liabilities	238	(499)
- Income tax paid	(36)	(56)
Decrease/(increase) in cash from operating activities	**(2,020)**	**(1,535)**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(2,223)**	**(1,689)**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(6)**	**(3)**
+/- Cash from or for shareholders	(41)	-
+/- Other cash from financing activities	1,540	2,440
CASH FLOW FROM FINANCING ACTIVITIES (C)	**1,499**	**2,440**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	**-**	**-**
INCREASE/(DECREASE) IN CASH EQUIVALENTS (A + B + C + D)	**(730)**	**748**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**1,942**	**1,212**
Cash and balances with central banks (assets & liabilities)	1,928	1,191
Interbank accounts (assets & liabilities) and loans/sight deposits	14	21
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1,212**	**1,960**
Cash and balances with central banks (assets & liabilities)	1,191	1,932
Interbank accounts (assets & liabilities) and loans/sight deposits	21	28
CHANGE IN NET CASH	**(730)**	**748**

3.2 Notes to the IFRS financial statements

Note 1 Accounting and valuation policies

1.1 Applicable accounting standards

1.1.1 Application of the accounting standards endorsed by the European Union

The Group prepares its consolidated financial statements in compliance with International Financial Reporting Standards (IFRS), as endorsed by and applicable within the European Union.

The consolidated financial statements are furthermore in accordance with ANC (French accounting standards Board) Recommendation No. 2017-02 issued on June 2, 2017 regarding disclosure of consolidated financial statements for banking reporting entities under IFRS.

Although it is not subject to this obligation, Group SFIL has furthermore voluntarily decided to use as from this year the new European Single Electronic Format (ESEF) format. The primary statement of the 2020 annual consolidated financial statements are therefore available under this new format.

The consolidated financial statements as of December 31, 2020 were approved by the Board of Directors on March 19, 2021.

Due to Covid-19 outbreak and the widespread of health crisis in 2020, the Group has disclosed in note 8 below qualitative and quantitative information so as to enable the users to measure the impact of this crisis on its consolidated financial statements. Further information is disclosed in the management report of the Group.

Accounting principles applied to the financial statements are detailed in chapter 1.2 below.

1.1.2 IASB and IFRIC texts endorsed by the European Union and effective as of January 1, 2020

- Amendments to **IAS 1 Presentation of financial statements/IAS 8 Accounting policies, changes in accounting estimates and errors/IAS 34 Interim financial reporting/IAS 37 Provisions, contingent liabilities and contingent assets/IAS 38 Intangible assets/IFRS 2 Share-based payment/IFRS 3 Business combinations/IFRS 6 Exploration for and evaluation of mineral resources/IFRIC 12 Service Concession Arrangements/IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments/IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine/IFRIC 22 Foreign Currency Transactions and Advance Consideration/SIC 32 Intangible Assets – Web Site Costs:** issued by the IASB on March 29, 2018, endorsed by the European Union on November 29, 2019 (UE Regulation No. 2019/2075) and effective for reporting periods beginning on or after January 1, 2020, these amendments aim at updating references made to the conceptual framework in existing standards and interpretations. It follows the revision of this framework by the IASB.

  These amendments have no impact on the Group's consolidated financial statements given that they are merely an update of the references made to the conceptual framework in existing standards and interpretations.

- Amendments to **IAS 1 Presentation of financial statements/IAS 8 Accounting policies, changes in accounting estimates and errors/IAS 10 Events after the balance sheet date/IAS 34 Interim financial reporting/IAS 37 Provisions, contingent liabilities and contingent assets:** issued by the IASB on October 31, 2018, endorsed by the European Union on November 29, 2019 (UE Regulation No. 2019/2104) and effective for reporting periods beginning on or after January 1, 2020 with early application permitted, these amendments aim at clarifying and aligning the definition of materiality across the IFRS standards in the purpose of enhancing the consistency of its application in the financial statements.

  The Group takes due consideration of these amendments when assessing the materiality of information contained in its consolidated financial statements.

- Amendments to **IAS 39 Financial instruments: recognition and measurement/IFRS 9 Financial instruments/IFRS 7 Financial instruments: disclosures:** issued by the IASB on September 26, 2019, endorsed by the European Union on January 15, 2020 (UE Regulation No. 2020/34) and effective for reporting periods beginning on or after January 1, 2020 with early application permitted, these amendments complete "phase 1" of the IASB's project and are intended to avoid that the uncertainty arising from interest rate benchmark reform resulting in an early discontinuation of hedging relationships. The IASB has thereby aimed to mitigate the impacts of this global reform on the financial statements of entities. These amendments bring in exemptions as regards in particular the assessment of whether hedged future flows may be deemed highly probable (CFH), the requirement that hedged risk must be separately identifiable as well as the realization of prospective and retrospective effectiveness tests. These exemptions apply to hedging relationships affected by the reform, namely those in which uncertainties arise about the benchmark interest rate designated as a hedged risk and/or the timing or the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument. They cease to apply only when the uncertainty mentioned is no longer present. As part of "phase 2", the IASB has finalized during the second half of 2020 its works on how to account for the consequences of interest rate benchmark reform; such work have resulted in additional amendments (see below).

  The interest rate benchmarks to which the Group is mainly exposed are EURIBOR, EONIA and LIBOR (USD, GBP, CHF and JPY) rates. So as to transition from the former to the new interest rates benchmark in all the currencies and jurisdictions involved, the Group has set-up a steering committee comprising all the departments involved within the bank, in particular the Front office, the Legal department, the Finance and Operations division and lastly, the Risk division. This committee aims at reducing the risks arising from the transition, monitoring its effective implementation within the time and to follow-up on the industry's work on this matter. In addition to these qualitative disclosures, the quantitative pieces of information required by the amendment to IFRS 7 are disclosed below in note 4.1, and notably the notional amounts of hedging derivatives to which these amendments are applied.

Apart from the disclosures of the information previously mentioned, these amendments have no impact on the Group's consolidated financial statements given that it had opted for an early application of them from January 1, 2019.

- Amendment to **IFRS 3 Business combinations:** issued by the IASB on October 22, 2018, endorsed by the European Union on April 21, 2020 (UE Regulation No. 2020/551) and effective for reporting periods beginning on or after January 1, 2020 (for combinations of those periods) with early application permitted, this amendment narrows and clarifies the definition of a business, a key concept that enables a business combination to be distinguished from a simple acquisition of a group of assets.

  This amendment has no impact on the Group's consolidated financial statements given that it has undertaken any operation referred to in the amendment during the period.
- Statement of conclusions from ANC **regarding the application of the IFRS 16 standard – Leases:** issued by ANC on July 3, 2020, superseding the previous version issued on February 16, 2018, this statement of conclusions is intended to align ANC opinion regarding French commercial property leases in the scope of French *Code de commerce* with the clarifications made by the IFRIC on November 26, 2019 regarding the requirements for determining the length of the enforceable period and the consistency between the lease term on the one hand and the useful life of non-removable leasehold improvements made in the rent premises on the other hand. The ANC specifies in particular that the enforceable period of this kind of leases within the meaning of IFRS 16 is generally of nine years, but that it can however be longer when the lessee can reasonably expect that he will trigger the tacit renewal clause and/or when the lessor is unable to terminate the contract without a more that insignificant penalty.

  This opinion from the ANC has no impact on the Group's consolidated financial statements: it confirms the estimate made by the Group as regards the term to be used in compliance with IFRS 16 provisions for the French commercial property leases to which it is the lessee.
- Amendment to **IFRS 16 Leases:** issued by the IASB in May 2020, endorsed by the European Union on October 9, 2020 (UE Regulation No. 2020/1434) and effective as from June 1, 2020 for reporting periods beginning on or after January 1, 2020 with early application permitted, this amendment is intended to specify how rent concessions to lessees arising as a direct consequence of the Covid-19 pandemic shall be accounted for. It provides a practical expedient to lessees, that enables them to elect not to assess whether such concessions constitute a lease modification and, as a result, to account for them as if it were not a modification.

  This amendment has no impact on the Group's consolidated financial statements given that so far it, as a lessee, has not benefited from any rent concession from its lessors due to the Covid-19 pandemic.

1.1.3 IASB and IFRIC texts endorsed by the European Union or in the process of being endorsed but not yet applicable

- Amendments to **IAS 39 Financial instruments: recognition and measurement/IFRS 9 Financial instruments/IFRS 7 Financial instruments: disclosures/IFRS 4 Insurance contracts/IFRS 16 Leases:** issued by the IASB on August 27, 2020, endorsed by the European Union on January 13, 2021 (UE Regulation No. 2021/25) and effective for reporting periods beginning on or after January 1, 2021 with early application permitted, these amendments, which complement those from "phase 1" of IASB's project (see above), finalize "phase 2" of the project and are intended to address the financial reporting consequences of the actual replacement of existing interest rate benchmarks with alternative reference rates specified under the interest rate benchmark reform. These amendments thus apply to every change in the basis for determining the contractual cash flows provided that this change is a direct consequence of the reform and there is an economical equivalence between the former and the new basis for determining those flows.

  The "phase 2" amendment to IFRS 9 provides a practical expedient that enables to account for the impact of such changes to be accounted for prospectively through an adjustment of the EIR.

  When such changes relate to financial assets or financial liabilities involved in an hedge relationship, the latter shall be re-documented and the IAS 39 "phase 2" amendment specifies further reliefs so as to enable the continuation of hedged relationships beyond the end of application of "phase 1" reliefs. These reliefs apply in particular to the way retrospective effectiveness tests shall be performed (option to set at zero the cumulative change in fair value of the hedged item and the hedging instrument), the retention of the CFH reserve that relates to forecast transactions (the cumulative gains and losses recognized in OCI are deemed to have been determined on the basis of the same rate as the one of future hedged cash flows), the hedging of group of items (requirement to split the Group into two sub-groups, one based on the former rate and another on the new one) and the "separately identifiable" requirement of a non-contractually specified portion of hedged risk (deemed fulfilled as regards an alternative benchmark rate provided that there is a reasonable expectation that it will fulfil the requirement within 24 months).

  The "phase 2" amendment to IFRS 7 specifies the qualitative and quantitative information that shall be disclosed as regards financial instruments during the application of "phase 2".

  The amendment to IFRS 4 is mainly intended to extent the practical expedient specified under IFRS 9 "phase 2" amendment to insurers that have opted for the temporary exemption to apply IFRS 9.

  The amendment to IFRS 16 provides a practical expedient that enables any modification of a lease resulting from the reform to be accounted for as if it were a reevaluation and using an unchanged discount rate. In practice, this amendment concerns the leases whose variable payments are indexed to a rate affected by the reform.

  The Group has not opted for an early application of these "phase 2" amendments. The future impact of the amendments to IAS 39, IFRS 9, IFRS 7, IFRS 4 and IFRS 16 on the Group's consolidated financial statements is being analyzed. The amendment to IFRS 4 will have no impact given that the Group does not have any insurance businesses. The amendment to IFRS 16 will at a first sight have no impact given that the future variable payments of leases where the Group is the leese are not indexed on rates affected by the reform.
- Amendment to **IFRS 3 Business combinations:** issued by the IASB in May 2020, not yet endorsed by the European Union and effective for reporting periods beginning on or after January 1, 2022 (for combinations in those periods) with early application permitted, this amendment updates a reference made to the conceptual framework and furthermore requires the acquirer to determine on the one hand whether for obligations within the scope of IAS 37 a present obligation exists at the acquisition date as a result of past events, and on the other hand whether for levies within the scope of IFRIC 21 the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendment further confirms the prohibition for the acquirer to recognize contingent assets acquired in a business combination.

The impact of this amendment on the Group's consolidated financial statements is being analyzed. It is expected to have no impact, given that Group's operations are generally out of the scope of IFRS 3.

- Amendment to **IAS 16 Property, plant and equipment:** issued by the IASB in May 2020, not yet endorsed by the European Union and effective for reporting periods beginning on or after January 1, 2022 with early application permitted, this amendment prohibits henceforth deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Those proceeds as well as related costs shall be recognized in net result.

  The impact of this amendment on the Group's consolidated financial statements is being analyzed. This topic is however not material group-wide.

- Amendment to **IAS 37 Provisions, contingent liabilities and contingent assets:** issued by the IASB in May 2020, not yet endorsed by the European Union and effective for reporting periods beginning on or after January 1, 2022 with early application permitted, this amendment further specifies how the unavoidable cost of a contract shall be calculated and, as a result, how the assessment of whether the contract is onerous shall be made. More precisely, the amendment specifies that the cost of fulfilling a contract comprises not only the incremental costs that relate to this contract in particular, but also an allocation of other costs that relate directly to fulfilling contracts in general.

  The impact of this amendment on the Group's consolidated financial statements is being analyzed.

- Amendments to **IFRS 1 First-time adoption of International Financial Reporting Standards/IFRS 9 Financial instruments/IFRS 16 Leases/IAS 41 Agriculture:** issued by the IASB in May 2020 within the framework of its regular IFRS improvement process, not yet endorsed by the European Union and effective for reporting periods beginning on or after January 1, 2022 (except for the amendment to IFRS 16) with early application permitted:
  - IFRS 1 amendment extends to the cumulative translation differences from foreign operations the relief available for subsidiaries to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements. It is available for subsidiaries that adopt IFRS later than their parent;
  - IFRS 9 amendment clarifies which fees an entity includes when it applies the "10 per cent" test, with the objective of deciding whether or not the terms of modified financial liability may be deemed substantially different from initial terms. Only fees paid or received between the borrower and its lender may be taken into account, including those paid or received by one of them on the other's behalf;
  - IFRS 16 amendment removes the illustration of the reimbursement of leasehold improvements in the purpose of avoiding any confusion regarding the treatment of lease incentives. As the amendment only regards the removal of an illustrative example, no effective date is stated;
  - IAS 41 amendment concerns agricultural activity.

  The amendment to IFRS 16 has no impact on the Group's consolidated financial statements. The amendments to IFRS 1 and IAS 41 will have no impact on the Group's consolidated financial statements. The impact of the amendment to IFRS 9 on the Group's consolidated financial statements is being analyzed.

- Amendment to **IAS 1 Presentation of financial statements:** issued by IASB in January 2020, not yet endorsed by the European Union and effective for reporting periods beginning on or after January 1, 2022 (or January 1, 2023 given the IASB's provisional decision), this amendment clarifies the distinguishing criteria between current liabilities on the one hand and non-current liabilities on the other hand.

  This amendment will have no impact on the Group's consolidated financial statements given that it classifies its liabilities based on a liquidity criterion.

- **IFRS 17 Insurance contracts:** issued by IASB in May 2017, amended by IASB in June 2020, not yet endorsed by the European Union and effective for reporting periods beginning on or after January 1, 2023 (June 2020 amendments have postponed by 2 years this date, which was initially January 1, 2021), this standard, which will replace IFRS 4 standard, clarifies in particular how all insurance contracts (life, non-life, insurance and reinsurance) shall be accounted for, contracts for which the entity is the policyholder being in particular out of the scope (excepted reinsurance contracts).

  Given the distant date of application of this new standard and as the European Union has not endorsed it, the impacts of this standard on consolidated financial statements of the Group will be analyzed at a later stage.

1.2 Accounting principles applied to the financial statements

The financial statements are prepared on a going concern basis. They are stated in millions of euros (EUR) unless otherwise specified.

The preparation of financial information requires management to make estimates and assumptions that affect the amounts reported. In order to make these assumptions and estimates, management uses the information available at the date of financial statement preparation and exercises its judgment. While management believes it has considered all available information when making these assumptions, actual results may differ from such estimates and the differences may have a material impact on the financial statements.

Judgments were principally made in the following areas:

- classification of financial instruments;
- determination of the occurrence of a significant increase in credit risk since initial recognition;
- determination of whether or not there is an active the market for financial instruments measured at fair value;
- hedge accounting;
- existence of a present obligation with probable outflows in the event of litigation.

These judgments are detailed in the following chapters.

Estimates were principally made in the following areas:

- determination of fair value for financial instruments measured at fair value;

- assessment of the amount of expected credit losses, in particular in the framework of the definition of macroeconomic scenarios used;
- estimates of future taxable profits for the recognition and measurement of deferred tax assets.

1.2.1 Consolidation

The consolidated financial statements of the Group include all entities under its control. Entities under control are fully consolidated.

The Group controls a subsidiary when the following conditions are all met:

- the Group has the power over the relevant activities of the entity, through voting rights or other rights;
- the Group is exposed to or has rights to variable returns from its involvement with the entity;
- the Group has the ability to use its power over the entity to affect the amount of those returns.

The analysis of the level of control is reviewed when a change occurs in one of these criteria. Subsidiaries are consolidated on the date that the Group gains control. All intra-group transactions and balances, including unrealized gains or losses resulting from intra-group transactions, are eliminated on consolidation.

The Group holds 100% of Caisse Française de Financement Local. The Group consists of these two entities. The activity of the Group is to refinance French public sector entities, public healthcare facilities and export credit loans.

Name	Method	Voting (%)	Interest (%)
Parent company			
SFIL			
Consolidated entity			
Caisse Française de Financement Local	Full	100%	100%

1.2.2 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention for both parties to settle expected future cash flows on a net basis or to simultaneously realize the asset and settle the liability.

1.2.3 Foreign currency transactions

Foreign currency transactions are accounted for using the exchange rate prevailing on the transaction date.

As a reminder, the main feature of a monetary item is the right to receive (or the obligation to deliver) a fixed or determinable number of units of currency. Under IAS 21, monetary assets and liabilities denominated in foreign currencies are recognized at closing rates and any resulting exchange differences are recognized in profit or loss.

Financial assets denominated in a foreign currency and measured at fair value through the item Unrealized or deferred gains and losses through equity are accounted for as monetary items under IFRS 9: the exchange difference resulting from the adjustment of the amortized cost of these assets is recognized in profit or loss, while further adjustments of the carrying amount (except the loss allowance for expected credit losses: see below) are recognized in equity.

The Group holds no non-monetary assets or liabilities denominated in a foreign currency.

1.2.4 Trade date and settlement date accounting

All purchases and sales of financial assets are recognized on the settlement date, which is the date that a financial asset is received or delivered by one company of the Group. Derivative instruments are recognized at fair value on the transaction date.

1.2.5 Financial assets

When the Group becomes party to the contractual provisions of a financial asset, the latter is classified under one of the three categories instituted by IFRS 9, depending on the business model it is held within on the one hand and the characteristics of its contractual cash flows on the other hand.

1.2.5.1 Business model

The inclusion of Group's financial assets within business models is assessed at a level that reflects how groups of financial assets are managed together to achieve Group's business objectives, which are:

- refinancing local government entities and public hospitals through the acquisition by Caisse Française de Financement Local of medium/long term loans granted by La Banque Postale;
- refinancing export credit contracts covered by BPI Assurance Export insurance policy;
- reducing the sensitivity of remaining sensitive structured loans held by Caisse Française de Financement Local.

This assessment implies most of the time the use of judgment and relies on facts, circumstances and, generally speaking, all relevant evidence that is available for the Group at the date of the assessment. Relevant evidence can be broken down into two groups:

- qualitative evidence: how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed, how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- quantitative evidence: the frequency, value and timing of sales in prior reporting periods, the reasons for those sales and expectations about future sales activity.

It can be inferred from this assessment that the Group only uses the Hold-To-Collect (HTC) model and, to a lesser extent, the Hold-To-Collect-and-Sell (HTCS) model. The Group does not hold any financial assets for trading purposes, *i.e.* the Group does not originate, acquire or hold financial assets for the purpose of realizing a net gain through selling or repurchasing them it in the near term.

1.2.5.2 Characteristics of contractual cash flows (SPPI criterion)

The SPPI (Solely Payments of Principal and Interests) criterion test is intended to assess whether the contractual cash flows of a financial asset are consistent with those of a basic lending agreement, *i.e.* payment of principal and interest on that outstanding principal. Irrespective of the legal form of the asset and the nature of its rate (fixed or variable), this is the case when the contractual cash flows comprise solely a compensation for the time value of money, a compensation for the credit risk derived from the outstanding principal for a given time period, if applicable a compensation for other basic lending risks (*e.g.* liquidity risk) and costs (*e.g.* administrative costs) associated with holding the asset for a given period of time, plus if applicable a margin.

Most of the time a qualitative analysis is sufficient to determine whether the asset is SPPI compliant or not. Sometimes, an additional quantitative analysis is necessary: it intends to compare the contractual cash flows of the financial asset in question with those of a benchmark asset. If the gap assessed through this comparison is not material, the asset is assimilated to a basic lending agreement.

1.2.5.3 Financial assets measured at amortized cost

A financial asset is classified and subsequently measured at amortized cost if it meets both of the following two conditions:

- this financial asset is held within a business model, whose objective is to hold financial assets with the purpose of collecting contractual cash flows (HTC model);
- the contractual provisions of this asset result, at specified dates, in cash flows correspond solely to the repayment of principal and interest on the outstanding principal (SPPI criterion).

At initial recognition, the Group recognizes a financial asset belonging to this category at fair value, including if applicable any premium/discount and transaction costs. Subsequently, the financial asset is measured at amortized cost, which corresponds to its carrying amount at initial recognition minus repaid principal, plus or minus as appropriate the amortization of the premium/discount and transaction costs calculated using the effective interest rate method and taking into account any loss allowance for expected credit losses. The latter reduces the carrying amount of the financial asset with an offsetting entry to the profit or loss as cost of risk.

Due and accrued interest on loans and fixed income securities belonging to this category as well as the amortization of premium/discount and transaction costs, calculated using the effective interest rate method, are recognized in the net interest margin.

The effective interest rate is the rate that accurately discounts the expected future cash flows over the expected life of the financial instrument or, where more appropriate, a shorter period, so as to obtain the gross carrying amount of the financial instrument or, if the underlying instrument is a purchased or originated credit-impaired financial asset or has been subsequently impaired (see below), its net carrying amount (which takes into account in particular the loss allowance for expected credit losses). The calculation of this rate takes into account the commissions received or paid by the parties which, because of their nature, form an integral part of the effective rate of the contract, possible premiums and discounts and transaction costs. Transaction costs are incremental costs that are directly attributable to the acquisition of a financial instrument and are used for the calculation of the effective interest rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

1.2.5.4 Financial assets measured at fair value through the item Unrealized or deferred gains and losses through equity

A financial asset is classified and subsequently measured at fair value through the item Unrealized or deferred gains and losses through equity meets both of the following two conditions:

- this financial asset is held within a business model, objective of which is both to collect the contractual cash flows and to sell financial assets (HTCS model);
- contractual provisions of this asset result, at specified dates, in cash flows which embed only the repayment of principal and interest on the outstanding principal (SPPI criterion).

At initial recognition, the Group recognizes a financial asset belonging to this category at fair value, including if applicable any premium/discount and transaction costs. Subsequently, the unrealized gains or losses stemming from the variation of the fair value of this asset are recognized as other comprehensive income in equity, except an amount corresponding to the loss allowance for expected credit losses, which is recognized in profit or loss as cost of risk.

Due and accrued interest on loans and fixed income securities belonging to this category as well as the amortization of premium/discount and transaction costs, calculated using the effective interest rate method (see above), are recognized in the net interest margin.

1.2.5.5 Financial assets measured at fair value through profit or loss

A financial asset which does not belong to any of the two categories described above (amortized cost and fair value through the item Unrealized or deferred gains and losses of equity) falls under this category and is classified and subsequently measured at fair value through profit or loss: this category is mainly composed of financial assets that are not SPPI compliant.

At initial recognition, the Group recognizes a financial asset belonging to this category at fair value, including if applicable any premium/discount and excluding transaction costs. Subsequently, the unrealized gains or losses stemming from the variation of the fair value of this asset are recognized in profit or loss as net banking income.

In accordance with the principles stated under ANC Recommendation 2017-02 issued on June 2, 2017, the Group decided to recognize separately:

- the fair value variations excluding accrued interest; they are recognized under the item Net result of financial instruments at fair value through profit or loss of the net banking income;
- due and accrued interest; they are recognized in the net interest margin.

1.2.5.6 Designation options

The Group does not use the following options:

- option to designate a financial asset as measured at fair value through profit or loss: this option can be exercised only if it eliminates or significantly reduces a recognition inconsistency for assets or liabilities (accounting mismatch);

- option to present in other comprehensive income subsequent changes in fair value of particular investments in equity instruments; the Group does not hold such instruments.

1.2.5.7 Impairment of financial assets

Defining the impairment base

A loss allowance for expected credit losses is calculated for all financial assets measured at amortized cost or at fair value through the item Unrealized or deferred gains and losses through equity. At each closing date, they are broken down into three Stages:

- Stage 1: credit risk on the financial asset has not increased significantly since its initial recognition;
- Stage 2: credit risk on the financial asset has increased significantly since its initial recognition;
- Stage 3: the asset has defaulted.

At each closing date, the loss allowance for expected credit losses of a financial asset is measured as:

- the amount corresponding to the expected credit losses during the next 12 months for Stage 1 assets;
- the amount corresponding to the expected credit losses to maturity for Stage 2 and Stage 3 assets.

No loss allowance is recognized at initial recognition for purchased or originated credit-impaired financial assets. Interest income generated by these assets is determined using an effective interest rate that takes into account expected credit losses. Subsequently, the loss allowance recognized on these assets corresponds to the accumulated variations of lifetime expected credit losses from initial recognition. The Group does not primarily intend to purchase or originate purchased or originated credit-impaired financial assets.

Assessing whether credit risk has significantly increased

The assessment of credit risk increase is performed on an individual basis: the Group does not use the collective basis approach. The objective of the assessment is to compare the default risk at the closing date with its default risk at the date of initial recognition. This assessment takes into consideration all reasonable and supportable information that is relevant and that is available to the Group without incurring undue cost or making undue effort, in particular qualitative and quantitative information on past events (use of historic metrics), on the current economic environment and on expectations on future economic environment (forward-looking information). In practice, the assessment of credit risk increase is realized at counterparty level:

- either through the comparison of the probability of default (PD) at maturity (weighted average PD of the forward-looking scenarios) with the PD at initial recognition;
- or through the characterization of risk levels (ratings coming from internal rating systems) from one year to another to risk catgories regarded as having higher risk (higher historic default rates).

The contracts of a counterparty are classified in Stage 3 when the counterparty is in one or other of the following situations:

- it is in "default" within the meaning of the CRR because it is unlikely to pay: it is probable that the counterparty will not repay all or part of its debt, without taking any guarantees into accountrecourse, if applicable;
- it presents payment arrears of more than 90 days, irrespective of whether this counterparty is or is not in "default" within the meaning of the CRR.

The contracts of a counterparty in one or the other of the situations described above are also considered as Non-Performing Exposures from a prudential perspective. On the perimeter being broken down into Stages, the accounting base of Stage 3 is therefore larger than the one of the "default" within the meaning of the CRR and is broadly in line with that of Non-Performing Exposures, with just one significant difference: counterparties already in Forbearance and to which a new Forbearance has been granted and/or an incident of payment past due of between 31 and 90 days has occurred. The contracts of a counterparty in this situation are considered as Non-Performing Exposures from a prudential perspective but remain classified in Stage 2 from an accounting perspective (see below).

The contracts of a counterparty are classified in Stage 2 when, without however being in one or the other of the situations in Stage 3 (see above), the counterparty is in one or the other of the following situations characterizing a significant increase in credit risk:

- it is followed by the Watchlist Committee, due to an increase in its credit risk, or it is in Forbearance, following a concession made by the Group toward a counterparty facing financial difficulties;
- it presents payment arrears of strictly between 31 and 90 days;
- its rating presents one of the following characteristics: it has become non-Investment grade (internal rating inferior or equal to BB+), it has no internal rating, it has had or will have a rating migration regarded as risky in the forward-looking scenarios. The rating migrations regarded as risky correspond to downgrading of ratings deemed risky and have been determined to be as such based on a quantitative modeling carried out on the basis of a statistical analysis using historical data and supplemented by the use of expert judgment.

In the absence of any of the situations detailed above, a significant increase in credit risk is not characterized and the contracts of the counterparty remain classified in Stage 1.

Stages transitions must be compliant with the following rules:

- for the contracts of a counterparty in "default", exiting from Stage 3 and "default" (and getting back to Stage 2 or Stage 1) can only occur after a cure period of at least one year during which the counterparty is still considered as being in "default" within the meaning of the CRR and the contracts of this counterparty remain classified in Stage 3. Exit must in addition be formally decided by the Default Committee and is conditional on the full repayment of arrears, if any. It shall be noted that this cure period is not applicable to the contracts of a counterparty that was in Stage 3 without being in "default" within the meaning of the CRR;

- for contracts in Forbearance, exiting from Stage 2 or as appropriate Stage 3 (and getting back to Stage 1) can only occur after a cure period of at least two years which starts from the date when the forbearance had been granted if the counterparty was not in "default" within the meaning of the CRR or from the date of exit from "default" if it was.

All impairments operated in the context of the health crisis are the result of an analysis of the particular situation of each counterparty.

Measuring the amount of the expected credit loss

The loss allowance recognized on the contract is equal to the average of expected credit losses of each of the scenarios weighted by their respective probability of occurrence. For all material portfolios, the definition of scenarios integrates a forward-looking dimension, which consists in projecting macroeconomic and financial variables and assessing their impacts on loss allowances. These scenarios are built either upon projections realized by the credit risk division, or quantitative studies using data from advanced models.

In the case of French local authorities, the main assumptions as well as the scenarios and their weighting are presented below. The assumptions of these scenarios are regularly updated and have in particular been adapted so as to take into account the impacts of Covid-19 pandemic. Apart from the change in the method to build the three scenarios (see below), the company has notably taken into account the effects of Covid-19 pandemic through a marginal adjustment to probabilities of default of SFIL's counterparties:

- a central scenario (weighted at 60%) based on an evolution of local authorities accounts is established following a two-steps approach:
  - the "central scenario without Covid-19". The evolution of the accounts deemed "natural", *i.e.* the change that would have been expected had the pandemic crisis not occurred. It is based on the increase of tax bases, financial endowments from budget bills, investment trends before the crisis for the 2020 financial year, etc.,
  - the "central scenario with Covid-19". To these "natural" evolutions, we add-back the so-called "Covid-19" evolutions, *i.e.* the changes resulting from the pandemic crisis. The estimate of this crisis is currently the subject of several studies. We distinguish a "short-term" impact, *i.e.* due to the lockdown and/or for which a quick catch-up effect is expected, from a "long-term" impact, where the economic crisis results in revenues losses that the local authorities cannot compensate in our scenario.
- an upside scenario (weighted at 25%) based on the same assumptions as the base scenario, with the following deviations:
  - Covid-19 negative impact on tax revenues and service revenues as well as other revenues is decreased by 30%,
  - financial endowments granted by the French State are more dynamic in 2021 and 2022;
- a downside scenario (weighted at 15%) based on the same assumptions as the central scenario, with the following deviations:
  - Covid-19 negative impact on tax revenues and service revenues as well as other revenues is increased by 30%,
  - financial endowments granted by the French State do not increase in 2021 and 2022, and remain at their level of 2020,
  - the increase in investment expenditures is very sharp in 2021 and 2022.

The impact of changing weights between the three scenarios on the amounts of expected credit losses is deemed very limited. As an illustration, an increase in 10% for the downside scenario combined with a decrease in 5% for both upside and base scenarios would lead to a surplus of EUR 0.2 million of expected credit losses.

For contracts classified in Stage 1 or Stage 2, expected credit losses equals the present value of the product of three parameters discounted at the original effective interest rate of the contract: the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD), respectively on a one-year horizon for contracts classified in Stage 1 and on the residual lifetime horizon for contracts classified in Stage 2. The three parameters depend on the scenario and the year considered. The Group has capitalized on the framework of calculation of these parameters under Basel regulation and has introduced adjustments so as to comply with specific provisions of IFRS 9. This approach has resulted in the definition of IFRS 9 specific models for each material portfolio. More precisely, specific models have been developed so as to calculate PD and LGD for local authorities and inter-municipal groupings with specific tax status, given that this portfolio is the most material for the Group. These calculations have been performed by taking the following steps:

- a through-the-cycle migration matrix is built upon available historical data;
- it is then distorted to derive point-in-time PD as well as point in time migration matrix;
- the latter is used in the scenarios, taking into account forward-looking information.

For contracts classified in Stage 3, the expected credit losses equal the loss at maturity, *i.e.* the difference between the sequence of cash flows contractually due to the Group and the sequence of cash flows that the Group expects to recover, both discounted at the original effective interest rate. Depending on the materiality of the contract, the cash flows that the Group expects to recover are calculated either through individual simulations performed by the credit risk division or through standard recovery scenarios using predefined management rules. These flows are, if applicable, net of any flows derived from realizing securities which form an integral part of contractual provisions.

At each closing date, the classification in Stages and the loss allowances for expected credit losses are subject to analysis and are validated by the impairment committee prior to their accounting. Besides, back testing procedures have been set up so as to annually monitor the performance of the framework of expected credit losses calculation under IFRS 9; they encompass data quality, portfolio structure and the quality of forecast.

Recognizing the impairment

Positive and negative variations in the amount of the loss allowance for expected credit losses are recognized in profit or loss as cost of risk.

When an asset is determined by management as being irrecoverable, it is derecognized (see below): the loss allowance for expected credit losses is reversed and the net loss is recognized in profit or loss as cost of risk. Subsequent recoveries, if any, are also recognized in cost of risk.

1.2.5.8 Derecognition of financial assets

A financial asset is derecognized if and only if the contractual rights to the cash flows from this asset expire or if this asset is transferred and the transfer meets one of the following conditions:

- substantially all the risks and rewards of ownership of this asset have been transferred; or
- substantially all the risks and rewards of ownership of this asset have been neither transferred nor retained and the control on this asset has not been retained. If the control on this asset has been retained, the underlying asset continues to be recognized to the extent of Group's continuing involvement in it.

The gain or loss realized when derecognizing a financial asset equals the difference between on the one hand the consideration received (net of transaction costs and including any new asset obtained less any new liability assumed) and on the other hand the carrying amount of this asset measured at the date of derecognition. It is recognized in profit or loss of the reporting period considered as net banking income.

Case of disposals

Financial assets are derecognized on disposal. The gain or loss realized on disposal takes into account the followings:

- for financial assets measured at amortized cost, the carrying amount of the disposed asset is systematically determined based on the "first in, first out" approach (FIFO method) on a portfolio basis;
- for financial assets measured at fair value through the item Unrealized or deferred gains and losses through equity, cumulative gains or losses previously recognized in equity are, under the FIFO method, reversed in profit or loss on disposal, under the item of net banking income used for recognizing the net gains and losses of this category.

Case of repos and reverse repos operations

Securities that are sold with a commitment to repurchase them at a predetermined price (repos) are not derecognized and remain on the balance sheet in their original category. The corresponding liability is recognized as financial liabilities at amortized cost. The asset is reported as pledged in the notes.

Securities purchased under commitment to sell at a predetermined price (reverse repos) are recognized off-balance sheet and the corresponding loans are recognized on the balance sheet as financial assets at amortized cost.

The difference between the sale and the repurchase price is recognized as interest income or expense and is capitalized and amortized over the term of the contract using the effective interest rate method.

Case of prepayments

The prepayment of a loan results in general in the payment of a penalty which serves as the basis for determining the gain or loss realized on derecognition.

In the case of a prepayment without refinancing, the loan no longer exists and is derecognized.

In the case of a prepayment with refinancing, the accounting treatment differs depending on whether the restructured terms are substantially different from the original terms; it is notably the case in either of the following situations:

- the restructured loan is not classified in the same accounting category as the original loan, either because its contractual cash flows now meet the SPPI criterion (which they did not originally) or because they no longer meet the criterion (which they did originally);
- the net present value of the cash flows under the new conditions, including any fees paid net of any fees received, differs by more than 10% from the net present value of the cash flows remaining from the original loan, both of these present values being discounted at the original effective interest rate.

If restructured terms are not substantially different from original terms, the original loan is not derecognized. Its gross carrying amount is adjusted so as to reflect the post-restructuring terms, including costs and fees incurred, such that it corresponds to the present value of the cash flows of the restructured loan discounted at the original effective interest rate (or, in the case of purchased or originated credit-impaired assets, at this rate adjusted so as to reflect credit quality). Such an adjustment, called "catch-up" effect, constitutes the excess of the margin of the restructured loan over its original margin: it is immediately recognized in profit or loss of the reporting period, under net interest margin. Furthermore, for financial assets measured at amortized cost or at fair value through the item Unrealized or deferred gains and losses through equity, the Group assesses whether, due to the modifications in the terms, a significant increase in credit risk since initial recognition has occurred: if so, an adjustment of the loss allowance for expected credit losses is recognized (see above).

If restructured terms are substantially different from original terms, the original loan is derecognized and the loan under restructured terms is recognized as a new financial asset. Its gross carrying amount is adjusted so as to reflect market conditions; such as it corresponds to the present value of the restructured cash flows discounted at the effective interest rate of a loan granted under normal market conditions at the date when the loan is restructured. Such an adjustment constitutes the excess of the margin of the restructured loan over normal market conditions at the date when the loan is restructured: it is immediately recognized in profit or loss of the reporting period, under the item of net banking income used for recognizing the net gains and losses of the category of the derecognized financial asset.

1.2.6 Financial liabilities

1.2.6.1 Financial liabilities held for trading

The Group does not hold financial liabilities belonging to this category.

1.2.6.2 Financial liabilities designated at fair value through profit or loss

The Group does not use this option.

1.2.6.3 Financial liabilities at amortized cost

Financial liabilities at amortized cost are mainly *obligations foncières* and other resources that benefit from the privilege defined in article L.513-11 of the French Monetary and Financial Code.

At initial recognition, the Group recognizes a financial liability belonging to this category at fair value, which is its nominal value including if applicable any reimbursement and issue premiums and transaction costs (mainly fees and commissions on bond issues). Subsequently, the financial liability is measured at amortized cost, which corresponds to its carrying amount at initial recognition plus or minus as appropriate the amortization of premiums and transaction costs calculated using the effective interest rate method.

Due and accrued interest on financial liabilities belonging to this category as well as the amortization of premiums and transaction costs calculated using the effective interest rate method, are recognized in the net interest margin.

Bonds issued which are denominated in foreign currencies are accounted for using the same method as foreign currency transactions (see above).

1.2.6.4 Derecognition of financial liabilities

A financial liability is derecognized if and only if it is extinguished, *i.e.* when the obligation specified in the contract is discharged, cancelled or expires.

The restructuring of a financial liability results in the derecognition of this financial liability when the restructured terms are substantially different from the original terms (see above).

1.2.7 Derivatives

Applying the provisions of IFRS 9, the Group has decided to maintain the provisions of IAS 39 for hedge accounting at the date of entry into force of IFRS 9. However, the Group discloses the financial information on hedge accounting that is required under IFRS 7 as amended by IFRS 9.

All derivatives are initially recognized on the balance sheet at fair value and are then revalued at their fair value. The fair value of derivatives is calculated either on the basis of prices observed in listed markets or by using internal valuation models.

The amount registered on the balance sheet includes the premium paid or received after amortization, the amount of changes in fair value and accrued interest, which together make up the fair value of the derivative. Derivative instruments are recognized as assets if their fair value is positive and as liabilities if it is negative.

1.2.7.1 Derivatives not documented in a hedging relationship

The Group enters into derivative contracts for the sole purpose of hedging its exposures to interest rate or foreign exchange positions. However, some derivatives must be measured at fair value through profit or loss at the closing date; these are:

- those that did not meet hedge effectiveness criteria at the closing date;
- those that which hedge financial assets that are measured at fair value through profit or loss. It comprises mainly financial assets that do not meet the SPPI criterion. In this case, the revaluation of the derivative natively hedges the revaluation of the hedged risk of the hedged item, making the documentation of a hedging relationship unnecessary;
- those that hedge the foreign exchange risk related to export credit financing loans denominated in a currency other than the euro. These derivatives are concluded before the end of the drawing phase of the hedged loans and the foreign exchange hedging relationship is documented only from the complete payment in the Group's balance sheet.

Both realized and unrealized gains and losses on these derivatives, measured at fair value through profit or loss at the closing date, are recognized in profit or loss under net banking income.

1.2.7.2 Hedging derivatives

Hedging derivatives can be classified as either:

- hedges of the fair value of a recognized asset or liability or a firm commitment (fair value hedge); or
- hedges of a cash flow that might eventually impact future profit or loss and that is attributable to a recognized asset or liability or a forecast and highly probable future transaction (cash flow hedge).

Hedge accounting may be used for such derivatives, provided certain criteria are met:

- precise and formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship between the hedging instrument and the hedged item must be prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be effective both prospectively and retrospectively in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk throughout the reporting periods;
- the hedge, the effectiveness of which has been reliably measured, shall be effective at inception and on an ongoing basis;
- for hedges of a future cash flow, the future transaction that constitutes if applicable, the hedged item must be highly probable and must involved an exposure to variations in cash flows that could ultimately affect the profit or loss.

Changes in the fair value of derivatives that are designated and documented in a fair value hedging relationship, and that respect the criteria set out above, are recognized in profit or loss, along with the corresponding change in fair value of the hedged items that are attributable to that specific hedged risk. Regarding notably structured financial instruments, the existence of a perfect hedge with a derivative, and the documentation of the associated hedging relationship, have the effect of re-evaluating the hedged risk of the financial instrument, in parallel with the revaluation of the hedging derivative.

The effective portion of the changes in the fair value of derivatives that are designated and documented in a cash flow hedging relationship and that respect the criteria set out above, is recognized in equity. The non-efficient portion of the changes in the fair value of the derivatives is recognized in profit or loss. Amounts deferred in equity are recycled to profit or loss and classified as income or expense when the hedged firm commitment or forecast transaction affects the profit or loss.

If at any time the hedge no longer meets the criteria for hedge accounting, one of the following accounting treatments shall be applied:

- in the case of a fair value hedge, the portion attributable to the hedged risk of the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortized to profit or loss over the residual maturity of the hedged item by adjusting the effective interest rate on the hedged item;

- in the case of a cash flow hedge, the amounts deferred in equity during the previous reporting periods, *i.e.* the effective portion of the changes in the fair value of derivatives, are maintained in equity until the derecognition or the extinguishment of the hedged item. They are recycled to profit or loss as or when the item formerly hedged impacts profit or loss.

1.2.7.3 Hedging of the interest rate risk of a portfolio

The Group uses the provisions of IAS 39 as adopted by the European Union (IAS 39 carve-out) because it better reflects the way the Group manages its financial instruments.

The objective of hedging relationships is to reduce the interest rate risk exposure stemming from certain categories of assets or liabilities designated as the hedged items.

The Group performs a comprehensive analysis of its interest rate risk exposure. It consists in assessing fixed-rate exposure generated by all fixed-rate balance sheet items. The Group selects financial assets and liabilities to be included in the hedge of the portfolio's interest rate risk exposure. The same methodology is constantly applied to select financial assets and liabilities that are included in the portfolio. Financial assets and liabilities are classified by time-buckets. Hence, when they are removed from the portfolio, they must be removed from all time-buckets on which they have an impact.

The Group chose to put together homogeneous portfolios of loans and portfolios of bonds. Based on this gap analysis, which is realized on a net basis, the Group defines at inception the risk exposure to be hedged, the length of time-buckets and the testing method and frequency.

Most of the macro-hedging instruments used by the Group are plain-vanilla interest rate swaps designated at inception within a fair value hedge of fixed-rate resources or expenses. Hedge effectiveness is assessed through the use of target schedules. Prospective (realized at inception) and retrospective (realized at each half-year and annual closing date) effectiveness tests are intended to ensure there is no "over" hedging: they are successful if, for each time-bucket of the target schedule, the nominal amount of hedged items is superior to the notional amount of hedging derivatives.

Hedging instruments are made up of a portfolio of derivatives, in which positions may be offset. Hedging items are recognized at fair value (including accrued interest expense or income) with fair value adjustments recognized in profit or loss.

Revaluation related to the hedged risk is recognized on the balance sheet (respectively in asset or liability depending on whether the Groups of hedged items are assets or liabilities) as Fair value revaluation of portfolio hedge with fair value adjustments recognized in profit or loss.

1.2.8 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between participants at the measurement date in the principal market, or in its absence, the most advantageous market the Group has access to on that date. The fair value of a liability reflects its non-performance risk, which includes in particular the Group's own credit risk.

Market prices are used to determine fair value where an active market exists. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on a going concern basis. Active market prices are not, however, available for a significant number of the financial assets and liabilities held or issued by the Group.

If a financial instrument is not listed on an active market, valuation techniques are used. Valuation techniques include the use of market data from recent arm's length transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same if any, and valuation models.

A valuation model reflects what the transaction price would have been on the measurement date in current market conditions. The valuation model incorporates all the factors that market participants would consider when pricing the instrument; for example modifications in the credit risk quality of the underlying financial instruments as well as instrument and market liquidity. Within this framework, the Group uses its own valuation models and market assumptions, *i.e.* present value of cash flows or any other techniques based on market conditions existing at the closing date.

1.2.8.1 Fair value of financial instruments measured at amortized cost

The following additional comments are applicable to the fair value of financial instruments measured at amortized cost presented in note 7 of the financial statements:

- the fair value of fixed-rate loans is estimated by comparing market interest rates when the loans were granted with current market interest rates offered on similar loans;
- caps, floors and prepayment penalties are included in determining the fair value these instruments.

1.2.8.2 Financial instruments measured at fair value

Non-derivative financial assets measured at fair value, either through the item Unrealized or deferred gains and losses through equity or through profit or loss, and derivative instruments are measured at fair value by reference to listed market prices when available. When listed market prices are not available, fair value is estimated on the basis of valuation models or the discounted cash flows method, using observable market data as much as possible, and if necessary non-observable, market data.

For non-derivative financial assets measured at fair value and for derivative instruments, when listed prices are not available, the pricing model attempts to reflect as accurately as possible the market conditions on the valuation date as well as any changes in the credit quality of these financial instruments and the market liquidity.

To determine the fair value of its derivatives, the Group uses different discount curves depending on whether collateral was actually exchanged. Collateralized derivatives related future cash-flows are discounted using an OIS-based curve or an €STER curve for centrally cleared derivatives for which the discounting index has transitioned in the year 2020. In contrast, uncollateralized derivatives related future cash-flows are discounted using an Euribor-based curve. This differential treatment reflects the different financing costs associated with the derivatives used (FVA - funding valuation adjustment). As a reminder, Caisse Française de Financement Local does not pay any collateral to its derivative counterparties, which benefit from the legal privilege on assets, as well as the legal holders of covered bonds.

In addition, a value adjustment is included in the fair value of derivatives to reflect the impact of counterparty's credit risk (CVA - credit valuation adjustment) or the Group's own credit risk (DVA - debit valuation adjustment). these adjustments allow switching from a fair value based on discounting future cash flows at a risk-free rate, *i.e.* without considering credit risk, to a fair value including this risk. Its calculation is based on the risk exposures combined with loss rates including market parameters.

1.2.9 Deferred taxes

Deferred taxes are recognized using the liability method to account for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The tax rates enacted or substantively enacted at the closing date are used to determine deferred taxes.

Deferred tax assets are recognized to the extent that it is probable that sufficient future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized to account for temporary differences arising from investments in subsidiaries, jointly controlled companies and associates, except where the timing of the reversal of the temporary difference cannot be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes relating to fair value re-measurements of financial assets measured at fair value through the item Unrealized or deferred gains and losses through equity and cash flow hedges, and other operations which recognized directly in other comprehensive income, are also recognized in other comprehensive income.

1.2.10 Tangible and intangible assets

Fixed assets consist exclusively of operating tangible and intangible assets. These assets are held for production or administrative purposes. Fixed assets are recognized as assets if:

- it is probable that the associated future economic benefits will flow to the entity; and
- their cost can be measured reliably.

Fixed assets are recognized at acquisition cost plus any directly attributable expenses.

Software developed internally, when it meets the criteria for recognition, is recognized at its development cost, which includes external expenditures on hardware and services and staff expenses that can be directly attributed to its production and preparation for use.

After initial recognition, fixed assets are carried at cost less accumulated depreciation and impairment. When they are ready to be used, fixed assets are depreciated linearly over their expected useful life. Depreciation is recognized in profit or loss under the item Depreciation and amortization property and equipment and intangible assets.

The component approach is applied to all fixed assets. The depreciation periods are as follows:

Components	Depreciation period
Technical Installations	10-20 years
Fixtures and fittings	10-20 years
IT equipment	3 years
Software developed or acquired*	3 or 5 years
Office equipment	2-12 years

* *Purchased licenses and equipments are depreciated over 3 years. The depreciation period of internally developed softwares depends on whether they are strategic. Those which are considered strategic, are amortized over 5 years; those which are not are amortized over 3 years.*

Fixed assets are tested for impairment when impairment indicators are identified. When the carrying amount of a fixed asset is greater than its estimated recoverable amount, an impairment charge is recognized and the carrying amount of the fixed asset is written down to the estimated recoverable amount. Impairment charges are recognized in profit or loss under the item Depreciation and amortization property and equipment and intangible assets.

Gains or losses on disposal of fixed assets are charged to Net gains (losses) on other assets.

1.2.11 Leases

The Group contracts leases as lessee and it is not involved in sale and leaseback transactions. Most of the leases entered into by the Group are commercial leases governed by the French trade law (*Code de Commerce*), commonly referred to as "3/6/9 leases".

In compliance with the provisions of IFRS 16 standard, a contract is or contains a lease if it conveys, for a period of time in exchange for consideration, the right to control the use of an identified asset, namely both rights:

- to obtain substantially all the economic benefits from the use of this asset. It may be the case directly or indirectly and in several ways: for example by using or holding the asset; and
- to direct the use of this asset. It is evidenced when the Group has the right to direct how and for what purpose this asset is used or, when these parameters are predetermined, the Group has the right to operate the asset or has designed it.

This consideration shall be allocated to each of the lease and non-lease components of the contract, each lease component within the contract being accounted for as a distinct lease and separately from non-lease components. However, as a practical expedient, non-lease components may not be separated from the lease component they are associated to, the whole being then accounted for as a single lease.

Short-term leases and leases for which the underlying asset is of low value when it is new may be exempted. Non material leases are also exempted. Lease payments associated with those leases are recognized on a straight-line basis under the item Operating expenses over the lease term.

The lease term starts from the commencement date and extends over the period during which the lease is unilaterally non-cancellable by the lessee, taking into consideration each extension option that the lessee is reasonably certain to exercise and each termination option that the lessee is reasonably certain not to exercise. It shall not go beyond the period for which the contract is enforceable; the contract is no longer enforceable as soon as the lessee and the lessor each have the unilateral right to terminate the contract with no more than an insignificant penalty.

At initial recognition, which occurs at the commencement date of the lease, the Group recognizes:

- a right-of-use asset. This asset is initially measured at cost, which corresponds to the amount of the initial measurement of the lease liability including if applicable any lease payments already made, any initial direct costs incurred by the Group and any final restoration costs;
- a lease liability. This liability is initially measured at the present value of the lease payments yet not made discounted using the interest rate implicit in the lease or, by default, using the Group's incremental borrowing rate.

The lease payments included in this measurement are the contractual payments for the right to use the underlying asset; they comprise:

- fixed payments, net of any lease incentives receivable;
- variable payments, which depend on an index or a rate. The measurement is performed using the index or the rate in force at the commencement date;
- if applicable, amounts due under residual value guarantees;
- if applicable, the exercise price of any purchase option that the Group is reasonably certain to exercise;
- if however the Group has assessed the lease term assuming it exercises a termination option, the penalties incurred in this event.

Subsequently, the Group measures the right-of-use asset at cost:

- minus accumulated depreciation and, if applicable, impairment. From the commencement date, depreciation is being accounted for, linearly over the shorter period between the useful expected life of this asset and the lease term. The useful expected life shall however be used if the Group is reasonably certain to exercise a purchase option it has or if the legal ownership of the asset is transferred to the Group before the end of the lease term;
- taking into account if applicable any remeasurement of the lease liability.

Subsequently, the Group measures the lease liability at amortized cost, which corresponds to its carrying amount at initial recognition:

- plus accrued interest;
- minus the part of the payments made during the reporting period which corresponds to the repayed capital;
- taking into account if applicable any remeasurement of the lease liability or any lease modification.

Any remeasurement of the lease liability is recognized with an offsetting entry to the right-of-use corresponding asset and, in the event that it leads to reduce to zero the carrying amount of this asset, with an offsetting entry to the profit or loss for the remaining. The lease liability is remeasured by discounting the revised lease payments using:

- either the revised discount rate at the reameasurement date (the interest rate implicit in the lease or, by default, the Group's incremental borrowing rate). It is especially the case when the lease term is modified. It is also the case when the lease is modified in a way that the lease modification shall not be accounted for as a separate lease;
- or the discount rate used for the initial recognition of the lease liability. It is especially the case on the fixing date of the index or the rate on which is based the sequence of future variable payments.

Regarding leases-related disclosures in the financial statements:

- right-of-use assets are recognized under the item Tangible assets or Intangible assets as the case may be;
- depreciation allowances of right-of-use assets and, if applicable, impairment loss allowances are recognized under the item Depreciation and amortization of property and equipment and intangible assets;
- lease liabilities are recognized under the item Accruals and other liabilities;
- due and accrued interest on lease liabilities are recognized in the net interest margin.

1.2.12 Provisions

Provisions mainly include mainly provisions for litigations, restructuring, and loan commitments.

Regarding mainly litigations and restructuring, under IAS 37, a provision is recognized if and only if:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

A provision is measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money.

Regarding loan commitments, the followings must be distinguished (see above):

- loan commitments measured at fair value through profit or loss: they are subject to the full scope of IFRS 9. Therefore, they are not impaired for expected credit losses but valued and their valuation is recognized on the assets side;
- other loan commitments: they are in the scope of the provisions of IFRS 9 related to derecognition and impairment only. Therefore, loss allowances for expected credit losses related to these commitments are measured and recognized the same way as those related to financial assets measured at amortized cost or fair value through the item Unrealized or deferred gains and losses through equity. The assessment of whether credit risk has significantly increased since initial recognition is performed from the date on which the Group is irrevocably and legally committed, *i.e.* from the issuing of a loan offer letter. Furthermore, related loss allowances are recognized on the liabilities side with an offsetting entry to profit or loss as cost of risk.

1.2.13 Employee benefits

Staff expenses include all costs related to employees, particularly expenses of the reporting period related to profit-sharing and incentive plans. Employee benefits are classified in four categories:

1.2.13.1 Short-term benefits

Short-term benefits are those expected to be settled wholly in twelve months after the end of the annual reporting period during which employee services are rendered; they are not discounted and are recognized as an expense of the reporting period. Annual leave is recognized when the benefits are granted to the employee. To this purpose, a provision is recognized based on rights vested by employees at the closing date.

1.2.13.2 Long-term benefits

These benefits, generally related to seniority, are paid to current employees. Their payment is deferred for more than twelve months after the end of the reporting period during which the employees rendered the related service. They represent, specially, long service awards. The actuarial gains and losses related to these benefits and all service costs are recognized immediately in profit or loss.

1.2.13.3 Termination benefits

Employee termination benefits result either from the decision by SFIL to terminate an employment contract before the legal retirement age or by a decision of voluntary redundancy in exchange for termination benefits. A charge for termination benefits at the end of the employment contract is recognized only when SFIL is no longer able to withdraw its offer.

1.2.13.4 Post-employment benefits

Post-employment benefits are only made of defined contribution plans. The assets of these plans are generally held by insurance companies or pension funds. The pension plans are generally funded by payments from both SFIL and its employees.

Under defined benefit plans, SFIL has a formal or constructive obligation to provide the agreed benefits to current and former employees. Actuarial and investment risks fall on SFIL; as a result, this obligation is measured and recognized as a liability under the item Provisions.

Post-employment benefit obligations are measured using an actuarial valuation technique that includes demographic and financial assumptions and the Projected Unit Credit Method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation.

The defined benefit net liability recognized in the balance sheet is valued by independent actuaries and represents the present value of defined benefit obligations reduced by the fair value of plan assets (if any).

When the fair value of assets exceeds the amount of the obligation, an asset is recognized if it represents a future economic benefit for SFIL in form of a reduction in future contributions to the plan or a future partial refund.

Re-measurements of defined benefit net liability (or asset) and the fair value of its covering assets is subject to adjustments due to changes in actuarial assumptions, which results in revaluating the liability (or asset) recognized under defined contribution plans. Actuarial gains and losses resulting from these adjustments are recognized as other comprehensive income at the closing date.

Under defined benefit plans, the expense recognized as staff expenses represents in particular the acquired rights during the reporting period by each employee and comprises the current service cost and past service cost arising from plan amendments, curtailments or settlements.

1.2.14 Interest income and expense

For all interest-bearing instruments, interest income and expense are recognized in profit or loss using the effective interest rate method (see above).

Accrued interest is recognized on the balance sheet under the same item as the related financial assets or liabilities.

1.2.15 Commissions

Most of the commissions arising from the Group's activities are recognized on an accrual basis over the life of the underlying transaction.

Loan commitment commissions are recognized as an adjustment to the effective interest rate and recognized in net interest margin if the loan is used.

1.2.16 Earnings per share

Basic earnings per share before dilution are calculated by dividing net income available for shareholders by the weighted average number of shares outstanding at the closing date.

1.2.17 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include balances at central banks and interbank deposits and demand deposits on credit institutions.

1.2.18 Related-party transactions

Two parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial or operational decisions. The Group is owned by the Caisse des Dépôts Group, a company registered in France, and by the French State. Within this framework, related-party transactions are those with companies owned directly or indirectly by the same final shareholders and with directors.

1.2.19 Segment reporting

The Group's sole activity involves the financing or refinancing of loans to public sector entities and exporters.

The Group conducts its business solely from France. It has no direct activity in other countries and is unable to present a relevant geographic breakdown of its results.

Note 2 Notes to the assets *(EUR millions)*

2.1 Central banks

	12/31/2019	12/31/2020
Mandatory reserve deposits with central banks	-	-
Other deposits	1,191	1,932
TOTAL	**1,191**	**1,932**

2.2 Financial assets at fair value through profit or loss

2.2.1 Analysis by nature

	12/31/2019	12/31/2020
Loans and advances to customers	4,894	4,243
Non Hedging derivatives (1)	12	22
TOTAL	**4,906**	**4,266**

(1) SFIL is only authorized to enter into derivative transactions for hedging purposes. However, as certain hedging derivatives do not meet all the conditions required by IFRS to be classified as hedging instruments for accounting purposes, they are classified as derivative instruments at fair value through profit or loss.
Furthermore, as from January 1, 2018 and the entry into force of IFRS 9, derivatives used to hedge assets reclassified as assets measured at fair value through profit or loss can no longer be classified as hedging instruments for accounting purposes. They are therefore now allocated to this category.

2.2.2 Analysis by counterparty of loans and advances to customers

	12/31/2019	12/31/2020
Public sector	4,463	3,839
Other - guaranteed by a State or local government	431	404
TOTAL	**4,894**	**4,244**

2.3 Financial assets at fair value through equity

2.3.1 Analysis by nature

	12/31/2019	12/31/2020
Stocks	-	-
Bonds	1,334	625
TOTAL	**1,334**	**625**

2.3.2 Analysis by counterparty

	12/31/2019	12/31/2020
Public sector	124	123
Credit institutions	1,210	502
TOTAL	**1,334**	**625**

All financial assets measured at fair value through equity as of December 31, 2019, and December 31, 2020, were allocated to the Stage 1 category.

2.4 Financial assets at amortized cost

12/31/2019	Gross amount				Impairment				Net carrying amount	Accumulated partial write-offs	Accumulated total write-offs
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Sight accounts	8	-	-	8	-	-	-	-	8	-	-
Credit institutions	315	-	-	315	(0)	-	-	(0)	315	-	-
LOANS AND ADVANCES TO BANKS AT AMORTIZED COST	**323**	**-**	**-**	**323**	**(0)**	**-**	**-**	**(0)**	**323**	**-**	**-**
Public sector	41,345	2,870	1,029	45,244	(1)	(23)	(11)	(35)	45,209	-	-
Non-financial institutions	1,972	135	18	2,125	-	(1)	-	(1)	2,124	-	-
LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST	**43,317**	**3,005**	**1,047**	**47,369**	**(1)**	**(24)**	**(11)**	**(36)**	**47,333**	**-**	**-**
Public sector	5,279	1,531	6	6,816	(4)	(11)	-	(15)	6,801	-	-
Credit institutions	2,269	-	-	2,269	(1)	-	-	(1)	2,268	-	-
Non-financial institutions	42	73	-	115	(0)	(1)	-	(1)	114	-	-
BONDS AT AMORTIZED COST	**7,590**	**1,604**	**6**	**9,200**	**(5)**	**(12)**	**-**	**(17)**	**9,183**	**-**	**-**
TOTAL	**51,230**	**4,609**	**1,053**	**56,892**	**(6)**	**(36)**	**(11)**	**(53)**	**56,839**	**-**	**-**

12/31/2020	Gross amount				Impairment				Net carrying amount	Accumulated partial write-offs	Accumulated total write-offs
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Sight accounts	8	-	-	8	-	-	-	-	8	-	-
Credit institutions	319	-	-	319	(0)	-	-	(0)	319	-	-
LOANS AND ADVANCES TO BANKS AT AMORTIZED COST	**328**	**-**	**-**	**328**	**(0)**	**-**	**-**	**(0)**	**328**	**-**	**-**
Public sector	43,606	2,186	548	46,340	(4)	(16)	(6)	(26)	46,314	-	-
Non financial institutions	1,297	2,248	17	3,562	(0)	(7)	(1)	(8)	3,554	-	-
LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST	**44,904**	**4,433**	**565**	**49,902**	**(4)**	**(23)**	**(7)**	**(34)**	**49,867**	**-**	**-**
Public sector	5,655	1,420	4	7,079	(4)	(12)	(0)	(16)	7,063	-	-
Credit institutions	1,979	-	-	1,979	(0)	-	-	(0)	1,979	-	-
Non financial institutions	9	72	-	81	(0)	(1)	-	(1)	80	-	-
BONDS AT AMORTIZED COST	**7,644**	**1,493**	**4**	**9,141**	**(4)**	**(13)**	**(0)**	**(17)**	**9,124**	**-**	**-**
TOTAL	**52,876**	**5,927**	**569**	**59,371**	**(8)**	**(36)**	**(7)**	**(52)**	**59,319**	**-**	**-**

The main changes in gross amounts and impairment between Stages mainly concern the asset category of loans and advances to customers at amortized cost. Two significant changes can be seen in this asset category in 2020:

- a transfer from Stage 3 towards Stage 1 for EUR 422 million, following the settlement of all arrears by a customer as part of an operation to reduce the sensitivity of all its sensitive structured loans. The arrears of this customer were related to a dispute. The operation to reduce this client's sensitivity also brought an end to the dispute. As of December 31, 2019, the financial assets at amortized cost of this customer were downgraded to Stage 3 by contagion effect. This transfer from Stage 3 to Stage 1 was accompanied by a decrease in impairment of EUR 5 million;
- a transfer from Stage 1 to Stage 2 for EUR 989 million. In the context of the Covid-19 health crisis, SFIL decided to include all exposures concerning the cruise sector in watchlist and therefore transfer them from Stage 1 to Stage 2. This downgrading was accompanied by an increase in impairments associated with these balance sheet exposures of EUR 5 million (see note 8).

Assets considered as forborne by Caisse Française de Financement Local concern exposure to loan contracts for which concessions have been granted in light of the borrower's financial difficulties (recognized or to come) that would not have been granted in other circumstances. These concessions may either be a waiver of a part of the debt, a rescheduling of the loan repayment, restructuring measures through an amendment to the loan contract, or a partial or full refinancing of the loan with a new contract, including for transactions aiming to reduce the sensitivity of the loan.

There were 134 forborne contracts as of December 31, 2020, with 83 borrowers, for a total exposure of EUR 491 million.

2.5 Tax assets

	12/31/2019	12/31/2020
Current income tax	8	2
Other taxes	0	1
CURRENT TAX ASSETS	**8**	**3**
DEFERRED TAX ASSETS (SEE NOTE 4.2)	**70**	**79**
TOTAL TAX ASSETS	**78**	**82**

Deferred tax assets were submitted to a recoverability test taking into account the business plans presented to the Board of Directors using realistic assumptions. Deferred taxes as of December 31, 2020, are recoverable on the basis of this analysis within a reasonable horizon by taking into account the tax rules governing the treatment of past deficits. As of December 31, 2020, SFIL Group has no deferred tax assets related to carry forward tax losses.

In addition, SFIL Group takes into account the legislative measures designed to reduce the corporate income tax rate to 25.83% as of 2022.

2.6 Tangible assets

	Equipment & Fixtures	Construction work in progress	IFRS 16	Total
NET CARRYING AMOUNT AS OF AU 12/31/2019	**5**	**2**	**9**	**16**
Acquisitions	2	1	-	3
Valuation/increases	-	-	0	0
Cancellations	-	-	-	-
Transfers	-	(2)	-	(2)
Sales	(0)	-	-	(0)
Depreciation and impairments	-	-	-	-
Amortizations	(2)	-	(3)	(5)
NET CARRYING AMOUNT AS OF AU 12/31/2020	**5**	**1**	**7**	**13**

2.7 Intangible assets

	Software	Internally developed assets	Construction work in progress	Total
NET CARRYING AMOUNT AS OF AU 12/31/2019	**10**	**18**	**4**	**31**
Acquisitions	1	6	4	11
Valuation/increases	-	-	-	-
Cancellations	-	-	(0)	(0)
Transfers	-	-	(3)	(3)
Sales	-	-	-	-
Depreciation and impairments	-	-	-	-
Amortizations	(2)	(11)	-	(13)
NET CARRYING AMOUNT AS OF AU 12/31/2020	**9**	**13**	**4**	**26**

2.8 Accruals and other assets

	12/31/2019	12/31/2020
Cash collateral paid	2,299	2,575
Other accounts receivable	3	2
Prepaid charges	133	177
Other assets	15	23
TOTAL ACCRUALS AND OTHER ASSETS	**2,450**	**2,777**

Note 3 Notes to the liabilities *(EUR millions)*

3.1 Financial liabilities at fair value through profit or loss

3.1.1 Analysis by nature

	12/31/2019	12/31/2020
Non hedging derivatives[1]	1,120	1,037
TOTAL	**1,120**	**1,037**

(1) Group SFIL is only authorized to enter into derivative transactions for hedging purposes. However, as certain hedging derivatives do not meet all the conditions required by IFRS to be classified as hedging instruments for accounting purposes, they are classified as derivative instruments at fair value through profit or loss.
Furthermore, as from January 1, 2018 and the entry into force of IFRS 9, derivatives used to hedge assets reclassified as assets measured at fair value through profit or loss can no longer be classified as hedging instruments for accounting purposes. They are therefore now allocated to this category.

3.2 Financial liabilities at amortized cost

	12/31/2019	12/31/2020
Current account	-	-
Term deposits	379	-
SUB-TOTAL DUE TO CREDIT INSTITUTIONS AT AMORTIZED COST	**379**	**-**
Certificates of deposit [1]	611	1,571
Euro medium term notes [1]	7,251	7,735
Obligations foncières	46,812	47,270
Registered covered bonds	7,792	7,822
SUB-TOTAL DEBT SECURITIES AT AMORTIZED COST	**62,466**	**64,398**
TOTAL	**62,845**	**64,398**

(1) By contrast with obligations foncières *and registered covered bonds, these bonds do not benefit from the legal privilege.*

3.3 Tax liabilities

	12/31/2019	12/31/2020
Current income tax	8	2
Other taxes	0	3
CURRENT TAX LIABILITIES	**8**	**5**
DEFERRED TAX LIABILITIES (SEE NOTE 4.2)	**-**	**-**
TOTAL TAX LIABILITIES	**8**	**5**

3.4 Accruals and other liabilities

	12/31/2019	12/31/2020
Cash collateral received	1,630	1,426
Other accrued charges	29	32
Deferred income	-	-
Contribution to support fund [1]	90	80
Other accounts payable and other liabilities	39	34
TOTAL	**1,788**	**1,572**

(1) The item corresponds the residual balance of the commitment Caisse Française de Financement Local made in 2013 to contribute to the multi-year support fund for local governments in the amount of EUR 10 million for 15 years, for a total of EUR 150 million.

3.5 Provisions

	12/31/2019	Additions	Used amount	Unused amounts reversed during the period	Increase in the discounted amount (passage of time) and effect of any change in the discount rate	Other movements	12/31/2020
Commitments and guarantees given	7	9	-	(4)	-	-	12
Provision on pensions	7	1	-	-	-	-	8
Other provisions (1)	-	3	-	-	-	-	3
TOTAL	**14**	**13**	**-**	**(4)**	**-**	**-**	**23**

(1) In the context of the health crisis and the consequences for the cruise industry, SFIL Group has decided to set up a provision for risks on the foreign exchange financial instruments used to refinance the export credits in dollars in this sector (see note 8).

Note 4 Other notes on the balance sheet *(EUR millions)*

4.1 Derivatives

The hedging derivatives below are part of the SFIL Group's risk policy detailed in the management report (see 1.7.2.3.3 and 1.7.2.3.4).

4.1.1 Analysis by nature

	12/31/2019		12/31/2020	
	Assets	Liabilities	Assets	Liabilities
DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS (1)	**12**	**1,120**	**22**	**1,037**
Derivatives designated as fair value hedges	4,208	4,358	4,338	5,011
Derivatives designated as cash flow hedges	(7)	74	(6)	71
Derivatives designated as portfolio hedges	978	2,634	823	2,515
HEDGING DERIVATIVES	**5,179**	**7,066**	**5,155**	**7,597**
CVA/DVA IMPACT	**(2)**	**(4)**	**(1)**	**(2)**
TOTAL DERIVATIVES	**5,189**	**8,182**	**5,176**	**8,631**

(1) As from January 1, 2018 and the entry into force of IFRS 9, derivatives used to hedge assets reclassified as assets measured at fair value through profit or loss can no longer be classified as hedging instruments for accounting purposes. They are therefore now allocated to this category.

4.1.2 Detail of derivatives designated as fair value through profit or loss

	12/31/2019				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	2,033	2,031	2	7	17
Interest rate derivatives	3,856	3,856	-	5	1,103
TOTAL	**5,889**	**5,887**	**2**	**12**	**1,120**

	12/31/2020				
	Notional amount				
	To receive	**To deliver**	**Net**	**Assets**	**Liabilities**
Foreign exchange derivatives	324	329	(5)	19	1
Interest rate derivatives	3,327	3,327	-	3	1,036
TOTAL	**3,651**	**3,656**	**(5)**	**22**	**1,037**

4.1.3 Detail of derivatives designated as fair value hedges

	12/31/2019				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	4,572	4,741	(169)	227	371
Interest rate derivatives	63,066	63,054	12	3,981	3,987
TOTAL	**67,638**	**67,795**	**(157)**	**4,208**	**4,358**

	12/31/2020				
	Notional amount				
	To receive	**To deliver**	**Net**	**Assets**	**Liabilities**
Foreign exchange derivatives	4,116	4,518	(402)	190	549
Interest rate derivatives	61,993	61,979	14	4,148	4,461
TOTAL	**66,109**	**66,497**	**(388)**	**4,338**	**5,010**

4.1.4 Detail of derivatives designated as cash flow hedges

	12/31/2019				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	535	605	(70)	(7)	74
Interest rate derivatives	-	-	-	-	-
TOTAL	**535**	**605**	**(70)**	**(7)**	**74**

	12/31/2020				
	Notional amount				
	To receive	**To deliver**	**Net**	**Assets**	**Liabilities**
Foreign exchange derivatives	2,663	2,518	145	(6)	71
Interest rate derivatives	-	-	-	-	-
TOTAL	**2,663**	**2 518**	**145**	**(6)**	**71**

	12/31/2019	12/31/2020
Amount removed from cash flow hedge reserve and included in the carrying amount of a non-financial instrument (hedging of cash flows of a highly probable transaction)	-	-

4.1.5 Detail of derivatives designated as portfolio hedges

	12/31/2019				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Interest rate derivatives	47,582	47,577	5	978	2,634
TOTAL	**47,582**	**47,577**	**5**	**978**	**2,634**

	12/31/2020				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Interest rate derivatives	40,532	40,527	5	823	2,515
TOTAL	**40,532**	**40,527**	**5**	**823**	**2,515**

4.1.6 Breakdown of net notional amounts by rate index

The net notional amounts of the hedging instruments affected by the amendment to IFRS 9, IAS 39 and IFRS 7, which allows exemption from certain requirements in terms of hedge accounting as part of the reform of benchmark interest rates are as follows for instruments indexed to the following rates:

	Notional amount net
EONIA	(5,125)
EURIBOR	1,262
€STER (1)	3,601
LIBOR USD	(2,044)
LIBOR GBP	(330)
LIBOR CHF	(214)
STIBOR	(17)
Fixed rate	3,060
Others	(435)
TOTAL	**(242)**

(1) *This relates only to derivative contracts initially entered into against €ster.*

4.2 Deferred taxes

Deferred tax assets and liabilities are netted out when they concern the same tax entity.

4.2.1 Analysis by nature

	12/31/2019	12/31/2020
Deferred tax assets before impairment	70	79
Impairment on deferred tax assets	-	-
Deferred tax assets	**70**	**79**
Deferred tax liabilities	**-**	**-**
TOTAL	**70**	**79**

4.2.2 Movements

	12/31/2019	12/31/2020
AS OF JANUARY 1, 2020	**80**	**70**
Charge/credit recognized in the income statement	(7)	6
Effect of change in tax rates - impact on the income statement	-	-
Movements directly recognized in equity	(4)	5
Effect of change in tax rates - impact on equity	-	-
Translation adjustment	-	-
Tax audit effects	1	-
Other movements	-	(2)
AS OF DECEMBER 31, 2020	**70**	**79**

SFIL Group took into account the legislative measures designed to reduce the corporate income tax rate to 25.83% as of 2022.

4.2.3 Deferred taxes from assets on the balance sheet

	12/31/2019	12/31/2020
Loans and loan loss provisions	1,073	946
Securities	(243)	(282)
Derivatives	(568)	(352)
Accruals and other assets	13	14
TOTAL	**275**	**326**

4.2.4 Deferred taxes from liabilities on the balance sheet

	12/31/2019	12/31/2020
Borrowings, deposits and issues of debt securities	(207)	(250)
Derivatives	-	-
Provisions	2	4
Accruals and other liabilities	-	(1)
TOTAL	**(205)**	**(247)**

4.3 Transactions with related parties

Analysis by nature

	Parent company [1]		Others related parties [2]	
	12/31/2019	12/31/2020	12/31/2019	12/31/2020
ASSET				
Financial assets at fair value through equity	-	116	237	95
Loans and advances to banks at amortized cost	-	-	-	-
Bonds at amortized cost	-	-	-	148
LIABILITIES				
Due to banks at amortized cost	-	-	379	-
Debt securities at amortized cost	-	-	-	880
INCOME STATEMENT				
interest income on financial assets at fair value through profit or loss	-	-	(0)	-
interest income on financial assets at fair value through equity	-	(0)	(1)	0
interest income on loans to banks at amortized cost	-	-	(0)	-
Interest income on bonds at amortized cost	-	-	(3)	0
interest expense on due to banks at amortized cost	-	(2)	4	(1)
Interest expense on debt securities at amortized cost	-	-	-	(34)
Fees and commissions	-	-	(2)	4
Gains or losses on derecognition of financial assets at amortized cost	-	-	-	(4)
OFF BALANCE SHEET				
Foreign exchange derivatives	-	-	-	-
Interest rate derivatives	-	-	375	245
Commitments and guarantees received	-	4,000	11,121	1,500
Commitments and guarantees issued	-	-	5,210	-

(1) In 2020, this item includes transactions with Caisse des Dépôts, the parent company of SFIL.
(2) In 2020, this item includes transactions with La Banque Postale and Bpifrance, subsidiaries of Caisse des Dépôts group.

4.4 Unrealized or deferred gains and losses, breakdown

	12/31/2019	12/31/2020
Unrealized gains and losses on financial assets at fair value through equity	**1**	**1**
Unrealized gains and losses on derivatives designated as cash-flow hedges	**(38)**	**(34)**
Unrealized gains and losses on employee benefits plan	**(1)**	**(2)**
TOTAL	**(39)**	**(35)**
Deferred taxes on gains and losses, financial assets at fair value through equity	(0)	(0)
Deferred taxes on gains and losses, derivatives designated as cash-flow hedges	10	9
TOTAL AFTER TAXES	**(29)**	**(26)**

Note 5 Notes to the income statement *(EUR millions)*

5.1 Interest income - interest expense

SFIL Group presents interest calculated using the effective interest rate method on financial instruments measured at amortized cost or at market value through equity under the headings "Interest income" and "Interest expense".

These headings also include interest income and expense on financial instruments recognized at fair value through profit or loss because they do not meet the SPPI criterion due to the fact that the cash flows received do not consist solely of principal and interest payments. However, the change in value calculated excluding accrued interest on these financial instruments at fair value through profit or loss is recorded under Net result of financial instruments at fair value through profit or loss (see note 5.3).

Interest income and expense on hedging derivatives are included with the revenue generated by the associated hedged items. Meanwhile, certain derivatives not classified as hedging instruments for accounting purposes are held as economic hedges of financial instruments carried at fair value through profit or loss; the interest income and expense on these hedging derivatives are included in the headings recording the interest on these financial instruments.

	2019			2020		
	Income	Expense	Net	Income	Expense	Net
Loans/loans with credit institutions	-	-	-	-	-	-
Loans/loans with customers	147	-	147	135	-	135
Derivatives outside the hedging relationship	32	(160)	(128)	28	(151)	(123)
FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**178**	**(160)**	**18**	**163**	**(151)**	**12**
Hedging derivatives	1,486	(1,215)	271	1,338	(1,124)	214
HEDGING DERIVATIVES	**1,486**	**(1,215)**	**271**	**1,338**	**(1,124)**	**214**
Securities	(1)	-	(1)	1	-	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**(1)**	**-**	**(1)**	**1**	**-**	**1**
Central bank accounts	-	(10)	(10)	-	(6)	(6)
Accounts and loans with credit institutions	18	(19)	(1)	35	(45)	(10)
Accounts and loans with customers	840	-	840	785	-	785
Securities	154	(1,141)	(988)	150	(1,011)	(861)
Other	-	(0)	(0)	-	(0)	(0)
FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST	**1,011**	**(1,170)**	**(159)**	**970**	**(1,062)**	**(92)**
TOTAL	**2,675**	**(2,544)**	**131**	**2,472**	**(2,337)**	**135**

Income and expenses, measured using the effective interest rate method were EUR 971 million and EUR (1,062) million respectively in 2020 and EUR 1,010 million and EUR (1,170) million in 2019.

5.2 Fees and commissions

	2019	2020
LBP servicing commission received	4	4
Other commissions [1]	(2)	13
TOTAL	**2**	**17**

(1) As of December 31, 2020, this line includes a commission on financial instruments received as part of a hedging derivative allocation transaction.

3

5.3 Net result of financial instruments at fair value through profit or loss

All interest received and paid on the assets, liabilities and derivatives is recognized as net interest income, as required under IFRS. Consequently, the net gains or losses on hedging operations merely include the change in the clean value of the derivatives and the re-valuation of the assets and liabilities registered in relation to the hedge.

	2019	2020
Net result on financial instruments at fair value through profit or loss	31	14
Net result of hedge accounting	(2)	5
Net result of foreign exchange transactions	2	1
TOTAL	**31**	**20**

Analysis of net result of hedge accounting

	2019	2020
FAIR VALUE HEDGES	**9**	**3**
Fair value changes in the hedged item attributable to the hedged risk	(165)	211
Fair value changes in the hedging derivatives	174	(208)
CASH FLOW HEDGES	**-**	**-**
Fair value changes in the hedging derivatives – ineffective portion	-	-
Discontinuation of cash flow hedge accounting (cash flows no longer expected to occur)	-	-
PORTFOLIO HEDGE	**(2)**	**3**
Fair value changes in the hedged item	410	300
Fair value changes in the hedging derivatives	(412)	(297)
CVA/DVA IMPACT (1)	**(9)**	**(1)**
TOTAL	**(2)**	**5**

(1) The effect of the application of the IFRS Standard 13 brought to light an expense of EUR (1) million as of December 31, 2020. This amount derived primarily on a decrease in DVA income.

5.4 Net result of financial instruments at fair value through equity

	2019	2020
Net result of disposals of bonds at fair value through equity	-	-
Net result of disposals of loans at fair value through equity	-	-
TOTAL	**-**	**-**

5.5 Gains and losses resulting from derecognition of financial instruments at amortized costs

	2019	2020
Net result of disposals or prepayments of bonds at amortized cost	-	-
Net result of disposals or prepayments of loans and advances to banks at amortized cost	-	-
Net result of disposals or prepayments of loans and advances to customers at amortized cost	10	11
Net result of disposals or prepayments of due to banks at amortized cost	(8)	(4)
Net result of disposals or prepayments of debt securities at amortized cost	0	0
TOTAL	**2**	**7**

Detail of derecognition of assets and liabilities at amortized cost

	2019		2020	
	Notional amount	Impact on result	Notional amount	Impact on result
Prepayments of securities	-	-	-	-
Net result of disposals or prepayments of securities at amortized cost	**-**	**-**	**-**	**-**
Prepayments of loans and advances to customers	279	6	47	3
Restructuring of loans and advances to customers [(1)]	278	4	1,294	8
Net result of disposals or prepayments of loans and advances to customers at amortized cost	**557**	**10**	**1,341**	**11**
SUB-TOTAL ASSETS	**557**	**10**	**1,341**	**11**
Prepayments of debt to banks	1,011	(8)	332	(4)
Net result of prepayments of debt to banks at amortized cost	**1,011**	**(8)**	**332**	**(4)**
Prepayments of debt securities	100	0	7	0
Net result of prepayments of debt securities at amortized cost	**100**	**0**	**7**	**0**
SUB-TOTAL LIABILITIES	**1,111**	**(8)**	**339**	**(4)**
TOTAL		**2**		**7**

(1) The notional amount of restructuring of customer loans includes loans affected by the liquidity support measures granted to customers in the cruise industry as part of the export credit activity. SFIL is part of the approach developed jointly by the European export credit insurance agencies to provide liquidity support to these customers who have been particularly affected by the pandemic. This liquidity support consists of deferring the repayment of the principal amount of the credits. As a reminder, these loans benefit from credit insurance issued by BPI AE in the name, on behalf and under the control of the French State.

5.6 Operating expenses

	2019	2020
Payroll costs	(49)	(50)
Other general and administrative expenses	(32)	(30)
Taxes	(12)	(14)
TOTAL	**(93)**	**(94)**

5.7 Depreciation and amortization, property and equipment and intangible assets

	2019	2020
Depreciation and amortization on tangible assets	(1)	(2)
Depreciation and amortization on intangible assets	(12)	(12)
IFRS 16 impact	(3)	(3)
TOTAL	**(16)**	**(17)**

5.8 Cost of risk

Specific Impairment	2019 January 1	Allocations	Reversals	Losses	December 31
Stage 1	(0)	(0)	0	-	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**(0)**	**(0)**	**0**	**-**	**(0)**
Stage 1	(0)	(0)	0	-	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
LOANS AND ADVANCES TO BANKS AT AMORTIZED COST	**(0)**	**(0)**	**0**	**-**	**0**
Stage 1	(2)	(4)	4	-	(2)
Stage 2	(22)	(10)	7	-	(24)
Stage 3	(10)	(5)	4	-	(11)
LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST	**(34)**	**(18)**	**15**	**-**	**(37)**
Stage 1	(3)	(2)	1	-	(4)
Stage 2	(24)	(0)	12	-	(12)
Stage 3	(0)	(0)	-	-	(0)
BONDS AT AMORTIZED COST	**(27)**	**(2)**	**13**	**-**	**(16)**
Stage 1	(0)	(1)	1	-	(1)
Stage 2	(0)	-	-	-	-
Stage 3	-	(0)	-	-	(0)
OFF-BALANCE SHEET COMMITMENTS AT AMORTIZED COST	**(0)**	**(1)**	**1**	**-**	**(1)**
TOTAL	**(62)**	**(21)**	**29**	**-**	**(54)**

Specific Impairment	2020 January 1	Allocations	Reversals	Losses	December 31
Stage 1	(0)	-	-	-	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**(0)**	**-**	**-**	**-**	**(0)**
Stage 1	(0)	(0)	0	-	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
LOANS AND ADVANCES TO BANKS AT AMORTIZED COST	**0**	**(0)**	**0**	**-**	**(0)**
Stage 1	(2)	(15)	12	-	(5)
Stage 2	(24)	(11)	12	-	(23)
Stage 3	(11)	(4)	8	-	(7)
LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST	**(37)**	**(30)**	**33**	**-**	**(34)**
Stage 1	(4)	(0)	0	-	(4)
Stage 2	(12)	(1)	0	-	(13)
Stage 3	(0)	(0)	-	-	(0)
BONDS AT AMORTIZED COST	**(16)**	**(1)**	**0**	**-**	**(17)**
Stage 1	(1)	(0)	1	-	(0)
Stage 2	-	(10)	-	-	(10)
Stage 3	(0)	-	0	-	(0)
OFF-BALANCE SHEET COMMITMENTS AT AMORTIZED COST	**(1)**	**(10)**	**1**	**-**	**(10)**
TOTAL	**(54)**	**(41)**	**34**	**-**	**(62)**

5.9 Corporate income tax

5.9.1 Breakdown of tax expense

	2019	2020
Current taxes	(12)	(24)
Deferred taxes	(6)	6
Tax adjustment effects (1)	4	(0)
TOTAL	**(14)**	**(18)**

(1) As of the end of 2018, the tax authority had levied adjustments relating to the 2012 and 2013 inspections. It nevertheless reduced the amount of the adjustment relating to the reintegration of the results of the former branch in Ireland, but maintained the principle of taxation of these results in France. Caisse Française de Financement Local settled this adjustment, assessed related deferred taxes and reversed the relevant provisions. It kept in its accounts the amount of the provision set aside in respect of sums not yet called. Following the conclusion of this issue, Caisse Française de Financement Local also took into account in 2019 the effects of the adjustment on the income tax base for the years 2014 to 2018.

5.9.2 Effective tax expense

The difference between the actual corporate income tax rate and the French tax rate can be analysed as follows:

	2019	2020
INCOME BEFORE INCOME TAXES	**63**	**62**
Net income from associates	-	-
TAX BASE	**63**	**62**
Applicable tax rate at end of the period	34.43%	32.02%
THEORETICAL CORPORATE INCOME TAX AT THE STANDARD RATE	**(22)**	**(20)**
Tax effect of non-deductible expenses	(2)	(2)
Tax effect of non-taxable income	-	-
Impact of items taxed at a reduced rate	-	-
Other additional taxes or tax savings	-	-
Tax audit effects(1)	4	(0)
Use of corporate income tax rate applicable to the future fiscal years(2)	6	4
CORPORATE INCOME TAX RECORDED IN THE INCOME STATEMENT	**(14)**	**(18)**

(1) As of the end of 2018, the tax authority had levied adjustments relating to the 2012 and 2013 inspections. It nevertheless reduced the amount of the adjustment relating to the reintegration of the results of the former branch in Ireland, but maintained the principle of taxation of these results in France. Caisse Française de Financement Local settled this adjustment, assessed related deferred taxes and reversed the relevant provisions. It kept in its accounts the amount of the provision set aside in respect of sums not yet called. Following the conclusion of this issue, Caisse Française de Financement Local also took into account in 2019 the effects of the adjustment on the income tax base for the years 2014 to 2018.

(2) SFIL Group has taken into account the legislative measures designed to reduce the corporate income tax rate to 25.83% as of 2022.

5.9.3 Tax consolidation

Since January 1, 2014, SFIL has been at the head of the tax group which includes Caisse Française de Financement Local.

Note 6 Note on off-balance sheet items *(EUR millions)*

6.1 Regular way trade

	12/31/2019	12/31/2020
Assets to be delivered	-	-
Liabilities to be received	-	-

6.2 Guarantees

	12/31/2019	12/31/2020
Guarantees received from credit institutions	-	-
Enhanced guarantees(1)	8,051	8,250
Loan guarantee commitments received	8,055	-
Guarantees received from customers(2)	2,568	1,746

(1) Irrevocable, unconditional guarantees issued by the French State and received by SFIL for funding major export credits.
(2) Guarantees received from customers are generally granted by local governments.

6.3 Financing commitments

	12/31/2019	12/31/2020
Loan commitments granted to credit institutions (1)	48	213
Loan commitments granted to customers(1)	5,416	4,552
Loan commitments received from credit institutions(2)	11,121	5,500
Loan commitments received from customers	-	-

(1) Financing commitments on loans and lines of credit related to contracts issued but not paid out. These amounts mainly relate to commitments on operations in export credit business lines.
(2) In December 2020, SFIL signed a new financing agreement with Caisse des Dépôts, replacing the initial agreement of 2013 and better adapted to its new shareholder and financial situation. As of December 31, 2020, this amount corresponded to funding commitments received from Caisse des Dépôts and La Banque Postale for respective amounts of EUR 4,000 million, and EUR 1,500 million. SFIL recorded the total of its commitments related to the only tranches existing, which is limited to EUR 4,000 million. This amount does not take into account the possibility stipulated in the financing agreement with Caisse des Dépôts to negotiate additional funding in good faith.

6.4 Other commitments

	12/31/2019	12/31/2020
Commitments given(1)	5,217	158
Commitments received(2)	216	233

(1) In 2019, this mainly represents the value of a set of loans pledged to Caisse des Dépôts. In 2020, this is mainly a portfolio of securities provided as a guarantee to the Banque de France.
(2) It mainly concerns a loan granted to a credit institution and guaranteed by a public sector entity.

6.5 Financing commitments and other commitments granted

	Financing commitments and financial guarantees under IFRS 9 as of 12/31/2019								Commitments and financial guarantees measured at fair value	
	Gross amount				Impairment					
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Net carrying amount	Nominal amount	Accumulated negative changes in fair value due to credit risk on non-performing commitments
Granted to credit institutions	48	-	-	48	(0)	-	-	48	-	-
Granted to customers	5,366	-	50	5,416	(1)	-	(0)	5,415	-	-
TOTAL	**5,414**	**-**	**50**	**5,464**	**(1)**	**-**	**(0)**	**5,463**	**-**	**-**

	Financing commitments and financial guarantees under IFRS 9 as of 12/31/2020								Commitments and financial guarantees measured at fair value	
	Gross amount				Impairment					
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Net carrying amount	Nominal amount	Accumulated negative changes in fair value due to credit risk on non-performing commitments
Granted to credit institutions	213	-	-	213	(0)	-	-	213	-	-
Granted to customers	873	3,664	15	4,552	(0)	(10)	(0)	4,542	-	-
TOTAL	**1,086**	**3,664**	**15**	**4,765**	**(0)**	**(10)**	**(0)**	**4,755**	**-**	**-**

The main changes in gross amounts and impairment between Stages concern a transfer of Stage 1 to Stage 2 for EUR 4,530 million concerning financing commitments related to the export credit activity of the cruise sector. Indeed, in the context of the Covid-19 health crisis, SFIL decided to include all the exposures concerning the cruise sector in watchlist and therefore transfer them from Stage 1 to Stage 2. This downgrading was accompanied by an increase in impairments associated with these exposures of EUR 10 million (see note 8).

Note 7 Notes on risk exposure *(EUR millions)*

7.1 Fair value

This note presents the fair value adjustments that are not recognized, in income or in equity, because they correspond to assets or liabilities valued at amortized cost in the IFRS accounts.

These fair value adjustments take into account the features of the relevant assets and liabilities (maturity, hedging of interest rate risk, amortization profile, and, for assets, their rating); they also take into account current market conditions in terms of price or spread of these same operations, or operations to which they could be assimilated. The breakdown of assets and liabilities as a function of the method used to determine their fair value is shown in Note 7.1.3. below; it can be seen that most assets are valued according to a technique that takes into account the fact that significant parameters are not observable for the assets since the exposure primarily consists of loans, a form of debt that is not listed on liquid markets. For the valuation of liabilities, certain observable parameters have been used.

These fair values provide interesting information but are not relevant for drawing conclusions on the value of the company or on the income that will be generated in the future. The assets and liabilities stand out for being consistent in rates and maturity and moreover are intended to be maintained on the balance sheet until their maturity, given the specialized activity of the company.

7.1.1 Composition of the fair value of the assets

	12/31/2019		
	Book value	Fair value	Unrecognized fair value adjustment
Central banks	1,191	1,191	-
Financial assets at fair value through profit or loss	4,906	4,906	-
Hedging derivatives	5,177	5,177	-
Financial assets at fair value through equity	1,334	1,334	-
Loans and advances to banks at amortized cost	323	272	(51)
Loans and advances to customers at amortized cost	47,332	47,064	(268)
Bonds at amortized cost	9,184	7,934	(1,250)
TOTAL	**69,447**	**67,878**	**(1,569)**

	12/31/2020		
	Book value	Fair value	Unrecognized fair value adjustment
Central banks	1,932	1,932	-
Financial assets at fair value through profit or loss	4,266	4,266	-
Hedging derivatives	5,154	5,154	-
Financial assets at fair value through equity	625	625	-
Loans and advances to banks at amortized cost	328	385	57
Loans and advances to customers at amortized cost	49,867	49,679	(188)
Bonds at amortized cost	9,124	8,318	(806)
TOTAL	**71,296**	**70,359**	**(937)**

7.1.2 Composition of the fair value of the liabilities, excluding equity

	12/31/2019		
	Book value	Fair value	Unrecognized fair value adjustment
Financial liabilities at fair value through profit or loss	1,120	1,120	-
Hedging derivatives	7,062	7,062	-
Due to banks at amortized cost	379	386	7
Debt securities at amortized cost	62,466	62,999	533
TOTAL	**71,027**	**71,566**	**540**

	12/31/2020		
	Book value	Fair value	Unrecognized fair value adjustment
Financial liabilities at fair value through profit or loss	1,037	1,037	-
Hedging derivatives	7,595	7,595	-
Due to banks at amortized cost	-	-	-
Debt securities at amortized cost	64,398	64,990	592
TOTAL	**73,030**	**73,622**	**592**

7.1.3 Methods used to determine the fair value of financial instruments

The fair value of a financial instrument is determined on the basis of prices that can be observed in the market for the instrument itself or for a comparable instrument, or with the help of a technical evaluation utilizing observable market data. A hierarchy of the methods used to establish fair value has been drawn up. It is composed of the following three levels:

- Level 1 corresponds to instruments considered to be liquid, *i.e.* their valuation is based on the price observed in a liquid market, for which SFIL assured itself of the existence of a large number of contributors. Level 1 securities include in particular certain government bonds;
- Level 2 uses another method to determine the value of instruments for which SFIL can not observe market prices, but observes such for similar instruments by the same issuer or guarantor listed in the market. In this case, observable prices and other data observable in the market are used and an adjustment is made to account for the degree of the security's lack of liquidity;
- In level 3, when there is no active market or observable market data, the fair value of instruments is determined by using a valuation spread developed from an internal model. Level 3 derivatives are valued using these internal valuation models.

The measurement of derivatives, qualified or not in hedging relationship, is based on an analysis combining the observability of the market data used in the assessment and the robustness of the valuation models measured in terms effectiveness at providing a market consensus valuation. The result of this application is that the derivatives used by SFIL Group in hedging its activities are primarily of level 2. For the derivatives in level 3, this classification mainly involves hybrid, structured products (interest rate – foreign exchange), spread (correlation) products and options on interest rates. This classification is mainly due to the fact that these products present complex pay-offs which require an advanced statistical model with variable parameters which are sometimes unobservable on the market.

	12/31/2019			
Fair value of financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Central banks	1,191	-	-	1,191
Financial assets at fair value through profit or loss	-	4	4,902	4,906
Hedging derivatives	-	4,644	533	5,177
Financial assets at fair value through equity	760	574	-	1,334
Loans and advances to banks at amortized cost	8	-	264	272
Loans and advances to customers at amortized cost	-	-	47,064	47,064
Bonds at amortized cost	2,751	3,375	1,808	7,934
TOTAL	**4,710**	**8,597**	**54,571**	**67,878**

	12/31/2020			
Fair value of financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Central banks	1,932	-	-	1,932
Financial assets at fair value through profit or loss	-	3	4,263	4,266
Hedging derivatives	-	4,829	325	5,154
Financial assets at fair value through equity	625	-	-	625
Loans and advances to banks at amortized cost	8	-	377	385
Loans and advances to customers at amortized cost	-	-	49,679	49,679
Bonds at amortized cost	4,296	2,285	1,737	8,318
TOTAL	**6,861**	**7,117**	**56,381**	**70,359**

Fair value of financial liabilities	12/31/2019 Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	-	925	194	1,120
Hedging derivatives	-	6,677	385	7,062
Due to banks at amortized cost	-	386	-	386
Debt securities at amortized cost	-	62,999	-	62,999
TOTAL	**-**	**70,987**	**579**	**71,566**

Fair value of financial liabilities	12/31/2020 Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	-	891	146	1,037
Hedging derivatives	-	7,008	587	7,595
Due to banks at amortized cost	-	-	-	-
Debt securities at amortized cost	48,699	8,380	7,911	64,990
TOTAL	**48,699**	**16,279**	**8,644**	**73,622**

Sensitivity of the market value of level 3 financial instruments to changes in a reasonably possible hypotheses

The following table gives a synthetic view of financial instruments in level 3 for which changes in hypotheses concerning one or more non-observable parameters would cause a significant change in market value. These amounts illustrate the interval of uncertainty inherent in the recourse to judgment in estimating parameters of level 3 or in the choice of valuation techniques and models. They reflect the uncertainty of valuation which is effective at the date of valuation. Although this uncertainty essentially results from the sensitivity of the portfolio at the date of valuation, it does not make it possible to foresee or to deduct future variations in the market value any more than they represent the effect of extreme market conditions on the value of the portfolio. To estimate sensitivity, SFIL either values financial instruments using reasonably possible parameters or applies hypotheses based on its policy of additional valuation adjustments.

	12/31/2019	12/31/2020
Uncertainty inherent in level 3 market parameters	4	5
Uncertainty inherent in level 3 derivatives valuation models	34	17
SENSITIVITY OF THE MARKET VALUE OF LEVEL 3 FINANCIAL INSTRUMENTS	**38**	**22**

7.1.4 Transfer between level 1 and 2

	12/31/2019	12/31/2020
Level 1 to level 2	-	-
TOTAL	**-**	**-**

7.1.5 Level 3: flow analysis

Fair value of financial assets	Financial assets at fair value through profit or loss	Hedging derivatives	Financial assets at fair value through equity	Total financial assets
12/31/2019	**4,902**	**533**	**-**	**5,435**
Total gains and losses through profit and loss	-	-	-	-
Total unrealized or deferred gains and losses	(261)	(68)	-	(329)
Total OCI unrealized or deferred gains and losses	-	-	-	-
Purchase	-	-	-	-
Sale	-	-	-	-
Direct origination	-	-	-	-
Settlement	(378)	(140)	-	(518)
Transfer in activities destined to be sold	-	-	-	-
Transfer to level 3	-	-	-	-
Transfer out of level 3	-	-	-	-
Other variations	-	-	-	-
12/31/2020	**4,263**	**325**	**-**	**4,588**

Fair value of financial liabilities	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total financial liabilities
12/31/2019	**194**	**385**	**579**
Total gains and losses through profit and loss	-	-	-
Total unrealized or deferred gains and losses	26	242	268
Total OCI unrealized or deferred gains and losses	-	-	-
Purchase	-	-	-
Sale	-	-	-
Direct origination	-	36	36
Settlement	(73)	(7)	(80)
Transfer in activities destined to be sold	-	-	-
Transfer to level 3	-	-	-
Transfer out of level 3	-	(70)	(70)
Other variations	-	-	-
12/31/2020	**147**	**586**	**733**

7.2 Off-setting financial assets and liabilities

7.2.1 Financial assets subject to off-setting, enforceable master netting arrangements and similar agreements

	12/31/2019					
				Other amounts in the application scope but not offset		
	Gross amounts before off-setting	Gross amounts off-set according to IAS 32	Net amounts presented in the balance sheet	Effect of master netting arrangements	Financial Instruments received as collateral	Net amounts according to IFRS 7 and 13
Loans and advances at fair value through profit or loss	4,894	-	4,894	-	-	4,894
Derivatives (including hedging instruments)	5,189	-	5,189	(3,409)	(1,248)	532
Loans and advances to banks at amortized cost	323	-	323	-	-	323
Loans and advances to customers at amortized cost	47,320	-	47,320	-	-	47,320
TOTAL	**57,726**	**-**	**57,726**	**(3,409)**	**(1,248)**	**53,069**

	12/31/2020					
				Other amounts in the application scope but not offset		
	Gross amounts before off-setting	Gross amounts off-set according to IAS 32	Net amounts presented in the balance sheet	Effect of master netting arrangements	Financial Instruments received as collateral	Net amounts according to IFRS 7 and 13
Loans and advances at fair value through profit or loss	4,243	-	4,243	-	-	4,243
Derivatives (including hedging instruments)	5,176	-	5,176	(3,461)	(1,135)	580
Loans and advances to banks at amortized cost	328	-	328	-	-	328
Loans and advances to customers at amortized cost	49,867	-	49,867	-	-	49,867
TOTAL	**59,614**	**-**	**59,614**	**(3,461)**	**(1,135)**	**55,018**

7.2.2 Financial liabilities subject to off-setting, enforceable master netting arrangements and similar agreements

	12/31/2019					
				Other amounts in the application scope but not offset		
	Gross amounts before off-setting	Gross amounts off-set according to IAS 32	Net amounts presented in the balance sheet	Effect of master netting arrangements	Financial Instruments received as collateral	Net amounts according to IFRS 7 and 13
Derivatives (including hedging instruments)	8,182	-	8,182	(3,409)	(2,214)	2,559
Due to banks at amortized cost	379	-	379	-	-	379
Customer borrowings and deposits	-	-	-	-	-	-
TOTAL	**8,561**	**-**	**8,561**	**(3,409)**	**(2,214)**	**2,938**

	12/31/2020					
				Other amounts in the application scope but not offset		
	Gross amounts before offsetting	**Gross amounts offset according to IAS 32**	**Net amounts presented in the balance sheet**	**Effect of master netting arrangements**	**Financial Instruments received as collateral**	**Net amounts according to IFRS 7 and 13**
Derivatives (including hedging instruments)	8,632	-	8,632	(3,461)	(2,396)	2,775
Due to banks at amortized cost	-	-	-	-	-	-
Customer borrowings and deposits at amortized cost	-	-	-	-	-	-
TOTAL	**8,632**	**-**	**8,632**	**(3,461)**	**(2,396)**	**2,775**

7.3 Exposure to credit risk

In 2020, exposure to credit risks, includes the following:

- for assets other than derivatives: the amount on the balance sheet;
- for derivatives: the derivative's market value (mark-to-market), the amount of collateral exchanged and a flat-rate add-on, depending on the derivative's maturity and the nature of the underlying;
- for off-balance sheet commitments: the undrawn amount of financing commitments, which is stated in the notes to the financial statements.

The metric used is exposure at default (EAD).

Exposure to credit risk is broken down by region and by counterparty, taking into account the guarantees received. This means that when the credit risk is guaranteed by a third party whose weighted risk (within the meaning of Basel regulations) is less than that of the direct borrower, the exposure is included in the guarantor's region and business sector.

7.3.1 Breakdown of exposure to credit risks

Analysis of exposure by geographic region

	12/31/2019	12/31/2020
France	64,294	66,060
Belgium	257	236
Italy	5,989	5,821
Spain	236	377
Germany	642	623
United Kingdom	971	476
Switzerland	797	611
Norway	363	325
Other European Union countries	1,181	973
United States and Canada	845	794
Japan	41	42
TOTAL EXPOSURE	**75,616**	**76,339**

Analysis of exposure by category of counterparty

	12/31/2019	12/31/2020
Sovereigns	12,027	13,544
Local public sector	57,501	58,268
Other assets guaranteed by public sector entities	26	25
Financial institutions	6,035	4,471
Other exposures	26	32
TOTAL EXPOSURE	**75,616**	**76,339**

Analysis of exposure by category of instrument

	12/31/2019	12/31/2020
Central banks	1,352	1,986
Loans and advances at fair value through profit of loss	4,937	4,239
Hedging derivatives	2,632	2,022
Bonds at fair value through equity	1,452	625
Loans to banks at amortized cost	8	29
Loans to customers at amortized cost	50,190	52,592
Bonds at amortized cost	9,293	9,337
Accruals and other assets	181	383
Financing commitments	5,571	5,125
TOTAL EXPOSURE	**75,616**	**76,339**

7.3.2 Evaluation of asset credit quality

SFIL decided to use the advanced method recommended by the regulators in relation to the Basel III reforms on the capital adequacy ratio and capital requirements. SFIL has developed internal rating models covering the main client segments. These models were validated by the banking supervisors who authorized the Group to use these advanced internal models for the calculation and reporting of equity requirements for credit risk. This enables SFIL to present as of December 31, 2020, an analysis of its exposures, broken down by risk weighting, as used to calculate equity requirements. Credit weighting is mainly calculated on the basis of the probability of default of the counterparty and of the loss incurred in the event of default.

This analysis confirms the excellent quality of the assets. Almost 77% of the portfolio has a weighting of less than 5% and close to 96% of the portfolio has a weighting that is less than or equal to 20%.

	Risk weighting (Basel III)					
	from 0 to 2%	**from 2 to 5%**	**from 5% to 20%**	**from 20% to 50%**	**more than 50%**	**Total**
Central banks	1,986	-	-	-	-	1,986
Financial assets at fair value through profit or loss	2,691	928	488	0	133	4,239
Hedging derivatives	1,442	-	15	501	64	2,022
Bonds at fair value through equity	238	-	140	246	-	625
Loans and advances due from banks at amortized cost	20	-	-	9	0	29
Loans and advances to customers at amortized cost	34,785	10,465	6,945	2	395	52,592
Bonds at amortized cost	3,391	13	4,921	951	61	9,337
Accruals and other assets	292	-	0	30	61	383
Financing commitments	5,065	0	60	0	0	5,125
TOTAL EXPOSURE	**49,909**	**11,406**	**12,569**	**1,740**	**714**	**76,339**
SHARE OF TOTAL EXPOSURE	**65.9%**	**14.9%**	**16.5%**	**2.3%**	**0.9%**	**100.0%**

Certain exposures do not yet benefit from an internal evaluation system validated by banking supervisors; in this case, their weighting is that used in the standard method, which is, for example, 20% for local governments.

7.4 Liquidity risk: analysis by term to maturity

7.4.1 Breakdown of assets

	12/31/2020						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total broken down
Central banks	1,932	-	-	-	-	-	1,932
Financial assets at fair value through profit or loss	-	104	263	1,117	2,023	-	3,507
Hedging derivatives	-	-	-	-	-	-	-
Financial assets at fair value through equity	-	20	197	401	-	-	618
Loans and advances to banks at amortized cost	8	(1)	22	74	219	-	324
Loans and advances to customers at amortized cost	20	1,153	3,231	16,699	26,191	-	47,294
Bonds at amortized cost	-	343	765	2,721	3,882	-	7,711
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Tangible assets	-	-	-	-	39	-	39
Intangible assets	-	-	-	-	70	-	70
Tax assets	-	-	82	-	-	-	82
Accruals and other assets	-	2,762	-	15	-	-	2,777
TOTAL	**1,960**	**4,381**	**4,560**	**21,027**	**32,424**	**-**	**64,354**

	12/31/2020				
	Total broken down	Accrued interest	Fair value adjustment	Impairment	Total
Central banks	1,932	-	-	-	1,932
Financial assets at fair value through profit or loss	3,507	63	696	-	4,266
Hedging derivatives	-	530	4,626	-	5,154
Financial assets at fair value through equity	618	1	6	-	625
Loans and advances to banks at amortized cost	324	1	3	(0)	328
Loans and advances to customers at amortized cost	47,294	365	2,242	(34)	49,867
Bonds at amortized cost	7,711	78	1,353	(17)	9,124
Fair value revaluation of portfolio hedge	-	-	2,842	-	2,842
Tangible assets	39	-	-	(26)	13
Intangible assets	70	-	-	(44)	26
Tax assets	82	-	-	-	82
Accruals and other assets	2,777	(1)	-	-	2,777
TOTAL	**64,354**	**1,037**	**11,768**	**(121)**	**77,036**

7.4.2 Breakdown of liabilities, excluding equity

	12/31/2020						
	Sight	Less than 3 months	**3 months to 1 year**	1 to 5 years	**More than 5 years**	No fixed maturity	**Total broken down**
Central banks	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-
Due to banks at amortized cost	-	-	-	-	-	-	-
Customer borrowing and deposits at amortized cost	-	-	-	-	-	-	-
Debt securities at amortized cost	-	2,854	3,538	23,123	30,377	-	59,892
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Tax liabilities	-	-	5	-	-	-	5
Accruals and other liabilities	-	1,476	10	55	30	-	1,572
Provisions	-	-	-	23	-	-	23
Subordinated debt	-	-	-	-	-	-	-
TOTAL	**-**	**4,330**	**3,553**	**23,201**	**30,407**	**-**	**61,492**

	12/31/2020			
	Total broken down	Accrued interest	Fair value adjustment	**Total**
Central banks	-	-	-	-
Financial liabilities at fair value through profit or loss	-	57	980	1,037
Hedging derivatives	-	215	7,380	7,595
Due to banks at amortized cost	-	-	-	-
Customer borrowing and deposits at amortized cost	-	-	-	-
Debt securities at amortized cost	59,892	714	3,792	64,398
Fair value revaluation of portfolio hedge	-	-	739	739
Tax liabilities	5	-	-	5
Accruals and other liabilities	1,572	(1)	-	1,572
Provisions	23	-	-	23
Subordinated debt	-	-	-	-
TOTAL	**61,492**	**985**	**12,891**	**75,369**

7.4.3 Net liquidity gap

	12/31/2020							
	Sight	Less than 3 months	**3 months to 1 year**	1 to 5 years	**More than 5 years**	No fixed maturity	**Total not broken down**	Total
AMOUNT	**1,960**	**51**	**1,007**	**(2,174)**	**2,017**	**-**	**(1,192)**	**1,669**

This table presents the balance sheet at the closing date; it does not take into account the management decisions that will make it possible to manage differences in maturity or the future production of assets and liabilities. SFIL Group's liquidity is provided by its refinancing agreement with its shareholders and by issue Euro medium term notes and certificates of deposit. In addition, the Company may obtain funding from the Banque de France, by giving certain of these assets in guarantee. Caisse Française de Financement Local can thus obtain funding from the Banque de France enabling it to reimburse *obligations foncières* when they arrive at maturity; the assets given in guarantee are therefore excluded (as well as the matured bonds) from the calculation of the coverage ratio.

7.5 Currency risk

Classification by original currency	12/31/2019 EUR	Other EU currencies	USD	Other currencies	Total
Total assets	72,561	668	994	573	74,796
Total liabilities	72,561	668	994	573	74,796
NET BALANCE SHEET POSITION	-	-	-	-	-

Classification by original currency	12/31/2020 EUR	Other EU currencies	USD	Other currencies	Total
Total assets	72,202	628	3,848	358	77,036
Total liabilities	72,202	628	3,848	358	77,036
NET BALANCE SHEET POSITION	-	-	-	-	-

7.6 Sensitivity to interest rate risk

As an entity, SFIL takes no interest rate risk. Any of SFIL's balance sheet transactions generating an interest rate exposure are systematically micro-hedged. Therefore, for SFIL, the limit is applied to the fixed rate gap. It is currently at zero, reflecting SFIL's strategy of perfect micro-hedge management.

To limit the impact of these risks, Caisse Française de Financement Local has implemented a hedging strategy consisting of:

- micro-hedging balance sheet items denominated in a currency other than the euro or indexed to a complex rate structure. Certain euro-denominated vanilla transactions may also be micro-hedged if their notional value or duration could lead to a sensitivity limit being exceeded. Micro-hedging is carried out exclusively by swap;
- macro-hedging all transactions that are not micro-hedged. The transactions concerned are mainly (i) loans to the local public sector and (ii) issues of *obligations foncières* denominated in euros. This macro-hedging is obtained as much as possible by matching fixed-rate assets and liabilities via the termination of swaps and, for the rest, by setting up new swaps against Euribor or €str;
- this fixed-rate risk management is supplemented by monitoring of the fixings of transactions at adjustable rates in order to ensure that they do not lead to the short-term sensitivity limit being exceeded. Where appropriate, swaps against €ster may be entered into to hedge the fixing risk.

Debt not benefiting from the legal privilege is not covered by hedging transactions. Indeed, regarding its debts for funding over-collaterization, the Caisse Française de Financement Local borrows this funding either directly with Eonia or €ster index, with no swap requirement, or from the Euribor index, facing assets also indexed on Euribor. Where applicable, short-term and fixed-rate debts owed to Banque de France are not hedged, but also fund fixed-rate assets.

These different types of interest rate risk are monitored, analyzed and managed through:

- the production of gaps (fixed rate, basic and fixing), calculated on a static basis:

Fixed-rate gap	Difference between balance sheet and off-balance sheet assets and liabilities for fixed rate transactions or for which the rate has been fixed. It is calculated every month until balance sheet extinction.
Index gaps	Difference between balance sheet and off-balance sheet assets and liabilities for a given index tenor that has not yet been fixed. This gap is calculated every month until balance sheet extinction;
Basis gaps	Basis gaps, which result from the matching of two index gaps. There are therefore as many basis gaps as there are index pairs.
Fixing gap	For a given index tenor, the difference between adjustable rate balance sheet and off-balance sheet assets and liabilities, by fixing date.

- the net present value (NPV) sensitivity indicators at an interest rate shock of 100 bp are produced monthly, to protect residual fixed rate positions set by CAFFIL (after hedging has been set up). These indicators are calculated based on four pre-defined time buckets and supported by limits calibrated to restrict capital loss to 6% (EUR 80 million) with a 99% quantile calculated based on 10-year historical data:

Shift in the yield curve	Limit of EUR 25 million
Sloping/rotation of the yield curve at distant points of the curve	Limit* of EUR 15 million on the short term time bucket, 10 million on the medium term and long term and 9 million on the very long term.
Sloping/rotation of the yield curve within a time bucket	EUR 30 million limit** on sensitivity by time bucket in absolute value

* *In first-half 2020, CAFFIL's interest rate sensitivity limits were adjusted, while keeping the overall value of interest rate risk unchanged (EUR 80 million). The previous limit was 10 million for the four time buckets.*
** *The limit applicable to points prior to May 31, 2020 was EUR 40 million. Since May 2020, it has stood at EUR 30 million.*

The SFIL Group also has little exposure to early repayment risk as almost all of its loan agreements contain early repayment penalty clauses.

Limiting directional risk

The measurement of sensitivity at the end of each quarter is presented below.

Directional risk

Total sensitivity *(EUR millions)*	**Limit**	**3/31/2020**	**6/30/2020**	**9/30/2020**	**12/31/2020**
Sensitivity	25/(25)	(2.7)	(1.9)	(1.0)	(6.8)

Measurement of the slope/rotation risk

The measurement of sensitivity at the end of each quarter is presented below.

Risk of slope between two distant points on the rate curve

Sum of sensitivities *(EUR millions)*	**Limit**	**3/31/2020**	**6/30/2020**	**9/30/2020**	**12/31/2020**
Short term	15/(15)	(6.0)	(4.0)	(5.3)	(9.5)
Medium term	10/(10)	(2.1)	(6.6)	(6.1)	3.1
Long term	10/(10)	1.6	4.1	5.1	(2.5)
Very long term	9/(9)	3.8	4.6	5.3	2.2

Risk of slope between two close points on the rate curve

Sum of sensitivities in absolute value

Sum of sensitivities in absolute value *(EUR millions)*	**Limit**	**3/31/2020**	**6/30/2020**	**9/30/2020**	**12/31/2020**
Short term	30	17.3	9.0	12.6	10.9
Medium term	30	12.7	13.0	13.9	22.3
Long term	30	12.3	10.4	3.7	11.3
Very long term	30	7.0	7.6	8.2	8.8

Note 8 Impacts of the Covid-19 health crisis on the financial statements

The health crisis had a relatively limited impact on the Company's financial statements prepared in accordance with IFRS as of December 2020. This confirms SFIL's group resilience to macro-economic shocks.

Impacts on the adjustments to the value of financial assets and liabilities recognized at fair value

The context of volatility and deterioration in the financial markets, particularly in first half of 2020, led to changes in the value of financial assets and liabilities as well as hedging instruments, with an overall impact of EUR -29 million on Net banking income as at end of June 2020. Financial markets gradually returned to normal in the second half of 2020, driven by the stimulus plans announced by national governments and the European Commission. This had the effect of gradually reducing the unfavorable impact visible in the financial statements of June 30, 2020. As of December 31, 2020, the unfavorable impact of the end of June can be considered as completely eliminated. As a reminder, as SFIL intends to retain the large majority of its assets until expiry, these valuations may continue to change along with market conditions but will return to balance in the long term.

Impacts on past due, breakdown of net book values by Stages and IFRS provisions

SFIL decided to deploy two approaches to support borrowers faced with difficulties due to the health crisis:

- one, proactive, by proposing estensions to payment terms to all health institutions in recognition of their exceptional involvement in the Covid-19 pandemic. SFIL proposed payment terms of 180 days to these borrowers for all of their loan contract maturities between March 12 and June 30, 2020, without any late interest or penalties being invoiced. As of June 30, 2020, these offset payment maturities represented EUR 9 million. As of December 31, 2020, these payment terms had been almost fully reimbursed and represented a residual amount of EUR 0.3 million;
- the other approach was to respond to requests from local and equivalent authorities faced with temporary cash flow difficulties. SFIL mobilized to respond to all requests from borrowers and to support them in their difficulties due to the health crisis caused by the decline in revenue from specific activities, related to economic, cultural and touristic activities (cinemas, swimming pools, parkings, thermal baths, etc.). As of June 30, 2020, these offset payment maturities represented EUR 8 million. As of December 31, 2020, these payment terms had also been almost fully reimbursed and represented a residual amount of EUR 0.5 million.

	On-going payment terms as of December 31, 2020					
	Financial assets at amortized cost				Financial assets at fair value through profit or loss	Total
	Stage 1	Stage 2	Stage 3	Total		
Health sector customers	-	-	0	0	-	0
Other local public sector customers	-	-	1	1	-	1
TOTAL	**-**	**-**	**1**	**1**	**-**	**1**

The payment terms granted to SFIL's clients resulted as of December 31, 2020 in a very slight increase in exposures classified as Stage 3 and a decrease in exposures classified as Stages 1 and 2. In addition to the effects of the declassification in Stage 3 of the exposures of certain customers, SFIL decided to increase its provisions related to public sector by EUR 3 million.

	Financial assets at amortized cost					
	Gross carrying amount			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Health sector customers benefiting from extensions to payment terms	185	34	24	(0)	(1)	(1)
Other local public sector customers benefiting from extensions to payment terms	288	5	1	(0)	(0)	(0)
SITUATION AS OF DECEMBER 31, 2019	**473**	**38**	**25**	**(0)**	**(1)**	**(1)**
Health sector customers benefiting from extensions to payment terms	192	23	23	(3)	(0)	(0)
Other local public sector customers benefiting from extensions to payment terms	244	2	33	(0)	(0)	(0)
SITUATION AS OF DECEMBER 31, 2020	**436**	**24**	**56**	**(3)**	**(0)**	**(1)**
Health sector customers benefiting from extensions to payment terms	7	(11)	(1)	(3)	0	0
Other local public sector customers benefiting from extensions to payment terms	(44)	(3)	32	0	0	(0)
CHANGE DURING THE YEAR MAINLY DUE TO THE IMPACT OF THE COVID-19 HEALTH CRISIS	**(37)**	**(14)**	**31**	**(3)**	**0**	**(0)**

SFIL is present in all cruise ship financing operations through French export credits signed since 2016. Within this context, SFIL entered into the approach developed jointly by the European export credit guarantee agencies to provide liquidity support for export credits for cruise companies, which were particularly affected by the pandemic. This liquidity support consists of deferring the repayment of the principal amount of the credits. In parallel, SFIL decided to put all of the exposures related to the cruise sector on the watchlist which resulted in the recognition of a collective provision of EUR 15 million in this business sector. In addition to these items, it was also decided to set up a provision for risks and charges of EUR 2.6 million associated with foreign exchange financing instruments used in the refinancing of export credits in dollars in the cruise sector. As a reminder, these loans benefit from credit insurance issued by BPI AE in the name, on behalf and under the control of the French State.

	Financial assets at amortized cost					
	Gross carrying amount			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets on the balance sheet - export credit cruise sector	989	-	-	(0)	-	-
Off balance sheet financing commitments - export credit cruise sector	4,530	-	-	(0)	-	-
SITUATION AS OF DECEMBER 31, 2019	**5,519**	**-**	**-**	**(1)**	**-**	**-**
Financial assets on the balance sheet - export credit cruise sector	-	2,136	-	-	(5)	-
Off balance sheet financing commitments - export credit cruise sector	-	3,664	-	-	(10)	-
SITUATION AS OF DECEMBER 31, 2020	**-**	**5,800**	**-**	**-**	**(15)**	**-**
Financial assets on the balance sheet - export credit cruise sector	(989)	2,136	-	0	(5)	-
Off balance sheet financing commitments - export credit cruise sector	(4,530)	3,664	-	0	(10)	-
CHANGE DURING THE YEAR MAINLY DUE TO THE IMPACT OF THE COVID-19 HEALTH CRISIS	**(5,519)**	**5,800**	**-**	**1**	**(15)**	**-**

Summary of the impacts of the Covid-19 health crisis on the Company's results as at December 31, 2020

	(1)	(2)		=(1)-(2)
		Of which impacts of the Covid-19 health crisis		
	Reported accounting income	Reinforcement of provisions on public sector	Reinforcement of provisions on export credit - cruise sector	Accounting income restated for the impacts of Covid-19
Net banking income	180	-	-	180
General operating expenses	(112)	-	-	(112)
GROSS OPERATING INCOME	**68**	**-**	**-**	**68**
Cost of risk	(6)	(3)	(18)	14
INCOME BEFORE NON-RECURRING ITEMS AND TAXES	**62**	**(3)**	**(18)**	**82**
Income tax	(18)	1	5	(23)
NET INCOME	**44**	**(2)**	**(13)**	**59**

Note 9 Post-closing events

No significant event that influences the Company's financial situation has occurred since the closing on December 31, 2020.

Note 10 Statutory Auditor's fees *(EUR thousand)*

	Deloitte & Associés				Ernst & Young et Autres			
	Amount including VAT		%		Amount including VAT		%	
	2019	2020	2019	2020	2019	2020	2019	2020
AUDIT SERVICES RENDERED								
Audit, certification, examination of company financial statements	367	81	74%	49%	324	81	76%	53%
of which SFIL	*108*	*27*			*108*	*27*		
Other audit tasks	127	84	26%	51%	101	72	24%	47%
of which SFIL	*53*	*23*			*38*	*22*		
TOTAL	**494**	**165**	**100%**	**100%**	**425**	**153**	**100%**	**100%**

	KPMG SA				PricewaterhouseCoopers Audit			
	Amount including VAT		%		Amount including VAT		%	
	2019	2020	2019	2020	2019	2020	2019	2020
AUDIT SERVICES RENDERED								
Audit, certification, examination of company financial statements	-	306	-	68%	-	348	-	71%
of which SFIL	-	*72*			-	*78*		
Other audit tasks	-	147	-	32%	-	140	-	29%
of which SFIL	-	*101*			-	*103*		
TOTAL	**-**	**453**	**-**	**100%**	**-**	**488**	**-**	**100%**

The terms of office of Deloitte & Associés and Ernst & Young et Autres ended on September 30, 2020 at the Extraordinary Shareholders' Meeting of SFIL noting the takeover of the Company by Caisse des Dépôts. KPMG SA and PricewaterhouseCoopers Audit were appointed as Statutory Auditors of SFIL and Caisse Française de Financement Local at the same Extraordinary Shareholders' Meeting. Consequently, the fees for 2020 presented in the tables above relate to the period from January 1 to September 30 for the firms Deloitte & Associés and Ernst & Young et Autres and the period from October 1 to December 31 for the firms KPMG SA and PricewaterhouseCoopers Audit.

In 2020, services other than the certification of the financial statements mainly include the issuance of comfort letters for the updating of EMTN programs or when syndicated public issues are completed, as well as, at the request of the Statutory Auditors of Caisse des Dépôts, the work to certify the opening balance sheet and the Purchase Price Allocation realized in the context of the acquisition of SFIL by CDC.

3.3 Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2020

This is a free translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of SFIL S.A.

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of SFIL for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Financial Statements Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from January 1, 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Assessment of credit risk and measurement of impairment losses on customer loan portfolios

Risk identified	Our response
In connection with its activities, the SFIL group is mainly exposed to credit risk resulting from customers' inability to meet their financial commitments. As of December 31, 2020, loans and advances to customers at amortized cost amounted to €49.9 billion (note 2.4 to the financial statements). In accordance with IFRS 9, the SFIL group has recorded impairments intended to cover the risks of expected credit losses (stages 1 and 2) for €27 million or impaired outstandings (stage 3) for €7 million (note 1.2.5.7). Expected credit losses impairment rules require setting-up a first impairment stage materializing expected credit losses in the next twelve months since initial recognition of a financial asset; and a second stage materializing expected credit losses at maturity, in the event of a significant deterioration in credit risk. Impairement for expected credit losses (stages 1 and 2) are determined mainly on the basis of models taking into accounts various inputs (Probability of Default, Loss Given Default, exposures, etc.) and forward-looking scenarios. The Covid-19 pandemic has caused a health and economic crisis affecting the repayment capacity of borrowers. In response to this crisis, government measures were introduced and the public authorities have been extremely urged. In this environement marked by considerable uncertainty linked to the evolving context of the pandemic and by the absence of a comparable historical situation, the methods of calculating impairments for expected credit losses have required a certain number of adjustments as specified in the note. 1.2.5.7 to the group's financial statements. For contracts classified under stage 3, the expected credit losses correspond to the loss at maturity, the calculation of which requires estimating the cash flows that the group expects to recover. We considered the estimate of impairment for credit losses as of December 31, 2020 to be a key audit matter insofar as management is required to exercice judgement both in the classification by stages of outstanding loans, and in determining the inputs and methods used in determining impairments, particulary in the uncertain context due to global crisis tied to the Covid-19 pandemic.	**Impairment of loans classified under stage 1 and stage 2** Our work primarily involved: • ensuring the existence of a governance system for reviewing, at an appropriate frequency, the appropriateness of the impairment models and the inputs used to calculate impairments and analyzing changes in impairments amounts; • testing the controls deemed to be key in the process of determining impairments; • carrying out checks on methodological updates and on changes made to the methods for calculating impairment for expected credit losses in the context of the Covid-19 crisis, • assessing the appropriateness of the inputs used to calculate impairments as of December 31, 2020; • performing an independent valuation of the provision amounts on main customer loan portfolio; • carrying out checks on the IT system, including a review of the general IT controls, interfaces and embedded controls for specific data aimed at processing information relating to IFRS 9. **Impairment of loans classified under stage 3** As part of our audit procedures, and more generally, we have tested the operating effectiveness of the controls related the identification of exposures classifeid as stage 3, the monitoring of credit and counterparty risk, the assessment of non-recovery risk and the determination of the related individual impairment and provisions. Our work consisted in assessing the quality of the monitoring system for sensitive, doubtful and non-performing counterparties, the credit review process and the guarantee valuation system. In addition, we performed and independent valuation of the provision amounts, on the basis of a sample of files selected on materiality and risk criteria. We assessed the adequacy of the level of credit risk coverage and the overall level of the associated cost of risk, in particular its appropriateness with regard to the current crisis. We assessed the appropriateness of the disclosures provided in the notes to the financial statements.

Measurement of financial instruments classified in Fair Value Level 2 and 3

Risk identified	Our response
In connection with its activities, the SFIL group holds derivatives recognized at fair value through profit or loss as well as loans recognized at fair value through profit or loss in accordance with the classification criteria of IFRS 9 "Financial Instruments". The SFIL Group uses, to calculate the fair value level 2 or 3 of these instruments, techniques or in-house valuation models based on parameters and data, some of which are not observable in the market, as indicated in "Methods used to determine the fair value of financial instruments," Note 7.1.3 to the consolidated financial statements. The models and parameters used to value these instruments are based on estimates. The models and data used to value these instruments, and their classification under the fair value hierarchy, are based on management's judgment and estimates. We consider the valuation of financial instruments classified in fair value level 2 and 3 to be a key audit matter due to: • the complexity related to determining valuation models, • the sensitivity of these models to assumptions adopted by the Credit Risk Department, and • the uncertainty inherent in the exercise of judgements used to estimate the level 3 parameters. As of December 31, 2020, the financial instruments recognized at fair value through profit or loss (including hedging derivatives) represent respectively EUR 9,420 million in the assets (including EUR 4,243 million in loans recognized at fair value through profit or loss) and EUR 8,632 million in the liabilities, of SFIL's balance sheet. Note 7.1.3 to the consolidated financial statements provides detailed information on the measurement and classification in Stage 2 and 3 of fair value of such financial instruments.	With the support of experts in the valuation of financial instruments included in the audit team, we designed an approach including the following main stages: • assesement of the governance set up by the Risk Department for the control of the valuation models; • analysis of the valuation models for certain categories of complex instruments and the relating value adjustments; • test of operating effectiveness of controls relating to market parameters used to provide input for the valuation models and to the internal validation of valuation models; • counter-valuations of a sample of complex derivative financial instruments and "Non-Sppi" loans; • assesement of criterias used to determine the fair value hierarchy using a sample of financial instruments. We also verified the appropriateness of the disclosures provided in notes to the financial statements in connection with the fair value of such instruments.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Format of presentation of the consolidated financial statements included in the annual financial report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the consolidated financial statements included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared unde the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation N° 2019/815 of 17 Decembre 2018. As it relates to consolidated financial statements, our work includes verifying that the tagging of these consolidated financial statements complies with the format defined in the above delegated regulation.

Based on the work we have performed, we conclude that the presentation of the consolidated financial statements included in the annual financial report complies, in all material respects, with the European single electronic format.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of SFIL by the annual general meeting held on Septembre 30, 2020.

As at December 31, 2020, we were in our 1st year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Financial Statements Committee

We submit a report to the Financial Statements Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Financial Statements Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Financial Statements Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Financial Statements Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense, March 30, 2021

Neuilly-sur-Seine, March 30, 2021

The statutory auditors

French original signed by

KPMG S.A.

Jean-François Dandé

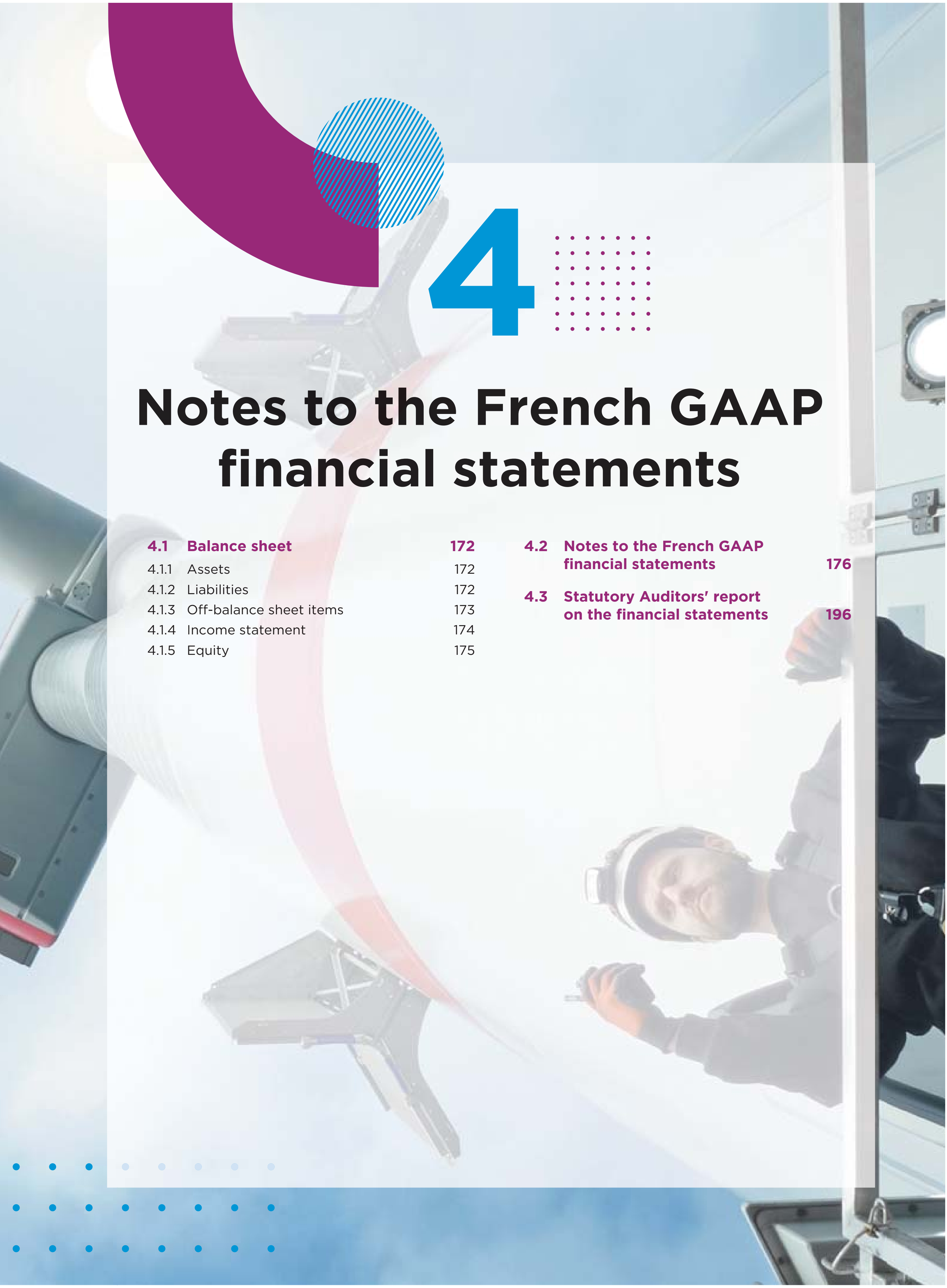
Partner

PricewaterhouseCoopers Audit

Ridha Ben Chamek

Partner

Our objective: to support the international activity of major companies based in France



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Notes to the French GAAP financial statements

4.1 Balance sheet

4.1.1 Assets

EUR millions	*Note*	12/31/2019	**12/31/2020**
Central banks	*2.1*	718	134
Government and public securities	*2.2*	123	122
Loans and advances to banks	*2.3*	5,306	6,715
Loans and advances to customers	*2.4*	2,374	3,278
Bonds and other fixed income securities	*2.5*	1,207	1,005
Equities and other variable income securities		-	-
Investments in non-consolidated companies and other long-term investments			
Investments in consolidated companies	*2.6*	35	35
Intangible assets	*2.7*	31	26
Tangible assets	*2.8*	7	6
Other assets	*2.9*	2,321	2,602
Accruals and other assets	*2.10*	686	635
TOTAL ASSETS	***2.11***	**12,808**	**14,558**

4.1.2 Liabilities

EUR millions	*Note*	12/31/2019	**12/31/2020**
Central banks		-	-
Due to banks	*3.1*	3,269	3,539
Customer borrowings and deposits		-	-
Debt securities	*3.2*	7,746	9,171
Other liabilities	*3.3*	1,072	885
Accruals and other liabilities	*3.4*	486	676
Provisions	*3.5*	7	22
EQUITY	**3.6**	**228**	**266**
Subscribed capital		130	130
Additional paid-in capital		-	-
Reserves and retained earnings		57	99
Net income		41	37
TOTAL LIABILITIES	***3.7***	**12,808**	**14,558**

4.1.3 Off-balance sheet items

EUR millions	*Note*	*12/31/2019*	**12/31/2020**
COMMITMENTS GRANTED	***4.1***	**18,773**	**13,149**
Financing commitments		*5,510*	4,753
Guarantees granted		*8,051*	8,243
Other commitments granted		*5,212*	153
COMMITMENTS RECEIVED	***4.2***	**24,636**	**18,453**
Financing commitments		*16,581*	10,203
Guarantees received		*8,055*	8,250
Forward commitments		-	-
Other commitments received		-	-
OTHER COMMITMENTS	***4.3***	**45,557**	**47,029**
Foreign currency transactions		*8,925*	9,053
Commitments on forward financial instruments		*36,632*	37,976
Commitments related to securities transactions		-	-

4.1.4 Income statement

EUR millions	Note	2019	2020
Interest income	*5.1*	35	58
Interest expense	*5.1*	(26)	(44)
Income from variable income securities		41	45
Commission income	*5.2*	7	4
Commission expense	*5.2*	(3)	(4)
Net gains (losses) on held for trading portfolio	*5.3*	(0)	3
Net gains (losses) on placement portfolio	*5.4*	2	1
Other income	*5.5*	91	96
Other expense	*5.5*	(0)	(0)
NET BANKING INCOME		**146**	**160**
General operating expense	*5.6*	(89)	(88)
Depreciation and amortization		(13)	(15)
GROSS OPERATING INCOME		**44**	**57**
Cost of risk		(1)	(14)
INCOME FROM OPERATIONS		**43**	**42**
Gains or losses on fixed assets		-	-
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		**43**	**42**
Non-recurring items		-	-
Income tax	*5.7*	(2)	(5)
NET INCOME		**41**	**37**
Basic earnings per share		4.45	3.99
Diluted earnings per share		4.45	3.99

4.1.5 Equity

EUR millions	**Amount**
AS OF 12/31/2019	
Share capital	130
Additional paid-in capital	-
Commitments to increase share capital and additional paid-in capital	-
Reserves and retained earnings	57
Net income for the year	41
Interim dividends	-
EQUITY AS OF 12/31/2019	**228**
MOVEMENTS FOR THE PERIOD	
Changes in share capital	-
Changes in additional paid-in capital	-
Changes in commitments to increase share capital and additional paid-in capital	-
Changes in reserves and retained earnings	42
Dividends paid (-)	-
Changes in Net income for the period	(4)
Other movements	-
AS OF 12/31/2020	
Share capital	130
Additional paid-in capital	-
Commitments to increase share capital and additional paid-in capital	-
Reserves and retained earnings	99
Net income for the period	37
EQUITY AS OF 12/31/2020	**266**

4.2 Notes to the French GAAP financial statements

Note 1 Accounting and valuation policies

1.1 Applicable accounting standards: rules adopted by the french accounting standards Board *(Autorité des normes comptables* – ANC)

SFIL prepares its financial statements in compliance with ANC Regulation No. 2014-07 issued on November 26, 2014 and related to the accounts for the reporting entities of the banking sector, and in particular credit institutions. As stated in it article 3 and subject to the provisions of the latter regulation, these reporting entities prepare their financial statements in compliance with ANC Regulation No. 2014-03 issued on June 5, 2014 and related to general accounting plan. The financial statements are furthermore in accordance with the indications of Directive 86/635/EEC of the Council of European Communities.

The financial statements as of December 31, 2020, were prepared using the same accounting policies as those used in the financial statements as of December 31, 2019. Between these two dates, the applicable regulation has in particular been amended as such (NB: only amendments deemed as potentially relevant for the Company are mentioned):

- **ANC Recommendations and observations of May 18, 2020 – Regarding how to take the consequences of Covid-19 event into consideration in the financial statements prepared from January 1, 2020:** this statement from ANC aims at accompanying the companies so as for them to communicate efficiently about the economic consequences of Covid-19 pandemic. Subsequently, ANC has regularly updated its recommendations and observations: on July 3, 2020, July 24, 2020 and January 15, 2021.

This communication and its subsequent updates have been taken into account by SFIL in the preparation of its 2020 annual financial statements. So as to enable users to measure the impact of this crisis on financial statements, qualitative and quantitative information has been disclosed in note 8 below.

- **ANC Regulation No. 2020-10 of December 22, 2020 amending ANC Regulation No. 2014-07 issued on November 26, 2014 and related to the accounts for the reporting entities of the banking sector:** this regulation from ANC aims at completing Regulation No. 2014-07 by specifying how to account for and recognize on the one hand deposits centralized at the French Fonds d'épargne within Caisse des Dépôts Group (regulated savings: *livrets A, livrets développement durable et solidaire et livrets d'épargne populaire)* and on the other hand securities lending/borrowing operations. Regarding regulated savings, the institution recognizes the amount receivable from the French Fonds d'épargne on the Liability side of the Balance sheet, deducting it from the outstanding amount of underlying collected deposits. Regarding securities lending/borrowing operations, the borrowing institution recognizes borrowed securities on the Liability side of the Balance sheet, deducting it from the underlying debt.

This regulation has no impact on SFIL 2020 annual financial statements given that on the one hand SFIL receives no deposits centralized to the Fonds d'épargne and on the other hand SFIL has realized no securities lending/borrowing operations in 2020.

1.2 Accounting principles applied to the financial statements

The financial statements have been prepared in accordance with French generally accepted accounting principles, respecting the principles of prudence, sincerity and true and faithful image, on the basis of the following assumptions:

- going concern principle;
- segregation of accounting periods;
- consistency of methods;
- historical costs;
- no netting principle;
- intangibility of the opening balance sheet.

1.2.1 Loans and advances to banks and to customers

Loans and advances to banks include all loans connected to banking transactions with credit institutions, except securities. They are broken down into sight accounts and term loans.

Loans and advances to customers comprise mainly loans granted in the form of export credits.

Loans and advances to customers are recognized in the balance sheet net of impairment for possible losses. The undrawn portion of signed loan contracts is recognized as an off-balance sheet item.

Interest on loans is recognized as Interest income, *prorata temporis* for accrued amounts due and not yet due, as is interest on past-dues.

Commissions received and marginal transaction costs related to the granting or the acquisition of a loan, if they are significant, are amortized over the maturity of the loan. Other commission income is immediately recognized in the income statement.

Prepayment indemnities are recognized in the income statement at the date they occur.

A loan is considered as non-performing when it presents one of the following characteristics:

- a probable or certain risk that it will not be repaid (past-due for more than nine months for local government borrowers, and for more than three months for the other counterparties);
- the existence of a factual counterparty risk (worsening of the financial situation, alert procedures).

Compromised non-performing loans are loans to borrowers whose recovery outlook is so downgraded that they might be ultimately written off. Loans accounted for as non-performing for more than one year are transferred to this category.

Impairment charges are recognized for non-performing and compromised non-performing loans:

- the fraction of principal impaired is determined by Risk Management in function of incurred losses. Underlying impairment charges and subsequent reversals are recognized as Cost of risk as well as the losses and subsequent recoveries on the principal of non-recoverable loans;
- interest is fully impaired. Underlying impairment charges and subsequent reversals are recognized in the net interest margin as well as the losses and subsequent recoveries on the interest of non-recoverable loans.

1.2.2 Securities

Securities held by SFIL are recognized on the asset side of the balance sheet under the item Government and public securities or Bonds and other fixed income securities.

The item Government and public securities includes securities issued by public sector entities that may be refinanced through the European system of central banks.

The item Bonds and other fixed income securities includes:

- securities issued by public sector entities that are not eligible for refinancing by central banks;
- securities guaranteed by public sector entities.

Securities held by SFIL are recognized as either investment securities or placement securities.

1.2.2.1 Investment securities

Fixed-income securities with a specified maturity are recognized as investment securities when there is the intention and the capacity to hold them to maturity. Securities in this category are subject to back-financing or interest-rate hedging over their residual maturity.

Investment securities are recognized on the date of purchase at acquisition clean price, excluding fees. Accrued interest at the date of acquisition and subsequently accrued interest at each closing date is recognized on the balance sheet in the same categories as the corresponding security. Interest on these securities is recognized as Interest income.

The difference between the redemption value and the acquisition clean cost (discount or premium) is amortized according to a quasi-actuarial method over the residual maturity of the security.

At closing date, unrealized gains are not recognized and unrealized losses are generally not impaired. By way of exception, unrealized losses are impaired in the following cases:

- a doubt about the issuer's ability to meet his obligations;
- the probability that the Company will not hold these securities until maturity due to new circumstances.

1.2.2.2 Placement securities

Securities that do no fit in investment securities are recognized as placement securities.

Placement securities are recognized on the date of purchase at acquisition clean price, excluding fees. Accrued interest at the date of acquisition and subsequently accrued interest at each closing date is recognized on the balance sheet in the same categories as the corresponding security. Interest on these securities is recognized as Interest income.

The difference between the redemption value and the acquisition clean cost (discount or premium) is amortized according to a quasi-actuarial method over the residual maturity of the security.

In application of the principle of prudence, placement securities are recognized on the balance sheet at their acquisition cost including if applicable the amortization of discount or premium or selling price at closing date, whichever is lower, after accounting, when relevant, for the value of the micro-hedge swap.

If the market for a financial instrument is not active, valuation techniques are used to calculate its selling price. The valuation model should take into account all the factors that market players would consider to valuate the asset. Within this framework, SFIL relies on its own valuation models, making every effort to take into account the market conditions at the date of the valuation as well as any changes in the credit quality of these financial instruments and market liquidity.

When the decrease in the value of the security exceeds the unrealized gain on the micro-hedge, the decrease in net value is recognized as asset impairment in Net gains (losses) on placement portfolio transactions, as well as subsequent impairment reversals and capital gains and losses on sales.

Placement securities transferred to investment securities are recognized at their acquisition cost and previously recognized impairment is reversed over the residual maturity of the securities concerned.

1.2.3 Debt due to banks

Debt due to banks is broken down according to the type of debt (sight accounts, current accounts, long-term loans or non-allocated receivables) and the initial maturity (sight or term debt).

Interest accrued on this debt is recognized in liabilities, offsetting income statement.

1.2.4 Debt securities

Debt securities are broken down between short term (Certificates of Deposit) and medium to long term (Euro Medium Term Notes) negotiable debt securities.

Debt securities are recognized at nominal value.

Redemption and issue premiums are amortized according to a quasi-actuarial method over the maturity of the securities concerned *prorata temporis*. They are recognized on the balance sheet in the same categories as the corresponding debt. Amortization of these premiums is recognized in the income statement as Interest expense. If securities are issued above par, amortization of issue premiums is deducted from Interest expense.

Interest is recognized in the net interest margin for accrued amounts calculated *prorata temporis*.

Issuance costs and commissions related to issued securities are amortized according to a quasi-actuarial method over the maturity of the related debts and are recognized in the net interest margin.

Bonds issued which are denominated in foreign currencies are accounted for using the same method as foreign currency transactions (see below).

1.2.5 Provisions

Provisions are recognized based on their discounted value when the three following conditions are met:

- SFIL has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources representing economic benefits will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

Collective provision covers the risk of loss in value among the population of loans, bonds and loan commitments not yet covered by any specific loss allowance at closing date. Among this population, counterparties that are reviewed in Watchlist Committee or might be reviewed in a foreseeable future are identified through the use of automatic criteria (based in particular on internal ratings and warning indicators for rating migration determined to be risky) and *ad hoc* analysis based on the use of professional judgment and expert opinion: outstanding on these counterparties forms the base of the collective provision. Losses on these counterparties are estimated on the basis of past events (use of historical patterns), current economic environment and expectations on future economic environment. For this purpose, SFIL uses a credit risk model based on an approach derived from Basel approach; this model is subject to regular back-testing.

1.2.6 Derivative transactions

SFIL concludes derivative transactions that can be broken down into two categories: Micro-hedge transactions and Isolated open positions. The valuation and accounting treatments of these financial instruments depends on the chosen category.

The notional amount of these transactions is recognized off-balance sheet over the maturity of the instruments, *i.e.* from the date the contract is signed (including forward contracts) up to maturity. The amount recognized is adjusted to reflect any changes in notional amounts so as to represent the current or future maximum commitment.

Payments made at the inception of financial instruments are amortized over their maturity for the time remaining according to a quasi-actuarial method.

1.2.6.1 Micro-hedge transactions

Derivatives are booked as micro-hedges when they are designed to hedge against the interest rate risk or the foreign exchange risk related to an item or a set of homogeneous items identified from the outset.

Expense and income on these transactions are recognized in the income statement the same way as income and expense on the hedged item or set of homogeneous items.

Termination fees received or paid because of the early interruption of the hedging instrument are recognized in the income statement at the termination date.

1.2.6.2 Isolated open positions

SFIL acts as an intermediary between Caisse Française de Financement Local, its subsidiary, and certain banking counterparties. These transactions with its subsidiary constitute isolated open positions.

Expense and income on these transactions are recognized in the income statement *prorata temporis*, respectively as Interest expense and Interest income. The counterpart is recognized in accruals until the payment date.

A provision is recognized in respect of any unrealized losses. Unrealized gains are not recognized.

1.2.7 Foreign currency transactions

SFIL recognizes foreign currency transactions in accounts opened and denominated in each of the currencies used.

Specific foreign exchange position accounts and foreign exchange position equivalent accounts are opened in each currency.

At each closing date, differences between on the one hand the amounts resulting from a market price valuation at closing date of the foreign exchange position accounts and on the other hand the amounts recognized in the foreign exchange position equivalent accounts are recognized in the income statement.

1.2.8 Foreign exchange transactions

In the course of systematic hedging of its foreign exchange risk, SFIL enters into currency swaps. These currency swaps are initiated to eliminate the risk of foreign exchange rate fluctuations that might affect an asset or liability as soon as such a risk is identified. They are mainly used to hedge certain liabilities, debt securities and customer loans.

Results of foreign exchange hedging transactions are accounted for by recognizing the difference between the hedging rate and the spot rate – contango or backwardation – *prorata temporis* in the income statement.

1.2.9 Guarantees

As part of its activity to refinance large export credits, SFIL enters into credit insurance policies received from Bpifrance Assurance Export, acting on behalf of the French State. Expenses related to these guarantees are recognized *prorata temporis* in the net interest margin.

1.2.10 Other income

Charges which are not re-invoiced exactly up to the same amount are recognized as Other income.

1.2.11 Employee benefits

Staff expenses include all costs related to employees, particularly expenses of the period related to profit-sharing and incentive plans. Employee benefits are classified in four categories:

1.2.11.1 Short-term benefits

Short-term benefits are those expected to be settled wholly in twelve months after the end of the annual reporting period during which employee services are rendered; they are not discounted and are recognized as an expense of the reporting period. Annual leave is recognized when the benefits are granted to the employee. To this purpose, a provision is recognized based on rights vested by employees at closing date.

1.2.11.2 Long-term benefits

These benefits, generally related to seniority, are paid to current employees. Their payment is deferred for more than twelve months after the end of the annual period during which the employees rendered the related service. They represent, specially, long service awards. The actuarial gains and losses related to these benefits and all service costs are recognized immediately in the income statement.

1.2.11.3 Termination benefits

Employee termination benefits result either from the decision by SFIL to terminate an employment contract before the legal retirement age or by a decision of voluntary redundancy in exchange for termination benefits. A charge for termination benefits at the end of the employment contract is recognized only when SFIL is no longer able to withdraw its offer.

1.2.11.4 Post-employment benefits

Post-employment benefits are only made of defined contribution plans. The assets of these plans are generally held by insurance companies or pension funds. The pension plans are generally funded by payments from both SFIL and its employees.

Under defined benefit plans, SFIL has a formal or constructive obligation to provide the agreed benefits to current and former employees. Actuarial and investment risks fall on SFIL; as a result, this obligation is measured and recognized as a liability under the item Provisions.

Post-employment benefit obligations under defined benefit plans are measured using an actuarial valuation technique that includes demographic and financial assumptions and the Projected Unit Credit Method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation.

The defined benefit net liability recognized in the balance sheet is valued by independent actuaries and represents the present value of defined benefit obligations reduced by the fair value of plan assets (if any).

Re-measurements of defined benefit net liability (or asset) and the fair value of its covering assets is subject to adjustments due to changes in actuarial assumptions, which results in revaluating the liability (or asset) recognized under defined contribution plans. Actuarial gains and losses resulting from these adjustments are recognized according the “corridor” method. Under this method, SFIL is allowed to recognize, over the average remaining service lives of employees, only the portion of actuarial gains and losses that exceeds the corridor. The corridor is the greatest of the following two amounts: 10% of the present value of the gross defined benefit plans or 10% of the fair value of plan assets at previous reporting period closing date.

Under defined benefit plans, the expense recognized as staff expenses represents in particular the acquired rights during the reporting period by each employee and comprises the current service cost and past service cost arising from plan amendments, curtailments or settlements.

1.2.12 Tangible and intangible assets

Fixed assets consist exclusively of operating tangible and intangible assets. These assets are held for production or administrative purposes. Fixed assets are recognized as assets if:

- it is probable that the associated future economic benefits will flow to the entity; and
- their cost can be measured reliably.

Fixed assets are recognized at acquisition cost plus any directly attributable expenses.

Software developed internally, when it meets the criteria for recognition, is recognized at its development cost, which includes external expenditures on hardware and services and staff expenses that can be directly attributed to its production and preparation for use.

After initial recognition, fixed assets are carried at cost less accumulated depreciation and impairment. When they are ready to be used, fixed assets are depreciated linearly over their expected useful life. Depreciation is recognized in the income statement under the item Depreciation and amortization.

The component approach is applied to all fixed assets. The depreciation periods are as follows:

Components	Depreciation period
Technical Installations	10-20 years
Fixtures and fittings	10-20 years
IT equipment	3 years
Software developed or acquired*	3 or 5 years
Office equipment	2-12 years

* *Purchased licenses and equipments are depreciated over 3 years. The depreciation period of internally developed softwares depends on whether they are strategic. Those which are considered strategic are amortized over 5 years; those which are not are amortized over 3 years.*

Fixed assets are tested for impairment when impairment indicators are identified. When the carrying amount of a fixed asset is greater than its estimated recoverable amount, an impairment charge is recognized and the carrying amount of the fixed asset is written down to the estimated recoverable amount. Impairment charges are recognized in the income statement under the item Depreciation and amortization.

Gains or losses on disposal of fixed assets are charged to Income (loss) on fixed assets.

1.2.13 Non-recurring income and expense

Non-recurring income and expense results from events or transactions that do not relate to ordinary business operations or routine management of the Company's assets and liabilities.

Furthermore, the income or expense involved does not depend on decisions taken within the framework of usual management of the Company's activities or assets, but results from external events of a completely exceptional nature. Only items of this nature that have a significant impact on the period's income statement are recognized as non-recurring income and expense.

1.2.14 Tax consolidation

Since January 1, 2014, SFIL is the head of the tax group which consolidates Caisse Française de Financement Local.

1.2.15 Offices and activities in uncooperative States and territories

SFIL fights against tax evasion by scrupulously complying with current rules and prevention systems. SFIL has no offices in States that have not signed an administrative assistance agreement with France (subsidiaries, branches, including *ad hoc* entities, and equity interest in other entities over which the Company has exclusive or joint (or *de facto*) control). At the most, SFIL receives interest flows that come from borrowers located in one of these countries due to their specific activities, as part of its export refinancing activities. These revenues are taxed in France at the full company tax rate.

1.2.16 Identity of the parent company consolidating the accounts of SFIL as of December 31, 2020

Group Caisse des Dépôts

56, rue de Lille

75007 Paris

Note 2 Notes to the assets *(EUR millions)*

2.1 Central banks

	12/31/2019	**12/31/2020**
Mandatory reserve	-	-
Other deposits	718	134
TOTAL	**718**	**134**

2.2 Government and public securities

2.2.1 Accrued interest included in this item: 0

2.2.2 Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	**Total**
-	100	22	-	122

2.2.3 Analysis by listed securities and other securities excluding accrued interest

	Net amount as of 12/31/2019	**Gross amount as of 12/31/2020**	Impairment as of 12/31/20120	**Net amount as of 12/31/2020**	Unrealized capital gain or loss as of 12/31/2020 (2)
Listed securities(1)	123	122	-	122	0
Other securities	-	-	-	-	-
TOTAL	**123**	**122**	**-**	**122**	**0**

(1) Listed securities are registered for trading on a stock exchange.
(2) The unrealized capital gain or loss is after swapping and corresponds to the difference between accounting value and market value.

2.2.4 Analysis by type of portfolio excluding accrued interest and changes during the year

Portfolio	Net amount as of 12/31/2019	Gross amount as of 12/31/2019	Acquisitions	Amortization, redemption or disposals	Others	Conversion differences	Impairment as of 12/31/2020	**Net amount as of 12/31/2020 (1)**	Unrealized capital gain or loss as of 12/31/2020 (2)
Trading	-	-	-	-	-	-	-	-	-
Placement	123	123	-	-	(1)	-	-	122	0
Investment	-	-	-	-	-	-	-	-	-
TOTAL	**123**	**123**	**-**	**-**	**(1)**	**-**	**-**	**122**	**0**

(1) This amount includes a discount/surplus of EUR 1 million.
(2) The unrealized capital gain or loss is after swapping and corresponds to the difference between accounting value and market value.

2.3 Loans and advances to banks

2.3.1 Sight loans and advances to banks

	12/31/2019	**12/31/2020**
Sight accounts	4	4
Unallocated sums	-	-
TOTAL	**4**	**4**

2.3.2 Time loans and advances to banks

This item includes several loans granted to the Caisse Française de Financement Local for a total amount of EUR 6.610 million enabling the latter to refinance its overcollateralisation, as well as a loan made to a bank as part of the refinancing of large export credits activity for an amount of EUR 106 million (excluding accrued interest). As a reminder, this last loan benefits from a guarantee issued by BPI AE in the name, on behalf, and under the control of the French state.

2.3.2.1 Accrued interest included in this item: (4)

2.3.2.2 Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
1,850	871	3,149	846	6,716

2.3.2.3 Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2019	Gross amount as of 12/31/2020	Impairment as of 12/31/2020	Net amount as of 12/31/2020
Loans of less than 1 year	818	979	-	979
Loans of more than 1 year	4,488	5,737	-	5,737
TOTAL	**5,306**	**6,716**	**-**	**6,716**

2.3.2.4 Breakdown by counterparty

	12/31/2019	12/31/2020
Export credits loans [(1)]	96	106
Loans to Caisse Française de Financement Local	5,210	6,610
TOTAL	**5,306**	**6,716**

(1) Loans benefitting from a guarantee issued by BPI AE in the name, on behalf and under the control of the French State.

2.4 Loans and advances to customer

2.4.1 Accrued interest included in this item: 7

2.4.2 Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
27	364	2,099	781	3,271

2.4.3 Analysis of commitments by the counterparty's economic sector excluding accrued interest

	12/31/2019	12/31/2020
Export credits loans [(1)]	2,371	3,271
Other sectors	-	-
TOTAL	**2,371**	**3,271**

(1) Loans benefitting from a guarantee issued by BPI AE in the name, on behalf and under the control of the French State.

2.4.4 Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2019	Gross amount as of 12/31/2020	Impairment as of 12/31/2020	Net amount as of 12/31/2020
Loans of less than 1 year	-	-	-	-
Loans of more than 1 year	2,372	3,271	-	3,271
TOTAL	**2,372**	**3,271**	**-**	**3,271**

2.4.5 Analysis of loans by category of outstanding commitments excluding accrued interest

	Net amount as of 12/31/2019	Gross amount as of 12/31/2020	Impairment as of 12/31/2020	Net amount as of 12/31/2020
Performing commitments	2,267	3,271	-	3,271
Non-performing loans	104	-	-	-
Compromised non-performing loans	-	-	-	-
TOTAL	**2,371**	**3,271**	**-**	**3,271**

2.5 Bonds and other fixed income securities

2.5.1 Accrued interest included in this item: 2

2.5.2 Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
20	154	829	-	1,002

2.5.3 Analysis by the issuer's economic sector excluding accrued interest

	12/31/2019	12/31/2020	Unrealized capital gain or loss as of 12/31/2020 (1)
Credit institutions	1,206	1,002	2
TOTAL	**1,206**	**1,002**	**2**

(1) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

2.5.4 Analysis by listed securities and other securities excluding accrued interest

	12/31/2019	12/31/2020	Unrealized capital gain or loss as of 12/31/2020 (2)
Listed securities (1)	747	1,002	2
Other securities	459	-	-
TOTAL	**1,206**	**1,002**	**2**

(1) Listed securities are registered for trading on a stock exchange
(2) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

2.5.5 Analysis by type of portfolio excluding accrued interest and changes during the year

Portfolio	Net amount as of 12/31/2019	Gross amount as of 12/31/2019	Increases	Decreases	Others	Impairment as of 12/31/2020	Net amount as of 12/31/2020 (1)	Unrealized capital gain or loss as of 12/31/2020 (2)
Trading	-	-	-	-	-	-	-	-
Placement	1,111	1,111	-	(615)	-	(1)	495	1
Investment	95	95	412	-	-	(0)	507	1
TOTAL	**1,206**	**1,206**	**412**	**(615)**	**-**	**(1)**	**1,002**	**2**

(1) This amount includes a discount/surplus of EUR 8 million.
(2) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

2.6 Investments in consolidated companies

SFIL holds 100% of the shares of Caisse Française de Financement Local for EUR 35 million.

2.7 Intangible assets

	Software	Internally developed assets	Construction work in progress	Total
NET CARRYING AMOUNT AS OF AU 12/31/2019	**3**	**24**	**4**	**31**
Acquisitions	1	6	4	11
Cancellations	-	-	(0)	(0)
Transfers	-	-	(3)	(3)
Sales	-	-	-	-
Depreciations and impairments	-	-	-	-
Amortizations	(2)	(11)	-	(13)
NET CARRYING AMOUNT AS OF AU 12/31/2020	**2**	**19**	**4**	**26**

2.8 Tangible assets

	Property & equipment	Construction work in progress	Total
NET CARRYING AMOUNT AS OF AU 12/31/2019	**5**	**2**	**7**
Acquisitions	2	1	3
Cancellations	-	-	-
Transfers	-	(2)	(2)
Sales	(0)	-	(0)
Depreciations and impairments	-	-	-
Amortizations	(2)	-	(2)
NET CARRYING AMOUNT AS OF AU 12/31/2020	**5**	**1**	**6**

2.9 Other assets

	12/31/2019	12/31/2020
Cash collateral granted	2,299	2,575
Other receivables	22	28
TOTAL	**2,321**	**2,603**

2.10 Accruals and other assets

	12/31/2019	12/31/2020
Deferred charges on hedging transactions	274	299
Other prepaid charges	6	4
Accrued interest not yet due on hedging transactions	351	321
Other accounts receivable on hedging transactions	44	-
Other deferred income	11	11
TOTAL	**686**	**635**

2.11 Breakdown of assets by currency

Analysis by original currency	Amount in original currency as of 12/31/2019	Amount in euros as of 12/31/2019	Amount in original currency as of 12/31/2020	Amount in euros as of 12/31/2020
EUR	9,504	9,504	11,044	11,044
CAD	1	1	1	1
CHF	8	7	6	6
GBP	2	2	24	26
USD	3,694	3,290	4,256	3,478
NOK	39	4	39	4
TOTAL		**12,808**		**14,558**

Note 3 Notes to the liabilities *(EUR millions)*

3.1 Due to banks

3.1.1 Accrued interest included in this item: 1

3.1.2 Due to banks

	12/31/2019	12/31/2020
Sight accounts	-	-
Current account	-	-
Term borrowing	3,268	3,538
Unallocated sums	-	-
TOTAL	**3,268**	**3,538**

3.1.3 Analysis by residual maturity excluding accrued interest

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	12/31/2020
Sight	-	-	-	-	-
Term	16	302	1,624	1,596	3,538
TOTAL	**16**	**302**	**1,624**	**1,596**	**3,538**

3.1.4 Analysis of term borrowing by counterparty excluding accrued interest

	12/31/2019	12/31/2020
Caisse des Dépôts et consignations	-	-
Caisse Française de Financement Local	2,889	3,538
La Banque Postale	379	-
TOTAL	**3,268**	**3,538**

(1) SFIL refinances its export credit business though its subsidiary Caisse Française de Financement Local.

3.2 Debt securities

3.2.1 Accrued interest included in this item: 44

3.2.2 Analysis by residual maturity excluding accrued interest

Type of securities	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	12/31/2020
Certificates of deposit	754	815	-	-	1,569
EMTN	-	817	5,236	1,506	7,559
TOTAL	**754**	**1,632**	**5,236**	**1,506**	**9,128**
Of which net issue premiums	-	*0*	*7*	*(6)*	*2*

3.2.3 Changes during the year excluding accrued interest

	12/31/2019	Increases	Decreases	Translation adjustments	12/31/2020
Certificates of deposit	611	1,569	(611)	-	1,569
EMTN	7,084	1,531	(891)	(165)	7,559
TOTAL	**7,695**	**3,100**	**(1,501)**	**(165)**	**9,128**

3.3 Other liabilities

	12/31/2019	12/31/2020
Cash collateral received	1,051	860
Taxes	8	4
Other payables	13	21
TOTAL	**1,072**	**885**

3.4 Accruals and other liabilities

	12/31/2019	12/31/2020
Deferred income on hedging transactions	164	144
Accrued interest not yet due on hedging transactions	293	271
Other accounts payable on hedging transactions	-	229
Other accrued charges	29	32
TOTAL	**486**	**676**

3.5 Provisions

	12/31/2019	Increases	Decreases	Conversion differences	12/31/2020
Provisions on pensions on credit and engagement (1)	0	15	-	-	16
Provisions on financial instruments	1	-	(1)	-	0
Provisions on pensions	6	1	-	-	7
TOTAL	**7**	**16**	**(1)**	**-**	**22**

(1) *In the context of the Covid-19 health crisis, SFIL decided to put all of the exposures related to the cruise sector on the Watchlist which resulted in an increase in collective provisions of EUR 15 million as at December 31, 2020 (see note 8).*

3.6 Equity

	12/31/2019	12/31/2020
Share capital	130	130
Legal reserve	3	5
Retained earnings (+/-)	54	94
Net income (+/-)	41	37
TOTAL	**228**	**266**

SFIL's share capital totaled EUR 130 million, comprising 9.285.725 shares with a face value of EUR 14.

3.7 Breakdown of liabilities by currency

Analysis by original currency	Amount in original currency as of 12/31/2019	Amount in euros as of 12/31/2019	Amount in original currency as of 12/31/2020	Amount in euros as of 12/31/2020
EUR	9,504	9,504	11,044	11,044
CAD	1	1	1	1
CHF	8	7	6	6
GBP	2	2	24	26
SEK	-	-	-	-
USD	3,694	3,290	4,256	3,478
NOK	39	4	39	4
TOTAL		**12,808**		**14,558**

3.8 Transactions with related parties

	Consolidated entity CAFFIL [1]		Parent Company [2]		Other related parties [3]	
Analysis by nature	**12/31/2019**	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**	**12/31/2020**
ASSETS						
Loans and advances to banks - sight	-	-	-	-	-	-
Loans and advances to banks - term	5,206	6,606	-	-	-	-
Bonds and other fixed income securities	-	-	-	114	236	94
LIABILITIES						
Due to banks - sight	-	-	-	-	-	-
Due to banks - term	2,890	3,539	-	-	379	-
Debt securities	-	-	-	-	-	12
INCOME STATEMENT						
Interest income on loans and advances	(4)	(6)	-	-	(0)	0
Interest income on debt securities	-	-	-	(0)	(0)	0
Interest expense on borrowings	(12)	(14)	-	(2)	(6)	(6)
Interest expense on debt securities	-	-	-	-	-	(0)
Net commissions	(2)	(3)	-	-	4	4
OFF-BALANCE SHEET						
Interest rate derivatives	15,481	15,370	-	-	375	245
Foreign exchange derivatives	692	618	-	-	-	-
Commitments and guarantees received	5,460	4,703	-	4,000	11,121	1,500
Commitments and guarantees given	50	50	-	-	5,210	-

(1) Caisse Française de Financement Local.
(2) In 2020, this item concerns transactions with the Caisse des Dépôts, SFIL's parent company.
(3) In 2020, other related parties concern La Banque Postale and Bpifrance, subsidiaries of Caisse des Dépôts.

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Note 4 Notes to the off-balance sheet items *(EUR millions)*

4.1 Commitments granted

	12/31/2019	12/31/2020
Financing commitments granted to credit institutions (1)	98	263
Financing commitments granted to customers (1)	5,412	4,490
Other guarantees given to banks (2)	8,051	8,243
Other commitments given, assets assigned in guarantee (3)	5,212	153
TOTAL	**18,773**	**13,149**

(1) This amount corresponds to commitments given by SFIL in connection with its export credit business line.
(2) This amount corresponds to the sell-back, to the benefit of Caisse Française de Financement Local, of guarantees received from its export credit activity.
(3) In 2019, this mainly represents the value of a set of loans pledged to Caisse des Dépôts. In 2020, this is mainly a portfolio of securities provided as a guarantee to the Banque de France.

4.2 Commitments received

	12/31/2019	12/31/2020
Financing commitments received from credit institutions(1)	16,581	10,203
Guarantees received from banks(2)	8,055	8,250
Other commitments received	-	-
TOTAL	**24,636**	**18,453**

(1) This amount includes financing commitments received from Caisse Française de Financement Local as part of the export credit refinancing activity, as well as financing commitments received from Caisse des Dépôts and Caisse des Dépôts and La Banque Postale. In December 2020, SFIL signed a new financing agreement with Caisse des Dépôts, replacing the initial agreement of 2013 and better adapted to its new shareholder and financial situation. As of December 31, 2020, this amount corresponded to funding commitments received from Caisse des Dépôts and La Banque Postale for respective amounts of EUR 4,000 million, and EUR 1,500 million. SFIL recorded the total of its commitments related to the only tranches existing, which is limited to EUR 4,000 million. This amount does not take into account the possibility stipulated in the financing agreement with Caisse des Dépôts to negotiate additional funding in good faith.
(2) Credit insurances issued by the French State in the framework of large export credit activity.

4.3 Foreign currency transactions and commitments on interest rate derivatives

4.3.1 Foreign currency transactions

Cash and forward foreign exchange transactions are recorded at their value in foreign currencies translated at the exchange rate at the end of the period.

The items Currencies to receive and Currencies to deliver are composed of long currency swaps with intermediate payment flows corresponding to hedging transactions.

	12/31/2019	12/31/2020	Fair value as of 12/31/2020
Currencies to receive	4,507	4,298	225
Currencies to deliver	4,418	4,526	(150)
TOTAL	**8,925**	**8,824**	**75**

4.3.2 Commitments on interest rate derivatives

Commitments on interest rate derivatives are recorded in accordance with CRB standards No. 88-02 and No. 90-15: amounts related to unconditional operations are recorded at the contractual notional value.

4.3.2.1 Analysis of over-the-counter interest rate transactions by residual maturity

Type of transaction	Less than 1 year	1 year to 5 years	More than 5 years	Amount as of 12/31/2020
Unconditional transactions	3,252	12,532	22,193	**37,977**
of which deferred start	-	-	*82*	***82***

4.3.2.2 Analysis of interest rate transactions by product type

	12/31/2019	12/31/2020
Interest rate swaps	36,632	37,977
Term contracts	-	-
Interest rate options	-	-
TOTAL	**36,632**	**37,977**

4.3.2.3 Analysis of interest rate transactions by counterparty

	12/31/2019	12/31/2020
Caisse Française de Financement Local	15,481	15,370
Other related parties	375	245
Other counterparties	20,776	22,362
TOTAL	**36,632**	**37,977**

4.3.3 Analysis of interest rate and foreign currency transactions by type of transaction

Type of transaction	12/31/2019	Micro-hedge	Isolated open position	12/31/2020	Fair value as of 12/31/2020
Foreign currency transactions - to receive	4,507	3,478	820	4,298	225
Foreign currency transactions - to deliver	4,462	3,909	618	4,526	(150)
Interest rate swaps	36,632	22,607	15,370	37,977	88
TOTAL	**45,601**	**29,994**	**16,808**	**46,801**	**163**

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Note 5 Notes to the income statement *(EUR millions)*

5.1 Interest and related income

	2019	2020
INTEREST AND RELATED INCOME	**35**	**58**
Loans and advances to banks	(4)	9
Loans and advances to customers	39	46
Bonds and other fixed income securities	(0)	4
Macro-hedge transactions	-	-
Other commitments	-	-
INTEREST AND RELATED EXPENSE	**(26)**	**(44)**
Due to banks	(31)	(51)
Due to clients	(9)	(12)
Bonds and other fixed income securities	14	19
Macro-hedge transactions	-	-
Other commitments	-	-
INTEREST MARGIN	**9**	**14**

5.2 Analysis of commissions received and paid

	2019	2020
Billing commissions received from/paid to Caisse Française de Financement Local	(2)	(3)
Other commissions [1]	6	4
TOTAL	**4**	**0**

(1) This concerns mainly servicing commission received from La Banque Postale.

5.3 Net gains or losses on trading portfolio

	2019	2020
Provision on financial instruments[1]	(0)	3
Foreign exchange income	0	(0)
TOTAL	**(0)**	**3**

(1) In 2020, these are the amounts of cash compensation paid/received as part of the change of index used (Eonia to €str) for the valuation of certain derivatives; this change in discounting curve resulted in the receipt /payment of cash collateral.

5.4 Net gains or losses on placement portfolio

	2019	2020
Losses on placement portfolio	(0)	-
Gains on placement portfolio	2	1
TOTAL	**2**	**1**

5.5 Other income and expense

	2019	2020
Other income	0	1
Rebilled expense[1]	91	95
Other expense	(0)	(0)
TOTAL	**91**	**96**

(1) This item includes expenses billed to Caisse Française de Financement Local.

5.6 General expenses

	2019	2020
Payroll expense	(32)	(31)
Social security taxes	(17)	(18)
Taxes	(6)	(7)
Other general operating expense	(34)	(32)
TOTAL	**(89)**	**(88)**

5.7 Cost of risk

	2019	2020
Collective and specific impairments (1)	(1)	(14)
TOTAL	**(1)**	**(14)**

(1) In the context of the COVID-19 health crisis, SFIL decided to put all exposures related to the cruise sector on the Watchlist which resulted in an increase in collective provisions of EUR 15 million as at December 31, 2020. (see note 8)

5.8 Income tax

	2019	2020
Current income tax	(2)	(5)
TOTAL	**(2)**	**(5)**

Note 6 Financial relations with members of the Executive Committee and the Board of Directors *(EUR millions)*

Gross compensation allocated to members of the Executive Committee and Board of Directors of the company owing to their functions within them, in the subsidiaries and affiliated companies	2019	2020
Executive Committee	3	3
Board of Directors	0	0
TOTAL	**3**	**3**

Amount, at year end, of the debt liabilities in their favor and of other obligations undertaken on their behalf	2019	2020
Executive Committee	-	-
Board of Directors	0	-
TOTAL	**0**	**-**

Note 7 Information on subsidiaries and shareholdings *(EUR millions)*

Companies	Capital	Share premiums, reserves and retained earnings	Net Banking Income (NBI) of last year (2020)	Profit or loss of last year (2020)	Percentage of capital held	Carrying amount of shares held (1)	Dividends received by SFIL during the year	Loans and advances granted by SFIL	Total guarantees granted by SFIL	Business
Caisse Française de Financement Local *1-3, rue du Passeur de Boulogne - 92130 Issy-les-Moulineaux*	1,350	-	179	58	100%	35	45	6,610	-	*Société de crédit foncier*

(1) *SFIL acquired for EUR 1, 100% of the capital of CAFFIL on January 31, 2013. In 2017, SFIL subscribed for the entire capital increase of its subsidiary CAFFIL for EUR 35 million.*

Note 8 Impacts of the Covid-19 health crisis on the financial statements

The health crisis had a relatively impact on the Company's financial statements prepared in accordance with IFRS at end December 2020. This confirms SFIL Group's resilience to macro-economic shocks.

Impacts on impairments

The only impacts of the health crisis on the Company's financial statements are confined to its export credit refinancing activity in the cruise industry. SFIL has been involved in all French export credit financing transactions concluded since 2016. Within this context, SFIL entered into the approach developed jointly by the European export credit guarantee agencies to provide liquidity support for export credits for cruise companies, which were particularly affected by the pandemic. This liquidity support consists of deferring the repayment of the principal amount of the credits for a 2-year period. In parallel, SFIL decided to put all of the exposures related to the cruise sector on the watchlist which resulted in the recognition of a collective provision of EUR 15 million in this business sector. As a reminder, these loans benefit from credit insurance issued by BPI AE in the name, on behalf and under the control of the French State.

Summary of the impacts of the Covid-19 health crisis on results as at December 31, 2020

	(1)	(2)	=(1)-(2)
	Published accounting income		
	Published accounting income	Reinforcement of provisions for the export credit - cruise sector	**Accounting income restated for the impacts of Covid-19**
Net banking income	160	-	160
General operating expenses	(103)	-	(103)
GROSS OPERATING INCOME	**57**	**-**	**57**
Cost of risk	(14)	(15)	1
OPERATING INCOME BEFORE TAX	**42**	**(15)**	**57**
Income tax	(5)	-	(5)
NET INCOME	**37**	**(15)**	**52**

Note 9 Post-closing events

No significant event that influences the Company's financial situation has occurred since the December 31, 2020 closing date.

4.3 Statutory Auditors' report on the financial statements

For the year ended December 31, 2020

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of SFIL S.A.,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of SFIL for the year ended December 31, 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Financial Statements Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from January 1, 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Risk of estimating collective impairment on customer loan portfolios

Description of risk	Our response
As part of its activities, SFIL is exposed to credit risk in connection with its credit transactions (particulary with the cruise industry). At 31 December 2020, transactions with customers amounted to €3.3 billion and financing commitments granted to customers (off-balance sheet) amounted to €4.8 billion. In relation to credit risk, SFIL records a collective provision whose purpose is to cover the risk of probable impairment of loans and loan commitments not already covered by specific (individual) provisions. These collective provisions are assessed according to a credit risk model based on an approach consistent with the Basel approach. The Covid-19 pandemic has caused a health crisis affecting the repayment ability of borrowers, in particular borrowers in the cruise sector. In response to this crisis, governmental measures were introduced and public authorities were overstretched. It is in this environment of great uncertainty owing to the complex and evolving context of the pandemic and the absence of comparable historical situation that SFIL decided to add to watchlist monitoring all credit exposures in the cruise sector (note 8 to the financial statements). Given the significant judgement required in determining these collective provisions, we considered that their assessment at 31 December 2020 constituted a key audit matter, in particular in the context of the crisis related to the Covid-19 pandemic, as management must exercise judgement when determining the inputs and calculation methods of the provisions. Transactions with customers, financing commitments granted to customers and collective provisions are presented in notes 2.4, 4.1 and 5.7 respectively to the financial statements of SFIL.	Our work consisted primarily in: • verifying the existence of a governance system for reviewing, at an appropriate frequency, the appropriateness of the impairment models and the inputs used to calculate impairment, and analysing changes in impairments; • testing the key controls in the process for determining the impairment; • analysing asumptions leading to the identification of a deterioration in credit risk of exposures in the cruise sector; • assessing the main inputs used to assess the collective provisions; • perform a counter-calculation of the collective provisions per counterparty type, in collaboration with our data experts; • carry out checks on the IT system, including a review of the general IT controls, interfaces and embedded controls for specific data used to define the collective provisions. We assessed the adequacy of the level of provisions for credit risk and the overall level of the associated cost of risk and in particular its appropriateness with regard to the current crisis. We also examined the qualitative and quantitative information described in notes 2.4 "Loans and advances to customers", 4.1 "Commitments granted" 5.7 "Cost of risk", and 8. "Impacts of the Covid-19 health crisis on the Company's financial statements", to the financial statements of SFIL.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to Shareholders, with the exception of the matter described below.

We have the following matter to report regarding the fair presentation and consistency with the financial statements of the information relating to payment deadlines referred to in Article D. 441-6 of the French Commercial Code (Code de commerce): as stated in the management report, this information does not include bank and other related operations as your Company considers that such operations fall outside the scope of disclosable information.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L.225-37-4 and L.22-10-10 of the French Commercial Code.

Report on Other Legal and Regulatory Requirements

Format of presentation of the financial statements included in the Annual Financial Report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of the Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements included in the annual financial report complies, in all material respects, with the European single electronic format.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of SFIL by the annual general meeting held on Septembre 30, 2020.

As at December 31, 2020, we were in our 1st year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Financial Statements Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Financial Statements Committee

We submit a report to the Financial Statements Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Financial Statements Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Financial Statements Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Financial Statements Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

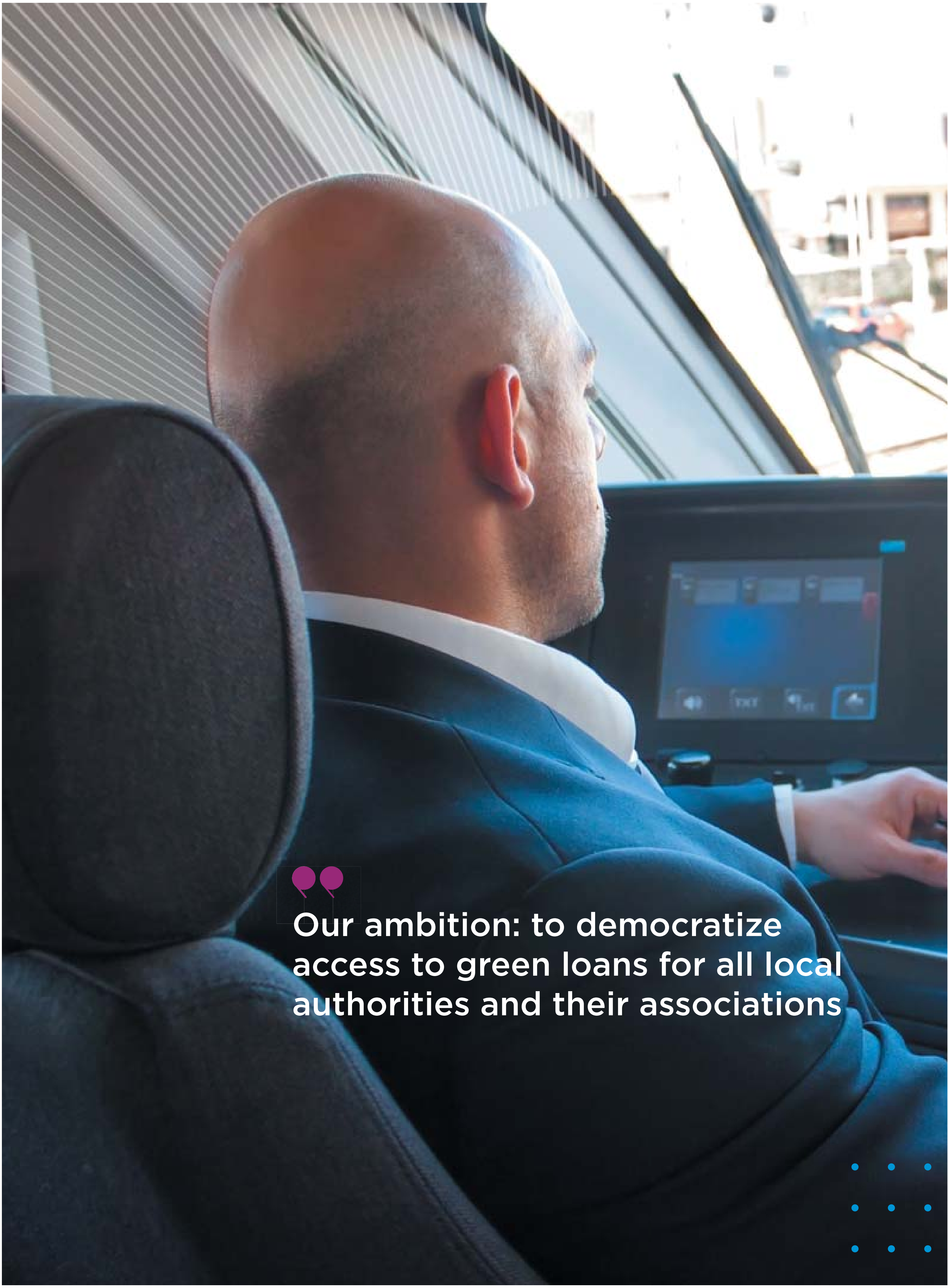
Paris La Défense, March 30, 2021

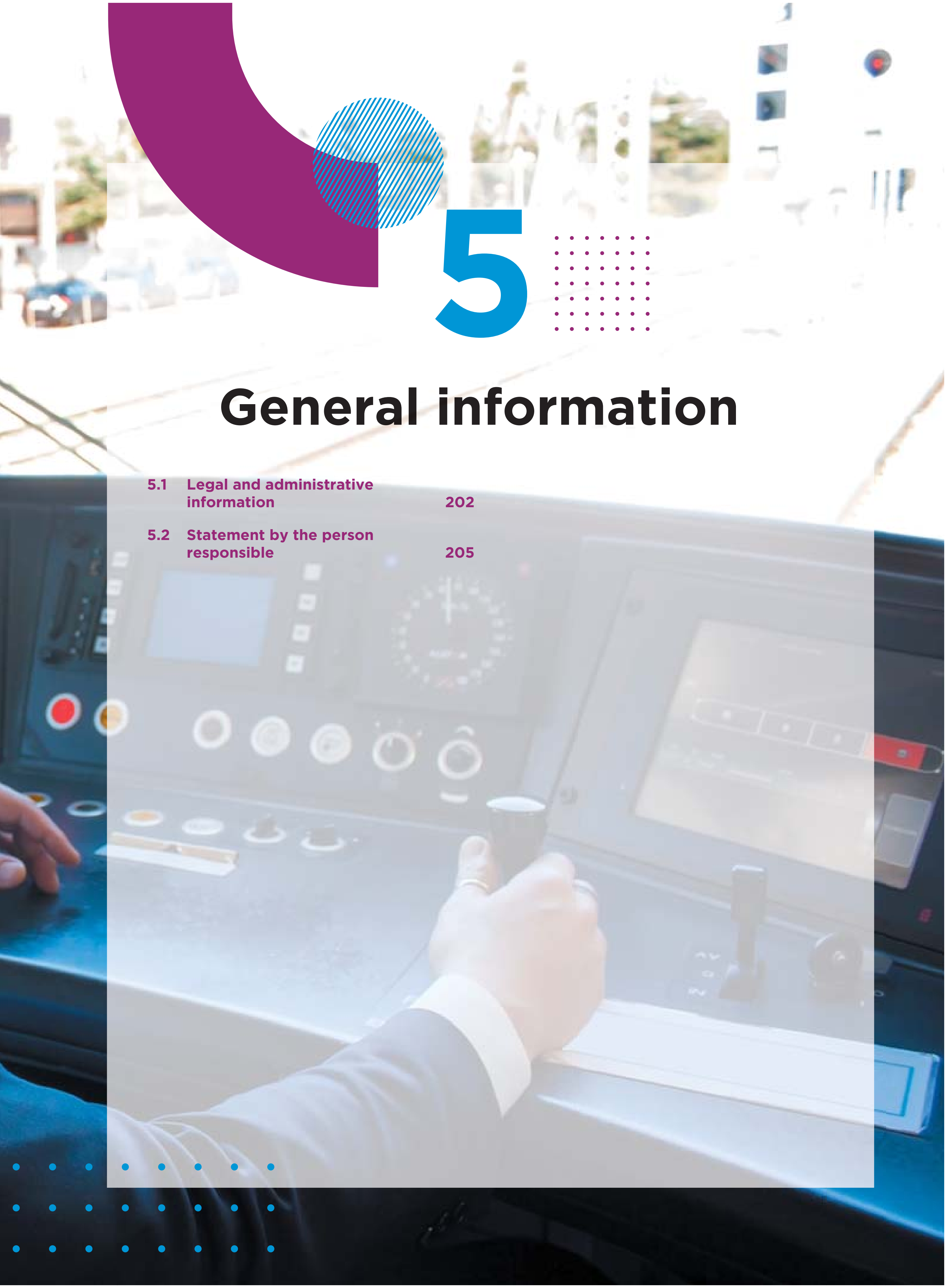
Neuilly-sur-Seine, March 30, 2021

The statutory auditors
French original signed by

KPMG S.A.
Jean-François Dandé
Partner

PricewaterhouseCoopers Audit
Ridha Ben Chamek
Partner


Our ambition: to democratize access to green loans for all local authorities and their associations



5 General information

5.1 Legal and administrative information

Company name

SFIL

Acronym

SFIL

Headquarters

The Company's registered office is located at:

1-3, rue du Passeur de Boulogne

92130 Issy-les-Moulineaux

France

Legal structure

Limited liability company (*société anonyme*) with a Board of Directors.

Official approval

The Company was approved as a bank by the *Collège de l'Autorité de contrôle prudentiel et de résolution* on January 16, 2013.

Applicable legislation

SFIL is a limited liability company (*société anonyme*) governed by the provisions of the French Commercial Code relating to commercial companies and the provisions of the French Monetary and Financial Code relating to credit institutions.

Incorporation date and duration of the Company

The Company was founded on December 28, 1999 for a period of 99 years.

Corporate purpose (article 3 of the by-laws)

The Company is a credit institution, licensed by the *Autorité de contrôle prudentiel et de résolution*, whose purpose is to carry out on a regular basis:

(a) any banking transactions, within the meaning of article L.311-1 of the French Monetary and Financial Code;

(b) any transactions relating to those transactions referred to in (a) above, including the investment, subscription, purchase, management, custody and sale of financial securities and any financial products;

(c) any transactions involving the receipt of funds from its shareholders and the *société de crédit foncier* controlled by the Company;

(d) pursuant to article L.513-15 of the French Monetary and Financial Code, any services relating to the management and recovery of exposures, debt securities and other securities, bonds, or other resources provided for in article L.513-2 of the French Monetary and Financial Code, of a duly authorized *société de crédit foncier* controlled by the Company;

(e) the provision of services on behalf of third parties with a view to carrying out banking transactions;

in connection with lending transactions to the local public sector in France and, more generally, any transaction that may benefit from a public guarantee.

To this end, the Company may, in compliance with applicable banking and financial regulations:

(a) obtain any suitable funding, and notably (i) issue any financial securities, any negotiable debt securities, or other financial instruments in France or abroad and (ii) more generally, have recourse to any means of managing receivables and assets, with or without transfer of ownership;

(b) acquire and hold shares in existing or newly created companies contributing to the performance of its activities and sell such shares; and

(c) in more general terms, carry out, directly or indirectly, for itself or on behalf of third parties or in concert any financial, commercial, industrial, personal property or real estate transactions with a view to conducting the aforementioned activities.

RCS number, APE code, LEI

SFIL is registered at the Trade and Companies Register (RCS) under number: NANTERRE 428 782 585.

Its APE code is: 6492Z.

Its LEI is: 549300HFEHJOXGE4ZE63.

Location for consulting the legal documents concerning the Company

Legal documents, including the internal rules of the Board of Directors concerning SFIL may be consulted at the Company's registered office located at:

1-3, rue du Passeur de Boulogne

92130 Issy-les-Moulineaux

Financial year (article 33 of the by-laws)

The Company's financial year begins on January 1 and ends on December 31 of each year.

Exceptional events and legal proceedings

Please refer to the text pertaining to legal and tax risks in section 1.7.2.6 of this annual financial report management report.

Statutory distribution of profits (article 35 of the by-laws)

1 Each year, amounts to be transferred to reserves as provided by law shall be deducted from the profit for the year, less prior-year losses if applicable. Thus, 5% shall be deducted to constitute the legal reserve fund; this deduction ceases to be mandatory when this fund reaches one-tenth of the share capital; it resumes when, for any reason, the legal reserve has fallen below this fraction.

Distributable profit consists of the profit for the year, less prior-year losses, and amounts transferred to reserves in accordance with law or the by-laws, plus any retained earnings carried forward from previous years.

2 Distributable profit is allocated as follows:

- the Preferred Dividend (as defined below) shall be paid first to the Preferred Shareholders under the conditions and limits set forth below;
- the balance of the distributable profit shall be distributed among the holders of Common Shares after deducting any amounts deemed by the general meeting to be transferred of any reserve funds or to the retained earnings account; no dividend may be paid to the holders of Common Stocks if the Preferred Dividend relating to the considered financial year, plus any Preferred Dividend relating to a prior but undistributed financial year has not been distributed and paid in full.

The Preferred Dividend due for each financial year to the Preferred Shares shall be equal to a total amount of 20 euro cents for all the Preferred Shares outstanding. The Preferred Dividend shall be allocated among the Preferred Shareholders *pro rata* to the Preferred Shares held by them.

In the event the distributable profit of a financial year (within the meaning of article L.232-11 of the French Commercial Code) is not sufficient to allow the distribution of the total amount of the Preferred Dividend for the relevant financial year, this Preferred Dividend or, if applicable, the portion of this Preferred Dividend that has not been distributed, shall be carried over to future years without limitation of duration and shall be paid to Preferred Shareholders as soon as the distributable profit of the Company will be sufficient.

As an exception to the above provisions, the Preferred Dividend payable for the current financial year, in which a Preferred Share is issued, shall be equal to the proceeds of the Preferred Dividend as determined above and the number of days between the issue date of the relevant Preferred Share and December 31 of the relevant financial year in relation to a 365-day basis, or 366 days for leap years.

The Preferred Dividend shall be paid to the holders of Preferred Shares on the date of payment of the dividend to the Common Shareholders for the same financial year or, in the absence of a dividend allocated to the Common Shareholders, on the tenth (10th) business day following the date of the Annual Shareholders' Meeting (the "Payment Date").

General Shareholders' Meetings

Calling of meetings (article 24 of the by-laws)

General Shareholders' Meetings shall be convened either by the Board of Directors or otherwise by the Statutory Auditor(s) or by a representative appointed by the President of the Commercial Court ruling in summary proceedings upon the request of one or more shareholders representing at least 5% of the share capital.

During the liquidation period, the meetings shall be convened by the liquidator(s). General meetings shall be held at the registered office or at any other location indicated in the notice of meeting.

The convening notice shall be given fifteen days before the date of the meeting, either by a simple or registered letter addressed to each shareholder, or by electronic mail sent to each shareholder, and in this case subject to the implementation of the provisions of the article R.225-63 of the French Commercial Code[(1)], or by a notice published in a Journal of Legal Notices at the registered office. In the latter case, each shareholder must also be convened by simple letter or, at his or her request and at his or her own expense, by registered letter.

In the event of recourse to video-conferencing or telecommunication, the notice shall specify the means used.

If a meeting has not been able to meet and deliberate without due quorum, the second meeting and, if necessary, the second continuing meeting, shall be convened in the same form as the first one and the notice of meeting shall recall the date of the first one and reproduces its agenda.

(1) The recourse to electronic telecommunication for the convening of shareholders assumes that the Company has submitted to them a proposal to this effect, and has obtained their agreement.

Right to attend General Shareholders' Meetings (article 26 of the by-laws)

Each shareholder has the right to participate in general meetings and deliberations personally or by proxy, irrespective of the number of his shares, on simple proof of his or her identity, provided that these shares have been fully paid up and recorded in the financial statements on his or her name on the day of the general meeting.

Any shareholder may vote by correspondence by means of a form, which he or she may receive under the conditions specified in the notice of meeting.

A shareholder may only be represented by another shareholder who has a mandate, by his or her spouse or by the partner, with whom he or she has concluded a civil solidarity pact.

Voting rights (article 28 of the by-laws)

The voting rights attached to the capital shares or jouissance shares shall be proportional to the fraction of capital they represent. Each share conveys one voting right.

Voting shall be realized by show of hands, by roll call, or by secret ballot, according to the decision of the Board of the meeting or the shareholders. Shareholders may also vote by mail.

Information about capital and shares

Amount of the capital, number and nature of the shares

The share capital of SFIL amounts to EUR 130,000,150; it is divided into 9,285,725 shares, each with a voting right and not subject to any pledge.

The shares are divided into two categories:

- 7,428,580 Common Shares; and
- 1,857,145 Preferred Shares issued in accordance with the provisions of article L.228-11 of the French Commercial Code and containing the rights and obligations defined in the by-laws.

There are no other securities giving access to the capital of SFIL.

Breakdown of capital

The share capital of SFIL is entirely held by Caisse des Dépôts except for one share held by the French State, *via* the Agence des Participations de l'État.

5.2 Statement by the person responsible

I, the undersigned, Philippe Mills, Chief Executive Officer of SFIL, hereby attest that to my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and net income for SFIL, and for all of the companies included in its consolidated scope, and that the management report faithfully reflects the changes in the business, net income and financial position for the Company, and for all of the companies included in its consolidated scope, as well as a description of the main risks and uncertainties facing them.

Signed in Issy-les-Moulineaux on March 30, 2021

Mr. Philippe Mills
Chief Executive Officer

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