Annual Financial Report 2021

SFIL

Supporting regional economic recovery and sustainable development

2021

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Due to rounding, column totals in the tables may differ slightly from the sum of the lines comprising them.

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2021

Annual Financial Report

Interview with the CEO

> We have become even more assertive and accomplished, as evidenced by the fact that we have achieved, and very often exceeded, the objectives of our first strategic plan.

Philippe Mills
Chief Executive Officer of SFIL

What can we learn from 2021, a year once again marked by the health crisis?

Philippe Mills - In a context that has remained complex due to the new COVID episodes, this year has brilliantly illustrated the relevance and resilience of our public development bank model. We have become even more assertive and accomplished, as evidenced by the fact that we have achieved, and very often exceeded, the objectives of our first strategic plan #Horizon 2021. For the sixth consecutive year, we are again leader in our two missions: the leading local public sector financier with our partner La Banque Postale and the leading liquidity provider for large export credit contracts. In 2021, in a context still marked by the continued health crisis, we are very proud to say that the SFIL Group's exceptional financing capacity was the best ever recorded with several records in amount, maturity and cost.

I would like to express my sincere gratitude to our employees who made it possible to obtain these excellent results, specifically recognized by the Court of Auditors in its latest report on SFIL. I would also like to thank our reference shareholder Caisse des Dépôts, our directors, our partner, La Banque Postale, and the banks with which we cooperate on exports, for their effective collaboration dedicated to the sustainable financing of our economy.

How do you analyze the 2021 production in the local public sector?

P.M. - The financing activity in this sector was very dynamic, with EUR 4.9 billion in financing granted by the SFIL/La Banque Postale facility during the year.

Production in 2021 was EUR 900 million higher than the average production of previous years, excluding the years 2019 and 2020 due to the electoral context. We have therefore reached a new level and our trend rate over the next few years will be around EUR 5 billion, whereas previously it was around EUR 4 billion, excluding the effects of the investment cycle, in particular the municipal investment cycle.

Production in 2021 remains marked by significant activity with the regions (with EUR 370 million).

As for production in the public health sector, it has never been at such a high level since the start of the system, while the effects of the Ségur plan are only beginning, with EUR 658 million in 2021, *i.e.* EUR 8 million more than 2019, which was the highest so far.

2021 was also characterized by a sharp increase in the number of customers (1,618 vs 1,284 in 2020) and the sustainable nature of our contracts: the rate of green production is now 17% (in relation to local authority production) or EUR 680 million.

How do you interpret the trajectory of production on export credit?

P.M. - In the second half of 2020, a 50% increase in requests for quotes by export banks was observed, which illustrated the possible counter-cyclical nature of the export financing activity. 2021 saw the fulfillment of this expectation with five projects for a volume of EUR 2.2 billion, *i.e.* 10% more than our initial budget. SFIL thus contributes to just over 40% of the total Bpifrance Assurance Export market for large export contracts.

This was the best year in terms of the number of contracts, with five signatures, and also in terms of sector diversity, since they concern five different sectors, including two new ones for SFIL: civil aviation and space. We worked with eight banks, including two for the first time, *i.e.* a total of 18 having used the system at least once. This increase is further proof of the essential nature of SFIL's offering in this market.

Finally, two symbolic figures have been reached: since the launch of the system, we have refinanced more than EUR 10 billion in export credit and the balance sheet outstanding has reached EUR 5 billion.

During 2021, marked by the health crisis and turbulence on the financial markets, what was SFIL's access to liquidity?

P.M. - In 2021, we issued a record amount, EUR 8.2 billion, with a very long maturity (12 years for CAFFIL and 7.5 years for SFIL) and with very tight spread conditions (in total 9 basis points on the OAT curve). The year was marked by maturity extensions: we carried out our first SFIL issues at 5 years in USD and at 10 years in euros, as well as our first 25 year benchmark issue for CAFFIL. The latter was 11 basis points below the OAT, illustrating our ability to seize the opportunities that arise.

How does this translate into results and risk?

P.M. - The financial result for 2021 is the best in all of SFIL's history for all its dimensions (net banking income, results, operating ratio, risk indicators). It is up sharply compared to 2020 and significantly above our budget.

SFIL's NBI benefited from our particularly low financing costs, the good level of LBP capacity in terms of volumes and margins, and the strong loan restructuring activity in 2021. Our overheads are kept under control and our cost of risk once again reflects the low-risk nature of our activities. In this context, we were able, for the first time, to distribute a dividend in 2020 to our parent company, and thus contribute to the dividend that will be paid by the Group to the French State, our ultimate guarantor.

I would also like to point out that our risk indicators are at historic lows. Not only did the capital requirement under the SREP 2021 remain the best of the banks supervised, but we also recorded a clear improvement in all our published indicators, in arrears (EUR 13 million, divided by 10 compared to the peak in 2015), doubtful loans (divided by 4 compared to the peak) and Non-Performing Exposures (divided by 5). This improvement reflects, in particular, the work carried out to reduce residual litigation.

> **Our second plan aims to continue SFIL's growth in a rapidly changing world.**

2021 is the year in which we launched SFIL's second strategic plan, called #Objectif2026. What are the main features?

P.M. - The 2026 strategy was adopted by the Board of Directors on October 15, 2021 to promote our development and define our priorities over the next five years. This second plan aims to strengthen and intensify SFIL's growth in a rapidly changing world. It is based on three focuses:

- fully leveraging the strengths of our public development bank model,
- the expansion of our areas of intervention in response to the challenges of recovery plans and the climate transition, and
- the commitment of a new phase of our internal transformation to adapt to the lasting consequences of the health crisis on our working methods.

With these renewed ambitions, SFIL continues its onward march within a powerful Group, Caisse des Dépôts, in order to better meet the needs of the regions and the French economy, while respecting our planet.

SFIL
The strengths of the public development bank status in a context of crisis

The resilience of the model is once again confirmed...

SFIL's strategy, which is based on its public development bank model, has continued to demonstrate its strength and resilience during the health crisis, particularly in terms of solvency and liquidity.

During the 2021 financial year, thanks to its remarkable financing capacity, SFIL continued to carry out, under excellent conditions, its two main missions of financing local authorities and public health institutions and financing export credit.

... for an undeniable performance

In 2021, SFIL maintains its leadership position in its two activities with market shares of around 20%* for the financing, in partnership with La Banque Postale, of French local authorities and public hospitals and around 40% for the financing of large export credits.

SFIL also posted the best financial results in its history in 2021 (NBI, results, operating ratio, risk indicators).

The economic results are excellent and exceed the trajectory initially targeted in the plan.

A second strategic plan to continue and intensify SFIL's growth in order to better meet the needs of the regions and the French economy

After the complete success and having exceeded the objectives of its first strategic plan, SFIL launches #Objectif 2026 with the ambition of continuing and accentuating its expansion within the Caisse des Dépôts group, while continuing to affirm and develop its human-scale public development bank model.

SFIL's new strategic plan is based on three focuses:

- fully exploiting the strengths of its public development bank model;
- broadening its intervention horizons in response to the challenges of the recovery plans and the climate transition;
- beginning a new phase of its internal transformation.

** Internal calculation based on the market estimate in La Banque Postale's October 2021 economic report.*

EUR 56.5 billion
in long-term financing raised
from 2013 to December 31, 2021,
of which EUR ~ 4.5 billion
in sustainable financing

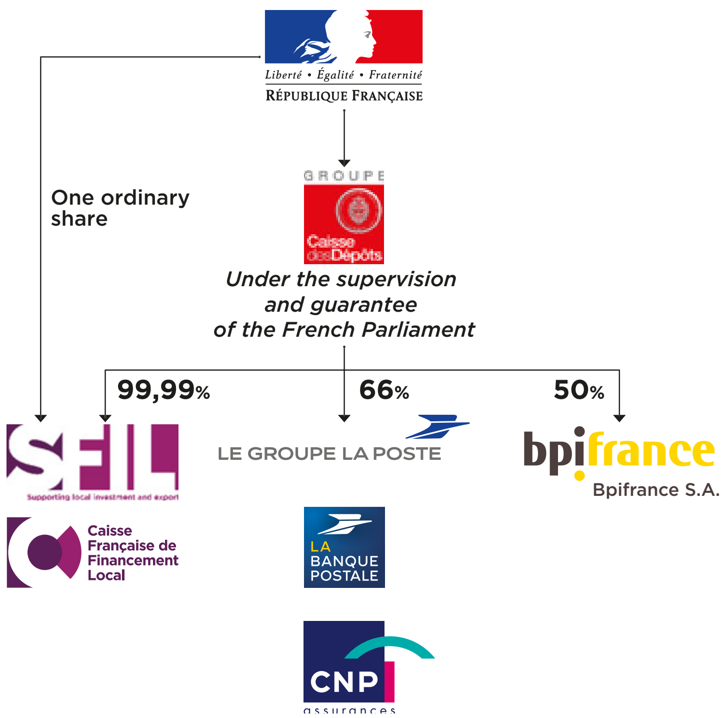
1er

EUR 40 billion
in loans granted
to **local authorities and public hospitals**
since 2013

EUR 10.5 billion
of **Export** refinancing
allowing the conclusion
of EUR 20 billion of export credits
since the first transactions in 2016

Continued integration into the Caisse des Dépôts group

Caisse des Dépôts, reference shareholder



Governance serving the Group's vision

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
Paul Teboul

7 MEMBERS:

Serge Bayard
Virginie Chapron du Jeu
Quentin de Nantes
Laetitia Dordain

CAISSE DES DÉPÔTS
represented by Olivier Fabas
Pierre Laurent
Fabienne Moreau

1 SECRETARY OF THE SOCIAL AND ECONOMIC COMMITTEE
Thomas Perdriau

41.7% women*

33.3% Independence*

98.9% Attendance rate

55 years Average age

4 years Average term of office

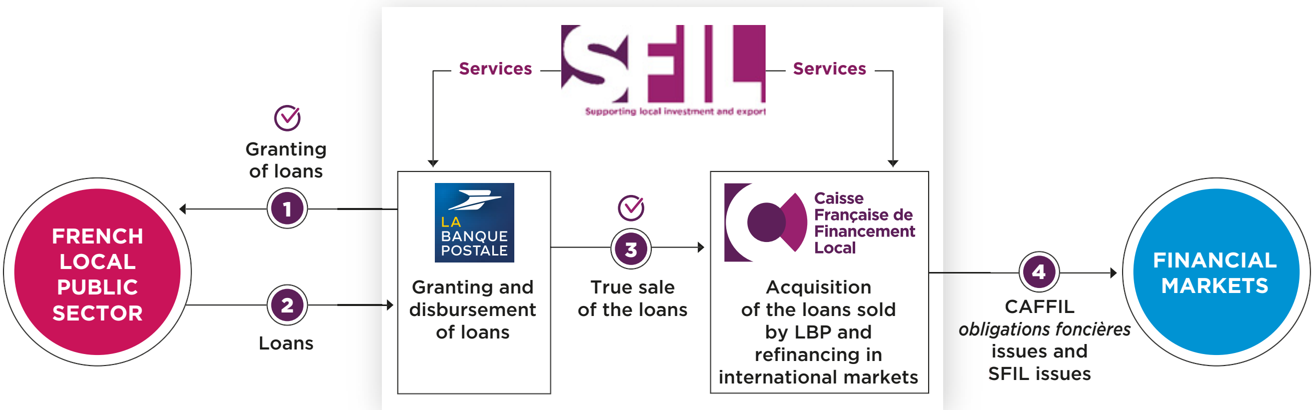
* Excluding directors representing employees.

SFIL maintains its leadership position in its two markets

Since 2015, the SFIL/LBP set up has been the leading lender to the French local public sector

In 2021, production continued at a high pace, demonstrating the performance of the SFIL / La Banque Postale system: EUR 4.9 billion in 2021, of which EUR 3.4 billion with maturities of more than 15 years.

OPERATIONAL FLOW DIAGRAM OF THE SYSTEM



Caisse Française de Financement Local credit process.

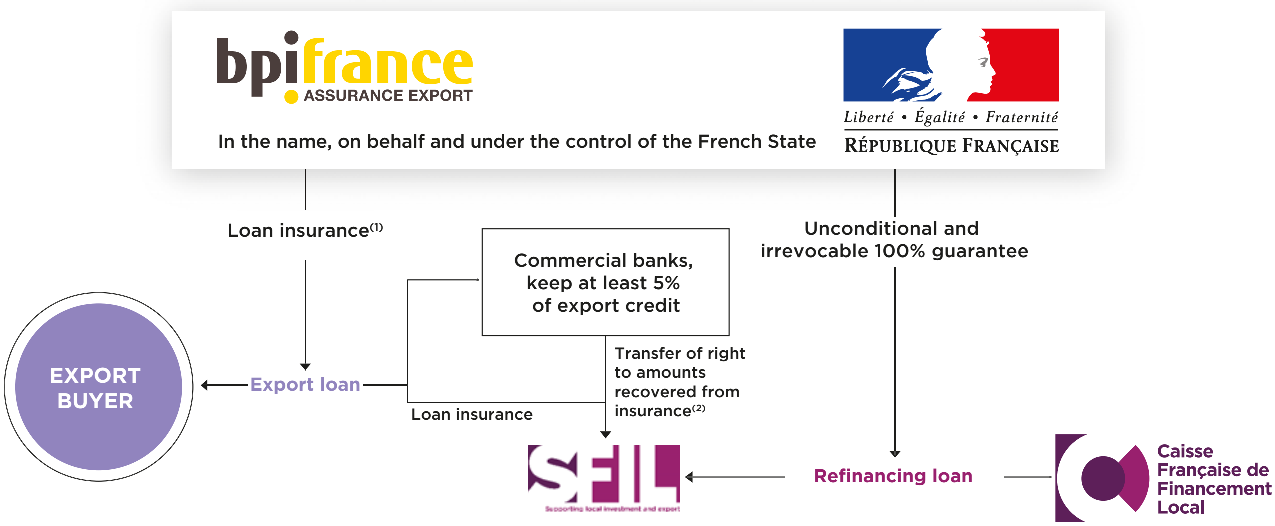
The SFIL group refinances medium- and long-term loans originated by La Banque Postale to local authorities and public hospitals. These loans are refinanced by bond issues designed for institutional investors.

Export credit: very good year in 2021

SFIL confirms its position as the leading liquidity provider with a 40% market share.

With five transactions concluded, 2021 is a record year for the variety of sectors with five contracts in five different sectors.

A SYSTEM WITHIN THE PUBLIC SPHERE



(1) Or, pure and unconditional guarantee for the airline industry.
(2) In the case of credit insurance at 95%.

2021 Activity

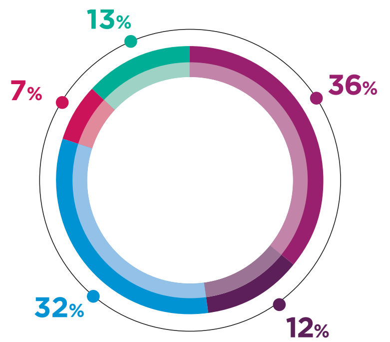
SFIL, which confirmed the strengh of its model in 2021, will be able to support public economic recovery policies.

Local public sector financing: a leading position

In 2021, local public sector financing reached EUR 4.9 billion.

- Since the start of the activity, in 2013, total production: **EUR 40 billion** (as of 12/31/2021)
- Average amount: **EUR 2.1 million**
- Average maturity: **18.1 years** and up to **30 years**
- Since 2013: **7,800 borrowers** including **4,200** municipalities with fewer than 5,000 inhabitants
- **Leading hospital financier** (329 public healthcare institutions) with EUR 4.8 billion in loans granted since 2013

DISTRIBUTION OF LOANS
TO THE LOCAL PUBLIC SECTOR IN 2021

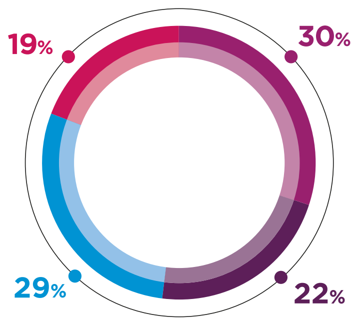


A recovery in activity and a dynamic outlook due to the countercyclical role of export credit and the needs of French industry sectors of excellence

The health crisis slowed down the pace of contract negotiations in 2020. The counter-cyclical role of the system was magnificently illustrated in 2021 with a record number of contracts signed and an increase in requests for project studies (+40% compared to pre-crisis years).

- **Leading liquidity provider** for the financing of large French export contracts since 2016
- Market share **over 40%** since 2017
- 20 projects representing more than **EUR 20 billion** in contracts for **ten exporters**, on four continents with 18 partner banks
- 2021: **40% 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 2021 testify to the model's resilience during the crisis

Success driven by our close-knit teams

335

Permanent staff
Present as of 12/31/2021

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

EUR 75 billion
Balance sheet assets
as of 12/31/2021

EUR 61.6 billion
SFIL Group bonds outstandings
as of 12/31/2021

EUR 76 million
Net income
for the 2021 financial year

Ratios that illustrate the solid performance

51.8%
Operating ratio*
2021 financial year

4.5%
ROE
2021 financial year

34.6%
CET1 RATIO
vs 7.75% required by the ECB (SREP)

949%
LCR
As of 12/31/2021 vs 100% required by the ECB

120%
NSFR
At 12/31/2021

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

Since April 2021, 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.

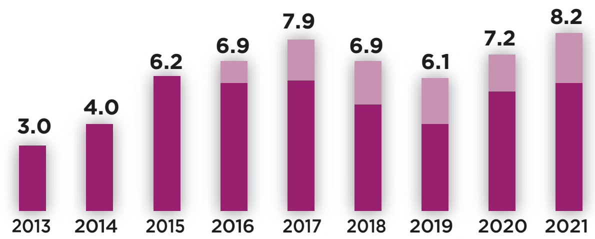
HIGH RATINGS REFLECTING THE COMMITMENT OF THE CAISSE DES DÉPÔTS AND THE FRENCH STATE AND SFIL'S FINANCIAL SOLIDITY

	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

VOLUME OF THE GROUP'S BOND ISSUES



EMTN SFIL ● OF CAFFIL

EUR 8.2 billion
SFIL Group bond issues
2021 financial year

Issues awarded internationally

Best Covered Bond Issuer CMD Portal Awards	**Best Covered Bond** IFR Awards	**Best Social Bond – Asset Based & Covered Bonds** Environmental Finance	**Best Euro Issuer** CBR Awards

Financing: a continuous capacity for innovation

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

- **2013** – CAFFIL Bonds
- **2015** – SFIL Certificates of deposit
- **2016** – SFIL bonds in EURO and USD
- **2019** – CAFFIL Social Bond; CAFFIL Green Bond
- **2020** – SFIL Green Bond
- **2021** – CAFFIL issue 25 years; SFIL issues 5 years USD

CSR and Sustainable Development at the heart of the new Strategic Plan #Objectif2026

SFIL incorporates the principles of the United Nations Global Compact, as well as the Sustainable Development Goals, into its corporate strategy, culture and activities, in direct connection with its purpose: To finance a sustainable future by sustainably and responsibly supporting the development of the regions and the international activity of large companies.

Tangible achievements in 2021:

Support for the environmental transition of the local public sector, and the "France Relance" recovery plan

- **EUR 680 million** in green loans to local authorities, on five themes
- **EUR 1.25 billion** in thematic, green and social issues

Continued integration of climate issues and control of our environmental impact

- Strengthening governance and integrating climate issues
- **Integration of ESG criteria** into the investment policy
- **Measurement of the third** greenhouse gas **assessment** and offsetting of residual emissions

Training and awareness-raising of our employees

- Deployment of an e-learning module on sustainable development and CSR
- "SFIL'Anthropie" corporate volunteering day

9 prioritized Sustainable Development Goals:

2021: an improving extra-financial rating

SFIL's Sustainalytics ESG rating in 2021 was 6.6 compared to 7.7 in 2020 (0 being the best potential rating). SFIL thus remains in the first percentile of rated institutions and ranks ninth out of 116 development banks rated by this extra-financial agency.

(figures as of December 17, 2021).

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**

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 energies
- Sustainable water and sanitation management
- Waste management and recovery
- Soft mobility and clean transport
- Energy efficient construction and urban development

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 SFIL/La Banque Postale system will be an additional financing instrument.

A commitment to serving public hospitals

SFIL's social issues program was set up in 2018 with the aim of providing financing to the public hospital sector in France.

2021 HIGHLIGHTS

Consolidation of SFIL as a **sustainable issuer** in 2021

3rd Group social issue issued by CAFFIL in April 2021 with a maturity of 8 years and a volume of EUR 750 million.

3rd Group green issue issued by SFIL in November 2021 with a maturity of 10 years and a volume of EUR 500 million.

Publication of the impact and allocation report of the Group's second green issue issued by SFIL in 2020 with a volume of EUR 500 million and a maturity of 8 years.

4,572 metric tons of CO_2 avoided thanks to projects financed by this emission.

482,386 metric tons of household waste managed by entities financed via this green issue.

Entities serving more than 6 million people benefit from loans financed by this green issue.

Publication of the second impact and allocation report of the Group's social issue.

288 hospitals benefited from loans financed through the social issues program. In total, these hospitals have a capacity of 189,000 beds with more than 9,000,000 stays per year.

#OBJECTIF 2026

The strategic plan

I A new take-off

Following the success of its first strategic plan, SFIL continues to forge ahead within a powerful Group, Caisse des Dépôts, and in a changing world with new essential challenges.

SFIL's second strategic plan, named #Objectif2026, aims to continue and intensify SFIL's growth in three areas:

Focusing on local public sector activity

Increased production driven by the recovery plans and the climate transition.

Growing financing needs in 2022

Recovery plan & "Ségur de la santé" health plan + **Climate transition & sustainable development** = **New production & market share to grow**

OPPORTUNITIES FOR SFIL

- Deployment of a social loan offer in conjunction with La Banque Postale
- Deployment of the partnership with Banque des Territoires
- Development of skills in quantifying climate risk impacts in the local public sector

Focus on the Export Credit activity

The export credit activity has solid foundations for meeting the challenges of the climate transition and the issues of sustainable development and economic development.

4 PILLARS

#1
Full compatibility between the corporate purpose of export credit and the economic aspect of the sustainable development criteria

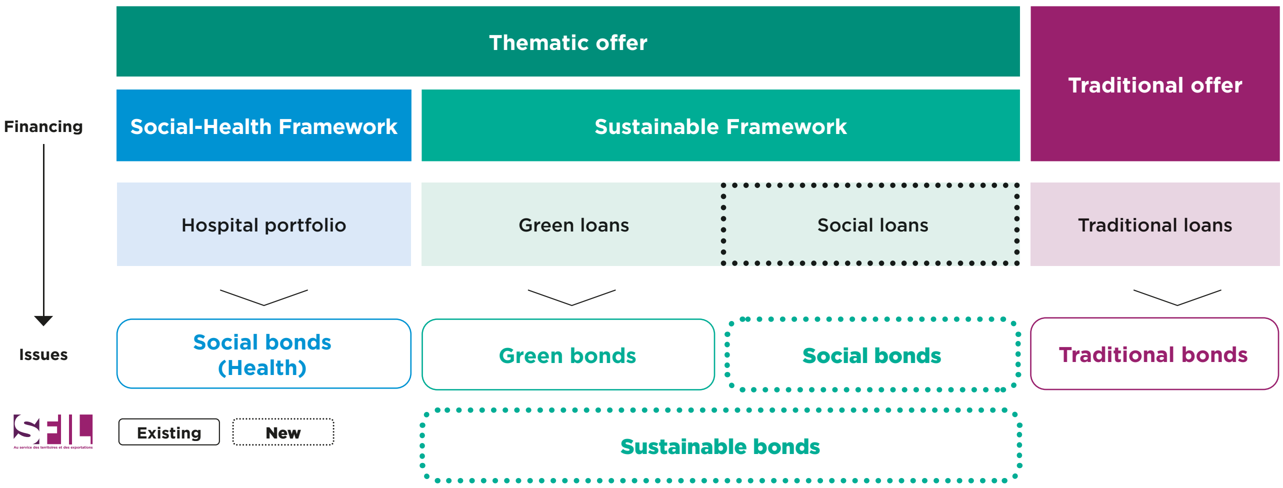
#2
Sector exclusions that are stricter than the market in the field of fossil fuels

#3
Certain export sectors in line with sustainable development and the environmental transition (renewable energies, electricity networks, rail transport)

#4
Sustainable development criteria natively integrated into the appraisal process

Focus on financing

SFIL Group's thematic offering will be enhanced. Thus, to the "green and hospital" categories will be added the "social and sustainable" categories, which concern sectors such as education, leisure and culture. These sectors represent a social purpose in order to better meet the expectations of our fellow citizens, in the regions.



Three major strengths to finance these developments:

Continued internal transformation in a changing world

SFIL's second strategic plan is also based on the deployment of a new phase of internal transformation.

#Objectif2026 aims to continue the momentum launched during the first strategic plan, supplemented and enriched by the consideration of 4 new themes:

- Integration of SFIL into the Caisse des Dépôts Group;
- incorporating the dimension and challenges of sustainable development in all components of the strategy and business;
- adapting our operating methods to hybrid working mode while continuing to respect SFIL's own model and identity and the objectives of efficiency, agility and simplicity;
- reinforcing our reputation in order to promote SFIL's essential economic role, its place within the Caisse des Dépôts group, its usefulness for all projects for the local authorities and exporters that SFIL supports, and the interest of the careers it offers to finance professionals.

#Objectif 2026

Supporting changes in the world of education

1 Management report

Management report

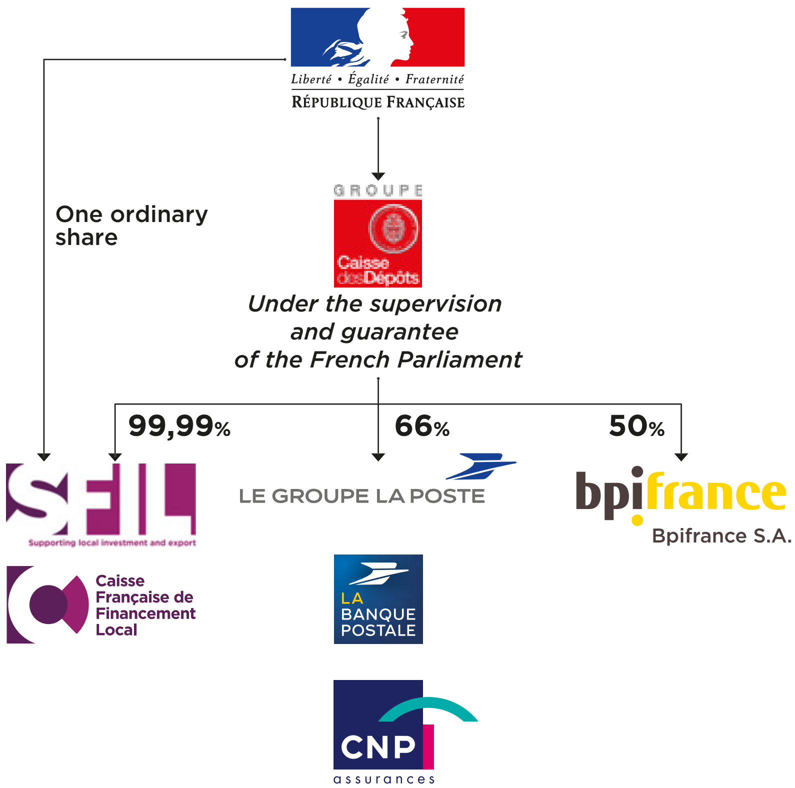
SFIL was authorized as a bank by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) on January 16, 2013. Since September 30, 2020, the date on which the French State, with the exception of one share, and La Banque Postale sold their stakes to Caisse des Dépôts, the latter has become SFIL's reference shareholder. The French State continues to be present on SFIL's Board of Directors through a non-voting Director, given the public interest missions entrusted to SFIL.

The shareholder structure, which is entirely public, is one of the characteristics of SFIL's public development banking model. The objective of public development banks is not to maximize profitability or market share, but to carry out public policy missions entrusted to them by the public authorities (State, regions 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 another key mission for refinancing major export credit contracts as part of a market system aimed at strengthening the competitiveness of French companies in the export market. 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 support institution 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



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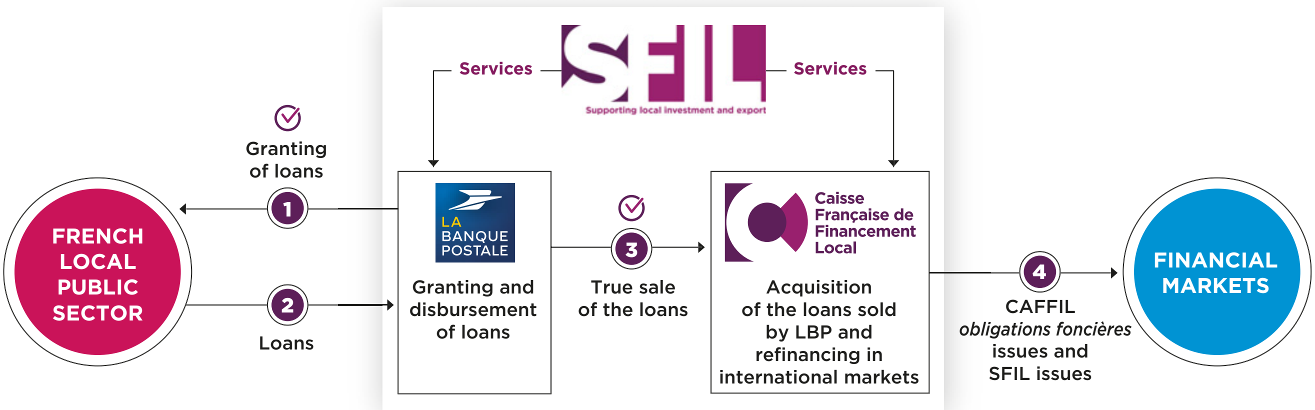
1.1 General business environment

1.1.1 The SFIL Group's financing of public sector investments

The SFIL Group, part of the Caisse des Dépôts group, is at the heart of a system whose objective is 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 government entities 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



Caisse Française de Financement Local credit process

The local public sector financing activity involves SFIL's subsidiary, CAFFIL, acquiring from La Banque Postale loans that it has marketed.

The loans in question are intentionally 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, departmental 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, 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.

The public hospital financing activity is also carried out through the acquisition by CAFFIL of loans marketed by La Banque Postale. These loans are refinanced by the SFIL Group's social issues as part of an issuance program dedicated to financing French public hospitals in accordance with the best market standards.

1.1.2 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, by building on the excellent issue capacities 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.

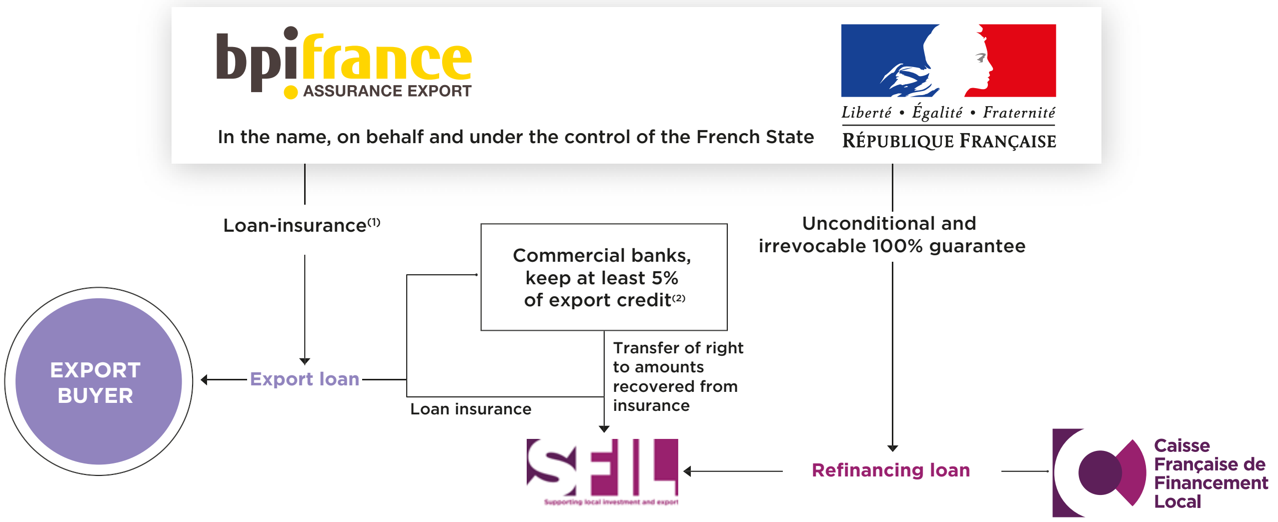
Within this framework, SFIL organized its relationship with almost all banks active in the French export credit market through bilateral agreements. SFIL may acquire part of the investment of each of these banks in an export credit (maximum of 95% of this investment). At the end of 2021, the system had 27 partner banks.

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

The Company'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 part (maximum 95%) 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 Republic 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 enhanced guarantee in favor of CAFFIL is not required.

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



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

(2) *In the case of credit insurance at 95%.*

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 31 for 14 exporters.

1.1.3 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 out by La Banque Postale and the "La Banque Postale Collectivités Locales". Within this framework, it provides services at all stages of the 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.

In 2021, in accordance with their periodic review commitment, SFIL and LBP adapted the contractual framework for the provision of services in order to bring it into line with the new guidelines of the European Banking Authority (EBA) relating to critical or significant services (PCI).

The indicators in place to measure the quality of the services that SFIL provided in 2021 were satisfied at 98%.

In respect of 2021, SFIL was awarded the Provigis Responsible Supplier Gold Medal in respect of the provision of services it provides to La Banque Postale. This certifies that SFIL owns and supplies legal documentation assessed as compliant in response to the duty of care and that it is committed to a Responsible Purchaser approach to monitoring its suppliers and subcontractors.

1.1.4 Financing of the SFIL Group

In order to refinance its two activities, the SFIL Group, *via* its subsidiary, Caisse Française de Financement Local, issues *obligations foncières* (covered bonds) in the financial markets both in the form of benchmark public issues but also in the form of private placements, particularly in the registered covered bonds format, adapted to its large investor base. These instruments are characterized by the legal privilege which assigns in priority the sums deriving from the Company's assets to the payment of their interest and their repayments.

This source of funding is the SFIL Group's main source of liquidity.

In addition to and in order notably to diversify the group's sources of financing and investor base, SFIL is itself an issuer of medium-term debt securities by being regularly active in the form of public bonds in euros and US dollars and short-term debt securities *via* its specific issuance program for debt securities of less than one year (NeuCP issuance program).

Finally, consistent with its social and environmental policy, the SFIL Group implements a voluntary ESG financing policy that takes the form of regular "Social" and "Green"-themed issues.

1.2 Highlights of 2021

As in 2020, 2021 was marked by the Covid-19 health crisis and its consequences on the economy. In this context, SFIL, for which the robustness of the public development bank model and the rigorous management have been explicitly recognized by the Court of Auditors (report published in September 2021), fully met 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 refinancing of export credit and the provision of specialized services to La Banque Postale and Caisse Française de Financement Local.

1.2.1 SFIL Group's strategy

Following the strong success of its first strategic plan, the SFIL Group drew up its second strategic plan: #Objectif 2026, during the second half year 2021. It is within a powerful group, Caisse des Dépôts, and in a changing world that the SFIL Group aims to succeed in its development around three focuses: fully exploit the strengths of its public development bank model, broaden its horizons in response to the challenges of the recovery plans and the climate transition and initiate a new phase of internal transition with, in particular, the adaptation of its operating methods to hybrid methods.

The strengthening of SFIL's CSR strategy is part of the strategic plan #Objectif2026. SFIL's CSR commitment, anchored in its DNA, and materialized by joining the United Nations Global Compact in 2018, is based on three focuses: the conduct of public policy missions, the deployment of internal policies and employee engagement.

In order to meet the challenges of the recovery plans and the climate transition, SFIL has the following objectives:

- increased support for hospitals *via* the "*Ségur de la santé*";
- the roll-out of a social loan offer in conjunction with La Banque Postale;
- changes in the way export credit works for sustainable projects;
- the acceleration of social and green theme issues as part of a new Sustainable Framework;
- actions to promote sustainable investments to local authorities.
- affirmation and sharing of SFIL's expertise on local public sector climate issues.

Accelerating sustainable development is also an operational challenge for SFIL, notably with the adaptation of tools and the resulting organization.

1.2.2 Continued integration within the Caisse des Dépôts Group

During 2021, SFIL took part in the process initiated by the Caisse des Dépôts Group aimed at developing cooperation between the Group's various entities and coordinating the operation of the business lines.

This approach aims in particular to:

- enable employees to participate in shared values and objectives with the expression of a Group purpose;
- generalize a networked mode of operation within each sector;
- develop new intragroup business partnerships;
- develop the attractiveness of human resources and employment pools within the Group.

The Group Vision project launched in the spring of 2021 within the Caisse des Dépôts Group gave rise to a broad consultation to define its purpose unveiled in early 2022: "The Caisse des Dépôts Group, a unique alliance of public and private economic players, is committed, in the heart of the regions, to accelerating the environmental transformation and to contributing to offering a better life for all". This purpose, which defines the shared culture serving the Group's missions for an effective and operational cooperation of the respective business lines within it, fully echoes SFIL's purpose: "To finance a sustainable future by effectively and responsibly supporting local development and the international activity of large companies".

SFIL is tangibly committed to achieving cooperation projects that are an integral part of its #Objectif2026 strategic plan with, in particular, the launch from the beginning of 2022 of its partnership with Banque des Territoires for the refinancing of long-term loans at fixed rates.

1.2.3 The Covid-19 pandemic

SFIL, as a public development bank, has continued to demonstrate its strength and resilience during this crisis, particularly in terms of solvency and liquidity.

From an operational standpoint, during the first half of the year, the bank operated in a hybrid mode, *i.e.* working remotely, while organizing a gradual return to work based on one day per week from February then two days from June. The mandatory remote working system was reactivated in early December 2021 for three days per week given the resumption of the epidemic, and then once again adapted in early 2022 according to the evolution of the pandemic. All health measures (social distancing, supply of masks, hydroalcoholic gel, etc.) to ensure the safety of its employees were maintained throughout the year.

Discussions and projects were launched in 2020 on the organization of work. Based on the experience gained and the lessons learned in recent months, the Demain@SFIL projects have progressed, one of the key elements of which is the signing of a new remote working agreement which was rolled out during the second half of 2021. Remote working will be more widespread and with more days than before the crisis. This agreement was complemented by the promotion of new working methods and team leadership in a hybrid environment. The organization of office premises and technical resources will be adapted during 2022 to best meet new needs.

The French local public sector financing activity had a strong year despite the ongoing crisis. The EUR 4.9 billion production remained very significant although it was down by -11% compared to that of 2020, which was a record year.

The impact of the health crisis on the financial position of local authorities proved to be very limited, given the support measures put in place by the State: suspension of the system for controlling the actual operating expenses of local authorities provided for by the Cahors Pact, measures to support local authorities with cash flow difficulties, partial consideration of exceptional expenses related to the health crisis, guarantee of maintained tax and state-owned revenues, repayable advances on transfer taxes, support mechanisms for authorities organizing mobility.

These measures have helped to mitigate the negative effects of the health crisis (both at the level of expenditure related to the health crisis and the reduction in revenue) and the self-financing capacity of local authorities in 2021 should be at a level close to that of 2019. In 2022, the operating allocations paid by the State to local authorities will be stable for the fifth consecutive year.

With regard to export credit, while 2020 was marked by a sharp slowdown, 2021 was characterized by a strong recovery in the use of this type of refinancing.

With regard to liquidity, the continued health crisis did not in any way affect the SFIL Group's issuance program in 2021. This reached a record amount of EUR 8.2 billion in *2021, i.e.* EUR 1 billion more than the amount issued in 2020. The recovery of the economy and the continued support of central banks enabled the SFIL Group, as in 2020, to carry out the entire annual financing plan scheduled from the end of November, under better financing conditions than budgeted.

The credit risk of local authorities, therefore, remained very low during the crisis, even though occasional, more difficult, situations may have arisen for some authorities.

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.

Other risks particularly monitored include operational risks for the Group, cyber risk and the risk of fraud with the continuous strengthening of protection systems.

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 solvency ratio stood at its highest level since the creation of SFIL with 34.6% at December 31, 2021, confirming its great financial strength. The LCR liquidity ratio stands at 949%, for SFIL on a consolidated basis.

As a reminder, the impact of the health crisis on SFIL's financial results was limited as of December 31, 2020 and can be considered as zero as of December 31, 2021. The Group's accounting income at end December 2021 amounted to EUR +76 million, close to the net recurring income (which notably adjusts the impact of changes in the valuation of financial assets at fair value through profit or loss as well as derivatives) which amounted to EUR +79 million. It was up sharply compared to 2020 (+73%) and was significantly higher than budget forecasts. On the same date, the operating ratio was 52% while the ROE was 4.7%(1) .

Overall, the management of the health crisis both in 2021 and 2020, 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.

1.2.4 Financing activity of the SFIL Group

1.2.4.1 Financing loans to the local public sector

In 2021, the financing of local authorities and public health was very dynamic with EUR 4.9 billion of financing granted by the SFIL/La Banque Postale system during the year.

At the same time, CAFFIL acquired EUR 4.4 billion in loans initiated by La Banque Postale. Since the partnership began, the total volume of loans acquired stands at EUR 28.9 billion.

With regard to local authorities, and despite its dynamism, the year was marked by the wait-and-see attitude of the major players, with a reduction in the number of loan consultations for the departments and regions.

Conversely, production in the Public Health sector was up by 9% in 2021 compared to 2020 with EUR 658 million in loans granted. This is the largest amount of funding granted by SFIL to public health institutions since the launch of the scheme.

(1) *Based on recurring income.*

In May 2021, the last two borrowers in dispute with populations of less than 10,000 inhabitants holding loans indexed to the EUR/CHF exchange rate reached an agreement with SFIL to secure their outstandings by converting them to fixed rates, which ended their litigation with SFIL. In addition, the sensitivity reduction operation concluded in July 2021 with a local authority made it possible to reduce the sensitivity of EUR 23 million of sensitive loans, thus settling the last "major" local authority litigation.

In early 2021, SFIL, *via* a specialized firm, conducted a satisfaction survey among its borrowers, local authorities and public health institutions, the results of which were used to identify areas for improvement, particularly in terms of reputation development.

During the year, the SFIL Group also continued to support the digitization of its relations with the local public sector with the continued roll-out of DigiSFIL. This platform enables borrowers to securely update their information, make transaction requests or consult their due date notices online. At the end of 2021, 44% of outstandings were monitored by DigiSFIL, and 65% of the top 100 borrowers were present on the platform.

Supporting the Environmental Transition of the Regional Authorities

Throughout the year, the SFIL Group continued to finance 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 financed by the SFIL Group concern the fields of renewable energies, sustainable management of water and sanitation, waste management and recovery, sustainable mobility and clean transport, and energy efficiency in construction and urban planning.

In 2021, EUR 680 million of green loans were produced by the SFIL-LBP scheme, *i.e.* 17% of the production sold to local authorities, up sharply compared to the previous year (9%). This change is due in particular to the National Recovery Plan, and more specifically the section on the Environmental and Energy transition, in which SFIL's green loan offer fully conforms.

In addition, SFIL continued its work to take into account Regulation (EU) 2020/852, published on June 18, 2020, and the first two delegated acts aimed at establishing a harmonized system for classifying sustainable economic activities (the "European Taxonomy of Sustainable Activities").

1.2.4.2 Refinancing of large export contracts

2021 confirmed the expected increase in the use of export credit in a context of the crisis with five transactions signed by the SFIL mechanism for EUR 2.2 billion, 10% higher than the budget for the year, along with a sustained increase in requests for quotations compared to pre-crisis years, which bodes well for sustained activity in the coming years. 2021 was also an opportunity to carry out a first operation in two new sectors for the mechanism: aviation and space. With five projects in five different sectors, SFIL financed a record number of contracts and demonstrated its ability to support all French export sectors.

In the cruise sector, the SFIL Group has maintained its support for the Chantiers de l'Atlantique cruise lines, participating in the second tranche of the debt holiday developed by European credit insurance agencies to help them weather the crisis. This consists of deferring the repayment of the loan principal. For the SFIL Group, the amount concerned is almost EUR 184 million.

1.2.5 SFIL Group issues

To ensure the financing of its missions, the main sources of financing of the SFIL Group are described below:

CERTIFICATES OF DEPOSIT PROGRAM

Diversification of short-term financing

Average outstandings for SFIL 2021 of approximately EUR 800 million

SFIL ISSUES

Issue program planned for 2022 of between EUR 2 billion

Benchmark issues in EUR and/or USD

Outstanding as at 12/31/2021 of EUR 9.3 billion

CAFFIL OBLIGATIONS FONCIÈRES

Issue program planned for 2022 of between EUR 3 and 5 billion

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

Outstandings at 12/31/2021 of EUR 52.3 billion

THEMATIC ISSUES

Regular benchmark issues by SFIL and CAFFIL in the ESG market

Inaugural Social and Green Programs in 2019

Outstandings at 12/31/2021 of EUR 2.75 billion in social format EUR 1.75 billion in Green format

At least one green or social transaction planned for 2022

1.2.5.1 Emissions of covered bonds *via* CAFFIL

Still dominated by the health crisis linked to the coronavirus pandemic, 2021 was nevertheless marked by a considerable improvement in the economic situation. This context has prompted the main central banks to maintain their support for the economy, with Eurosystem support *via* its bond asset purchase programs (APP and PEPP) and the provision of liquidity to the banking sector (TLTRO), while considering the next steps (exit from Quantitative Easing, rate hikes, etc.).

The euro covered bonds segment continued to show resilience with issues of EUR 101 billion, an increase of 5% compared to 2020 (EUR 96 billion). However, the volume for 2021 remains lower compared to the "pre-Covid" figures due to lower intrinsic refinancing needs (decline in lending activity) and above all due to significant recourse by European banks to the advantageous refinancing mechanisms set up by the Eurosystem (TLTRO).

In terms of activity by jurisdiction, as in 2020, French and German issuers were the most active (respectively 23% and 19% of the offering), ahead of the Canadians (12%), the Norwegians (8%) and the Dutch (7%). The share of issuers from peripheral jurisdictions (Spain, Italy this year) decreased again in 2021 to 4% after reaching 5% in 2020 and even 10% in 2019, with the latter preferring to request TLTRO drawdowns on favorable terms. Issuers not eligible for the European Central Bank's repurchase program (CBPP3) are significantly more present, increasing from 26% (EUR 24.6 billion in 2020) to 38% (EUR 38.9 billion) of the euro covered bonds offer, supported by Canada and Norway (more than half of the volume).

This volume of activity was very well absorbed by investors, whose aggregate demand (EUR 207 billion) was twice as high as the volume of primary supply. In terms of spread, the covered bond segment overall ended below (-2/-3 bps) the levels of the beginning of 2021 after experiencing a low point at the end of May due to the relative value between the different market segments, leading during the summer to an increase of 3-4 bps on average of CB spreads.

Still present, the ECB will have continued to support the covered bond segment but with a decrease compared to 2020:

- an increase in the outstandings of the covered bond purchase program (CBPP3) to EUR 298 billion at December 31, 2021, *i.e.* EUR 11 billion more than at the end of 2020 (EUR 287 billion), but half as much as the change in 2019/2020 (EUR 24 billion);
- additional purchases under the PEPP (Pandemic Emergency Purchase Programme) in which the covered bonds asset class represented EUR 6 billion in assets at the end of November (vs EUR 3 billion at the end of 2020) out of a total volume of EUR 1,580 billion.

The covered bonds asset class, in addition to benefiting from a regulatory treatment that remains attractive to investors in 2022, will be able to continue to rely on a technical factor with still significant volumes reaching EUR 136 billion (EUR 134 billion in 2021). The ECB's CBPP3 covered bonds purchase program (end of the PEPP in March 2022), which should at least renew EUR 40 billion in installments in 2022 potentially supplemented by additional purchases (temporary increase in the APP of which CBPP3 is part in Q2/Q3 2022) is another support factor.

In this context, CAFFIL raised a total of EUR 5.85 billion in 2021 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 5.25 billion by enriching its benchmark curve on maturities of eight years twice (EUR 1.5 billion), ten years twice (EUR 2.5 billion), fifteen years (EUR 750 million) and, for the first time, twenty-five years (EUR 500 million). At the same time, in 2021, CAFFIL raised additional liquidity on several of its reference issues *via* three tap transactions for a total of EUR 550 million.

In addition to these public transactions, Caisse Française de Financement Local remained present in the private placements segment in the EMTN format, thereby enabling it to respond to specific requests from investors. This activity raised EUR 50 million in 2021.

Outstanding CAFFIL *obligations foncières* stood at EUR 52.3 billion at December 31, 2021.

1.2.5.2 SFIL's bond issues

As indicated previously, 2021 remained marked by the Covid-19 health crisis. The major global central banks thus maintained their actions undertaken in 2020. In Europe, the ECB left its rates unchanged while working to anticipate the end of the crisis in an economy where the outlook is improving. In 2021, the APP/PEPP (Pandemic Emergency Purchase Program) and TLTRO tools continued to play their role as stabilizers of spreads in particular for the SSA segment, for which issuers' volumes also remained dense in France (AFD at EUR 7.5 billion, Unedic at EUR 12.5 billion) or even higher than in 2020 (former-CADES at EUR 40 billion vs EUR 24 billion last year). For 2022, the ECB has already announced its trajectory: halting new purchases of the PEPP (*i.e.* renewal of installments only) from the end of March combined with a one-off increase in APP to ensure a certain stability of spreads.

In the euro market, issue premiums confirming the attractiveness of the segment are down sharply from an average of 5 bps in 2020 to less than 2 bps in 2021. The trend towards the use of the ESG format observed last year is confirmed, representing 85% of the French primary offering, of which 56% are social, 20% Green and finally 10% sustainable programs. At the European level, in the wake of the SURE program completed in June, the European Union had an excellent reception for its new program, Next Gen EU (backed by the recovery plan of the same name of EUR 750 billion), for which the amounts issued in 2021 were EUR 71 billion (maximum EUR 140 billion announced for 2022). On the secondary side, spreads compared to OATs in the segment in 2021 in the French agencies are generally lower by a few basis points despite the context of abundant supply in euros; against swaps, the premiums offered fell sharply at the end of the year, becoming significantly negative in the five-to-seven year zone in the wake of the French sovereign's performance.

The US dollar market again enjoyed strong momentum in 2021 with French issuers posting a volume increase of 46% to USD 24 billion, using this currency opportunistically to take advantage of a favorable arbitrage against the euro and/or for diversification. Like the supranational players, the French also solicited the investor base for longer maturities targeting the five year or even ten year zone for some.

In this context, in 2021, SFIL strengthened its presence in the French agencies market segment by carrying out a double curve extension with its first issue in euros at ten years and a first transaction at five years on the dollar market. SFIL solicited the public primary market three times for a total amount of EUR 2.3 billion with an issue in dollars for an amount of USD 1 billion at five years in February and an issue in euros at eight years (EUR 1 billion) and finally a "Green" themed program at ten years for an amount of EUR 500 million in November. These three successful transactions have made it possible to strengthen SFIL's reputation 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 9.3 billion as of December 31, 2021.

1.2.5.3 Thematic issues

2021 was marked by the continued deployment of the SFIL Group's social and environmental policy with two successful launches:

- CAFFIL's third "Social" themed program, which aims to provide funding to French public hospitals;
- SFIL Group's third Green themed program, launched a second time by SFIL.

These formats with increasing volumes, and whose audience with ESG specialist investors continues to expand, allow the Group to further diversify its sources of financing. Thus, in 2021, the SFIL Group raised EUR 8.2 billion on the bond markets, of which more than 15% (EUR 1.25 billion) in the form of a "Social" and "Green" themed bond issues. The renewed success of its "Social" and "Green" themed programs confirm the SFIL Group's strategy to increase the use of these formats in its future issue programs.

As in 2020, the SFIL Group's social issues program was rewarded twice by the financial press in 2021:

- Environmental Finance Bond Awards – Best social bond – asset based and covered bonds;
- IFR Awards - Best Covered Bond.

Overall, the SFIL Group's investor base continued to grow in 2021 (630 vs 588 at the end of 2020).

1.2.5.4 SFIL's short-term debt issues

During the year 2021, SFIL continued to use 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, 2021, SFIL's total outstanding certificates of deposit amounted to EUR 797 million, *i.e.* EUR 772 million less than on December 31, 2020.

In addition, these resources may be supplemented by financing, under credit agreements with its parent company, Caisse des Dépôts et Consignations (CDC), and its partner La Banque Postale (LBP). At December 31, 2021, the outstanding amount of these financings was zero, as at the end of 2020.

1.2.6 Financial and non-financial ratings

As of December 31, 2021, SFIL's financial ratings were unchanged compared to December 31, 2020: Aa3 with Moody's, AA with Standard & Poor's and AA (high) with DBRS. In terms of methodology, Standard & Poor's and DBRS equate SFIL's rating with that of the French Republic.

On the same date, the financial ratings of CAFFIL's issues also remained unchanged compared to December 31, 2020: Aaa at Moody's, AA+ at Standard & Poors' and AAA at DBRS.

Since 2020, SFIL has mandated the Sustainalytics agency for an ESG extra-financial rating of the SFIL Group.

As an initial rating in 2020, Sustainalytics assigned SFIL a score of 7.7, with 0 theoretically being the best rating. This ESG rating was updated at the beginning of 2021 and improved to a level that is now 6.6/100 and which continues to place SFIL in the first percentile of rated institutions and ranks it ninth out of 116 development banks rated by Sustainalytics. SFIL's ESG risk is considered negligible by Sustainalytics, which also praised its performance in the areas of governance, human capital management and business ethics.

CAFFIL, the SFIL Group's *société de crédit foncier*, is also assessed on its ESG axes by ISS. Its current rating is Prime C+.

1.2.7 Changes in the regulatory environment

2021 is part of the continuation of a process, which has now been in place for several years, of gradually taking into account SFIL's specificities by regulators or supervisors, in particular because of its status as a public development credit institution in France for which the application criteria are defined in article 429 bis-2 of the CRR II regulation. These specificities also led the Single Resolution Board (SRB) to decide 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 (MREL) limited to the amount necessary to absorb SFIL's losses in the event of liquidation.

In order to finalize the Basel III reforms, on October 27, 2021, the European Commission published a proposal for a regulation amending Regulation (EU) No. 575/2013 concerning the requirements on credit risks, credit value adjustment (CVA) risk, operational risk, market risk and output floor.

This proposal provides notably for the creation of a specific "IRBA" category for the exposures of institutions on Regional Governments & Local Authorities (RGLA) and on public sector entities (PSE), now separate from that dedicated to financial institutions. It must be discussed in a trilogue meeting with the European Parliament and the Council of the European Union, and will not, in any case, apply before January 1, 2025.

In addition, a European directive dedicated to covered bonds aiming to standardize European covered bonds' models was transposed into French law for entry into force on July 8, 2022. The new texts are more restrictive as regards the eligibility of certain assets and the use of certain derivatives. However, the impact of the implementation of these texts remains very limited, at this stage, for Caisse Française de Financement Local.

Lastly, in the context of CSRD extra-financial reporting, new extra-financial obligations will concern SFIL from 2024, and will require an overhaul of financial and CSR reports.

1.3 Composition and 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, 2021, are presented in the table below:

(in EUR billions, equivalent value after currency swaps)

ASSETS	LIABILITIES
74.8	**74.8**
of which main balance sheet items in notional amount	of which main balance sheet items in notional amount
64.4	**64.4**
Cash assets 4.0 (of which 3.8 for CAFFIL and 0.2 for SFIL)	EMTN SFIL bonds 9.3
Securities 6.9 (of which 6.0 for CAFFIL and 0.9 for SFIL)	Covered bonds CAFFIL 52.3
	Certificates of deposit SFIL 0.8
Loans 51.3 (of which 46.3 for CAFFIL and 5.0 for SFIL)	Cash collateral received 0.9 (of which 0.3 for CAFFIL and 0.6 for SFIL)
Cash collateral paid by SFIL 2.2	Equity 1.7
	Others (0.6)

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 the 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 and composition of assets

The net change in the SFIL Group's main assets in financial year 2021 was an increase of EUR +2.2 billion.

This change can be analyzed as follows:

(n EUR billions, equivalent value after currency swaps)	**2021**
BEGINNING OF YEAR	**62.3**
Purchase of loans from La Banque Postale	4.4
New export credit loans granted	1.4
New post-sensitivity reduction loans granted	0.1
Change in cash collateral paid by SFIL	(0.4)
Amortization of loans and securities to the French public sector (excluding cash investment securities)	(4.6)
Change in cash investment securities	(0.9)
Change in cash assets	2.1
Others	(0.1)
END OF YEAR	**64.4**

- Through its subsidiary CAFFIL, the SFIL Group acquired EUR 4.4 billion in loans marketed by La Banque Postale to the French local public sector.
- The export credit activity resulted in EUR 1.4 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 0.1 billion of new assets on CAFFIL's balance sheet, recognized under the refinancing of early repayment indemnities and new investment financing. At the end of 2021, after deducting the outstanding loans for which customers chose the support fund for the payment of the downgraded maturities, the SFIL Group's residual outstanding of sensitive structured loans was EUR 0.5 billion. The initial outstandings of EUR 8.5 billion were thus reduced by more than 94%. In addition, 2021 saw the end of all disputes associated with small customers with structured assets indexed to the EUR/CHF parity. The scope of sensitive structured loans is therefore extremely limited and the associated risk is no longer an issue for SFIL.
- 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 2.2 billion in cash collateral at end of 2021, down EUR -0.4 billion compared with end-2020.

Other changes in assets correspond mainly to scheduled repayments on the loan and securities portfolio for EUR 4.6 billion, the increase in the balance of the Banque de France account for EUR +2.1 billion.

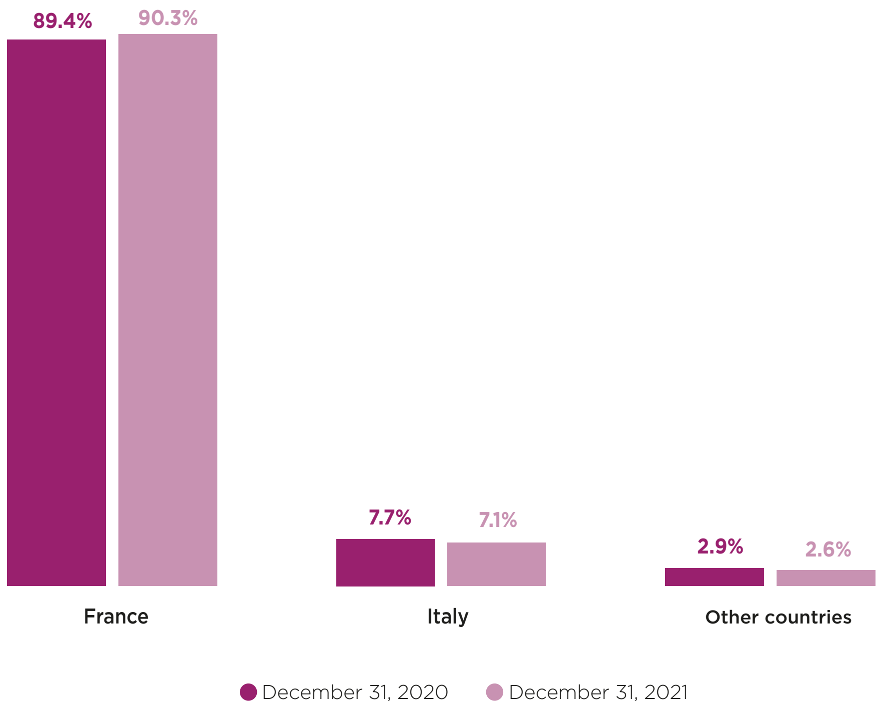
It should be noted that as of December 31, 2021, the SFIL Group held EUR 2.2 billion in cash surplus investment securities (banking sector and European public sector).

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 58.2 billion, of which EUR 56.5 billion to public sector. The majority of outstandings in 2021 were with the French public sector, which accounted for 90% 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 5.0 billion on the balance sheet as of December 31, 2021.

Excluding France, the two largest exposures concerned local authorities in Italy and sovereign exposures in Italy (7%) and Switzerland (0.6%). 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.

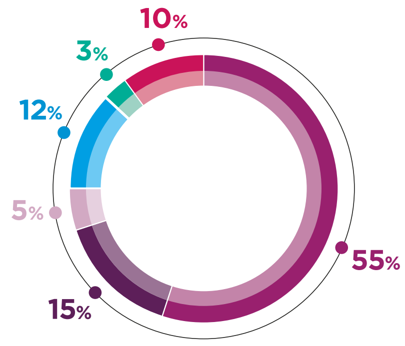
France's relative share was up slightly from 2020.



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 4.4 billion of loans in this area in 2021;
- new loans granted within the framework of the sensitivity reduction of the outstanding of structured loans, for a total of EUR 0.1 billion;
- drawdowns on export loans for EUR 1.4 billion;
- cash invested in public sector securities for EUR 0.6 billion at the end of 2021 compared with EUR 0.7 billion at the end of 2020.

For France's relative share of 90% in 2021, the following graph shows the breakdown of loans and securities granted to the French public sector by type of counterparty.



1.3.1.2 Exposures 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 4.0 billion as of December 31, 2021;
- cash invested in bank securities amounting to EUR 1.7 billion as of December 31, 2021, compared with EUR 2.5 billion at December 31, 2020;
- 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, 2021 was EUR 2.2 billion;
- marginal, deposits in sight bank accounts opened with credit institutions.

1.3.2 Change and composition of liabilities

The net change in the SFIL Group's main liabilities in financial year 2021 was an increase of EUR 2.2 billion.

This change can be analyzed as follows:

(In EUR billions, equivalent value after currency swaps)	2021
BEGINNING OF YEAR	**62.3**
CAFFIL covered bonds	1.8
Of which new issues	*5.9*
Of which amortization	*(4.1)*
Of which buybacks	-
Change in cash collateral received	(0.5)
EMTN SFIL program bonds	1.5
Of which new issues	*2.3*
Of which amortization	*(0.8)*
Of which buybacks	-
Change in outstanding SFIL certificates of deposit	(0.8)
Equity and other items	(0.1)
END OF YEAR	**64.4**

Outstanding covered bonds increased by EUR 1.8 billion as a result of the new 2021 program for a total of EUR 5.9 billion partially offset by inventory depreciation (EUR -4.1 billion).

At the same time, the cash collateral paid by the derivatives counterparties of CAFFIL and SFIL slightly decreased by EUR 0.5 billion over the period.

SFIL's outstanding covered bonds increased by EUR 1.5 billion as a result of the new 2021 program for a total of EUR 2.3 billion partially offset by inventory depreciation (EUR -0.8 billion).

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, 2021, of EUR +76 million for total balance sheet outstanding of EUR 74.8 billion at that date. The net income for 2021 is up sharply by +73% compared to the consolidated net income of the SFIL Group at December 31, 2020, which was EUR +44 million. The effects of the health crisis have no significant impact on the SFIL Group's net income for 2021.

The CET1 ratio stood at a record level of 34.6% and improved by 5.3 points compared to 2021, testifying to the Group's very strong financial position.

	12/31/2020				**12/31/2021**				
	Accounting income	Restated non-recurring items		Recurring income	**Accounting income**	**Restated non-recurring items**			**Recurring income**
		Fair value adjustment of hedges	Fair value adjustment of non-SPPI financial assets			**Fair value adjustment of hedges**	**Fair value adjustment of non-SPPI financial assets**	**Revaluation of deferred tax assets**	
Net banking income	180	5	(2)	177	235	(9)	22		222
Operating expenses	(112)			(112)	(115)				(115)
GROSS OPERATING INCOME	**68**	**5**	**(2)**	**66**	**119**	**(9)**	**22**		**107**
Cost of risk	(6)			(6)	3				3
INCOME BEFORE TAX	**62**	**5**	**(2)**	**60**	**122**	**(9)**	**22**		**110**
Income tax	(18)	(1)	1	(18)	(46)	2	(6)	(12)	(30)
NET INCOME	**44**	**4**	**(2)**	**42**	**76**	**(7)**	**16**	**(12)**	**79**

Net income at December 31, 2021 includes non-recurring items(1) related to (i) the volatility of the valuation of the derivatives portfolio for EUR -7 million, (ii) the impact of the application of IFRS 9 regarding the valuation of non-SPPI loans on the balance sheet for EUR +16 million and (iii) a revaluation of the stock of deferred tax assets in the context of the decrease in the corporate tax rate for EUR -12 million.

Restated for these non-recurring items, recurring net income(2) at December 31, 2021 stood at EUR +79 million, a significant improvement (+88%) compared to the net income restated for the same items at December 31, 2020 of EUR +42 million.

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

- net banking income stood at EUR 222 million for 2021, as compared with EUR 177 million in 2020, up EUR 45 million (+25%). This change is mainly due to a considerable improvement in the bank's financing costs and, to a lesser extent, to higher accelerated products than last year (particularly in the context of the reduction of loan sensitivity of the last structured loans);
- the Group's operating expenses and depreciation amounted to EUR -115 million and slightly increased compared to 2020, notably due to the automatic increase in the contribution to the Single Resolution Fund;
- the cost of risk presented a reversal of EUR 3 million as of December 31, 2021, compared with an allocation of EUR 6 million in 2020. As a reminder, the allocation for 2020 was related in particular to the downgrading to Stage 2 of exposures in the cruise sector as part of the export credit activity. The year 2020 had been marked by the global health crisis that had repercussions on the tourist cruise activity. In this context SFIL had decided to transfer to the watchlist all of its exposures to this business sector, which led to a transfer of the Stage 1 carrying amounts to Stage 2 and an increase in provisions of approximately EUR 18 million. This provision had been 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. In 2020, the success of SFIL's policy of reducing the sensitivity of residual structured outstandings and the sharp reduction in the number of disputes had also made it possible to reverse a portion of the provisions associated with assignments. In 2021, the reversal of the provision is linked to the success of the policy of reducing the sensitivity of residual structured loans, which has enabled the termination of several disputes and the reversal of a portion of the provision associated with residual structured loans.

(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;
• the impact on income associated with the revaluation of deferred tax assets carried out as part of the planned reduction in the corporate tax rate in 2022.

(2) *Alternative performance indicator.*

The other items that enabled the provision to be reversed correspond in particular to customer transfers from Stages 3 and 2 towards Stage 1 given their improved financial situation. Lastly, SFIL decided during the year to maintain the export credit exposure of the cruise sector in Stage 2.

In 2021, as in 2020, the health crisis had a very limited impact on SFIL's consolidated net income, established in accordance with IFRS. This confirms the Group's resilience to macro-economic shocks. The table below shows the results for 2021 restated for the effects of the health crisis.

(in EUR millions)	12/31/2021 Accounting income	Impact Covid-19 A	Impact Covid-19 B	Accounting income restated for the impacts of Covid-19
NET BANKING INCOME	**235**			**235**
Operating expenses	(115)			(115)
GROSS OPERATING INCOME	**119**			**119**
Cost of risk	3	3	(2)	2
INCOME BEFORE TAX	**122**	**3**	**(2)**	**122**
Income tax	(46)	(1)	1	(46)
NET INCOME	**76**	**2**	**(2)**	**76**

A: change in provisions for the public sector.
B: change in provisions for the export credit - cruise sector.

After a start of the year impacted by an upsurge in the epidemic and a new lockdown in April, the health situation improved notably thanks to the ramp-up of vaccinations until the autumn and then deteriorated again at the end of the year due in particular to the Omicron variant. In this context, the financial markets, supported by the actions of central banks and governments, have shown very strong resilience with loan spreads that improved in particular in the second half of the year, the equity market reached record highs and long-term rates which, although they increased, remained at historically low levels (notably short-term rates). Inflation, in particular linked to the US and EUR stimulus plans and the growing demand for energy resources, increased over the year without having had a significant impact on the markets. In this context, the effects of the Covid-19 crisis on the value adjustments of financial instruments recognized at fair value were extremely limited and may be considered neutral for 2021.

In addition, as a reminder, SFIL decided in 2020 to record all exposures concerning the cruise sector on the watchlist and consequently to transfer them from Stage 1 to Stage 2. This resulted in the recognition of a provision for this business segment of EUR 18 million for 2020. This approach was retained in 2021 and exposures remained allocated to Stage 2 in connection with the continuation of the pandemic which continued to affect the cruise sector. The provision recognized in 2020 was increased by EUR 2 million. As a reminder, all export credits benefit from export credit insurance issued by BPI AE in the name, on behalf of and under the control of the French State.

Lastly, in 2021, SFIL decided to reverse the provision of EUR 3 million associated with the public sector that had been set up in 2020 in view of the improvement in the financial situation of the customers concerned.

Thus, the amount of effects related to the pandemic on SFIL's net accounting income at end December 2021 does not represent an impact on the SFIL Group's 2021 financial statements prepared in accordance with IFRS. As a result, net accounting income restated for these items remains at EUR +76 million.

1.4.2 Annual financial statements prepared in accordance with French GAAP

SFIL posted a net profit of EUR 52 million at the end of 2021, compared with a net profit of EUR 37 million at the end of 2020. This net income includes the payment of a dividend from its subsidiary CAFFIL for EUR 49 million. Restated for this item, SFIL's corporate net income would therefore be EUR +3 million.

In 2021, the Net banking income amounted to EUR +164 million. It includes EUR 97 million of expenses charged back to CAFFIL and is up by EUR 4 million compared to 2020. Operating expenses, including amortization, amounted to EUR -108 million. They were up by EUR 5 million compared to 2020 due, in particular, to the increase in the contribution to the Single Resolution Fund.

SFIL's balance sheet amounts to EUR 16.5 billion, assets mainly include:

- the refinancing granted to its subsidiary Caisse Française de Financement Local in the amount of EUR 7.7 billion to finance for the portion of over-collateralization of the *société de crédit foncier*;
- outstanding loans of EUR 4.8 billion under its export refinancing activity;
- cash collateral paid in the amount of EUR 2.2 billion;
- the balance of cash is invested in sovereign and bank securities for an outstanding amount of EUR 0.9 billion, or invested in the Banque de France for an amount of EUR 0.2 billion.

In 2021, SFIL decided to pay a dividend in June and part of its reserves in December to its shareholders, Caisse des Dépôts and the French Republic, for a total amount of EUR 33 million.

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.

The breakdown of unpaid trade payables received due on December 31, 2021 is as follows:

	Invoices received and not paid at the reporting date whose term has expired					
	0 days (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	-	4	3	-	-	7
Total amount of invoices concerned excluding VAT *(in EUR thousands)*	-	34	29	-	-	63
% of total purchases in the year excluding VAT	-	0.1%	0.1%	0.0%	0.0%	0.2%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR LIGITIOUS LOANS AND RECEIVABLES						
Number of invoices excluded						-
Amount of invoices excluded						-
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 Annual Shareholders' Meeting of May 25, 2022 will be asked to allocate the profit for the 2021 financial year, after taking into account the allocation to the legal reserve, to the general reserves account.

As a result, the proposed appropriation of income for the financial year ended on December 31, 2021 would be as follows:

Allocation of net income	EUROS
NET INCOME FOR THE YEAR	**51,747,040.49**
Legal reserve (5%)	(2,587,352.02)
INCOME AVAILABLE	**49,159,688.47**
Previous general reserves	95,905,632.61
INCOME AVAILABLE FOR DISTRIBUTION	**145,065,321.08**
PROPOSED DIVIDENDS	**-**
BALANCE ALLOCATED TO THE GENERAL RESERVES ACCOUNT	**(145,065,321.08)**

Non-tax-deductible charges and expenses

Pursuant to article 223 *quater* 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 42,000.41.

The amount of operating expenses added back following a definitive tax adjustment (articles 223 *quinquies*, 39-5 and 54 *quater* 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 2021, this ratio is equal to +0.10% on the IFRS consolidated financial statements and +0.31% on the French GAAP financial position.

1.4.4 Alternative performance indicators

As an API, SFIL has used notional consolidated balance sheet items, which reflect the specific nature of its activities through outstanding SPL and export loans and bond issues, and net recurring income. These are prepared on the basis of accounting data. The comparison from one financial year to another is given through the change in assets and liabilities (items 1.3.1 and 1.3.2) and the table of changes in results (item 1.4.1).

1.4.5 SFIL's results over the past five financial years

	2017	2018	2019	2020	2021
FINANCIAL POSITION					
Share capital *(in 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 *(in EUR millions)*					
Revenues(1)	127	105	133	159	150
Income before income tax, amortization, depreciation and contingencies net of reversals	35	58	54	56	70
Income tax	(1)	(1)	(2)	(5)	(3)
Income after income tax, amortization, depreciation and contingencies	30	44	41	37	52
Dividend	–	–	–	10	-
Exceptional distribution(2)	–	–	–	23	-
PER SHARE DATA *(IN EUR)*					
Revenues	13.66	11.35	14.33	17.08	16.19
Income after income tax, and before amortization, depreciation and contingencies net of reversals	3.89	6.05	5.63	5.50	7.19
Income tax	(0.12)	(0.16)	(0.20)	(0.57)	(0.37)
Income after income tax, amortization, depreciation and contingencies	3.21	4.73	4.45	3.99	5.57
Dividend per share	-	-	-	1.08	-
Exceptional dividend(2)	-	-	-	2.48	-

(1) Revenue consists of the following items: (i) other operating income, (ii) interest and similar income, net of macro-hedging expenses; (iii) fee income received; (iv) net income on foreign exchange transactions; (v) other operating income.
(2) Distribution of general reserves decided by the Shareholders' Meeting of December 22, 2021.

1.5 Outlook

After a year 2020 marked by a global health crisis of unprecedented magnitude, 2021 was characterized by the return of economic growth which took place in an uneven manner in the various regions of the world. France returned to a level of economic activity close to that of the end of 2019 more quickly than expected in 2021.

For SFIL, 2021 was a record year for its bond issues (EUR 8.2 billion). Total SFIL/La Banque Postale production was in line with the budget (EUR 4.9 billion) and was the best year for export credit in terms of number of contracts.

2022 will be the first year of SFIL's new #Objectif2026 strategic plan.

With regard to its refinancing, the 2022 issuance program will be relatively modest, as SFIL had voluntarily taken the lead in 2021 due to excellent market conditions and in order to have some leeway to manage a possible increase in volatility. 2022 will be marked by the evolution of SFIL's offering to complete its range of thematic bonds and to propose, *via* the LBP/SFIL system, social loans refinanced by social bonds.

With regard to its refinancing, the 2022 issuance program should be more modest on the basis of the transactions already identified, SFIL having voluntarily taken the lead in 2021 due to the excellent market conditions and in order to have a certain flexibility to manage any increase in volatility. 2022 will be marked by the evolution of SFIL's offering to complete its range of thematic bonds through the launch of a new program of social issues for local authorities.

SPL production is expected to increase due to the dynamism of the La Banque Postale/SFIL partnership and the establishment of a new partnership with Banque des Territoires, which will be part of the desire to develop Green and Social financing for local authorities and public health institutions. The level of production will nevertheless be linked to the attractiveness of this type of financing for local authorities.

Given the central role of local authorities in the recovery plan and the environmental transition, the prospects in terms of green financing needs for the coming years are very important. However, it is beyond 2022 that the effects of climate investments in the local public sector should be the most significant.

SFIL is also working to deploy a new range of loans, which will be accompanied by a broad awareness-raising campaign among borrowers in order to gain their full support, with actions carried out by local authorities and their groups in the social and environmental fields, and to introduce the notion of alignment of the European taxonomy with the local public sector.

The new hospital plan provides for EUR 19 billion in the health system over ten years. The self-financing and investment support budgets would start to be paid in 2022. The impact on investment will, therefore, occur mainly from 2022 with an increase in the corresponding financing requirements.

The outlook for export credit is very open for 2022, with several sectors potentially requesting refinancing, particularly in the areas of transport, road and rail infrastructure and the cruise sector, whose activity has resumed since the end of 2021, defense and potentially aviation and energy.

In addition, as part of its strategic plan, SFIL is studying the possibility of broadening the type of refinancing offered for sustainable projects in which there is a French interest and which call upon sources of financing covered by a European or multilateral public guarantee. The objective is to increase SFIL's impact in terms of sustainable development.

From a macroeconomic point of view, three important contextual elements will be closely monitored in 2022:

- the degree of market volatility in a context influenced by the evolution of the pandemic, the inflationary surge, the geopolitical environment and more particularly the conflict in Ukraine, whose foreseeable impacts for SFIL remain limited to date, as well as the monetary policy of the European Central Bank in response to the aforementioned events;
- the climate transition, taking into account the European taxonomy;
- changes in the regulatory environment and, more specifically, the finalization of Basel 3 and the calibration of the criteria that will be applicable to SFIL.

In terms of resources, SFIL will increase its headcount and its IT investments in order to support its development ambitions, particularly in terms of CSR and to cope with the increase in regulatory requirements.

SFIL's 2026 strategic plan will see the deployment of a new phase of internal transformation with, in particular, the evolution of its working methods and use of its premises, and the setting up of a modernized framework of premises, tools and collaboration, adapted to the new hybrid working environment.

SFIL will contribute to Group Vision projects with the intensification of best practices such as the networking of sectors, with cooperations to integrate SFIL's thematic offers into the Group's responses to local authorities and with the development of SFIL's attractiveness.

Lastly, SFIL will serve the Caisse des Dépôts group's public interest strategy by developing specific skills in quantifying the impacts of climate risk on the local public sector.

1.6 Internal control and preparation of accounting and financial information

1.6.1 Overall internal control organization

1.6.1.1 Responsibilities and overall architecture of the internal control system

SFIL is one of the large banks that has 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.

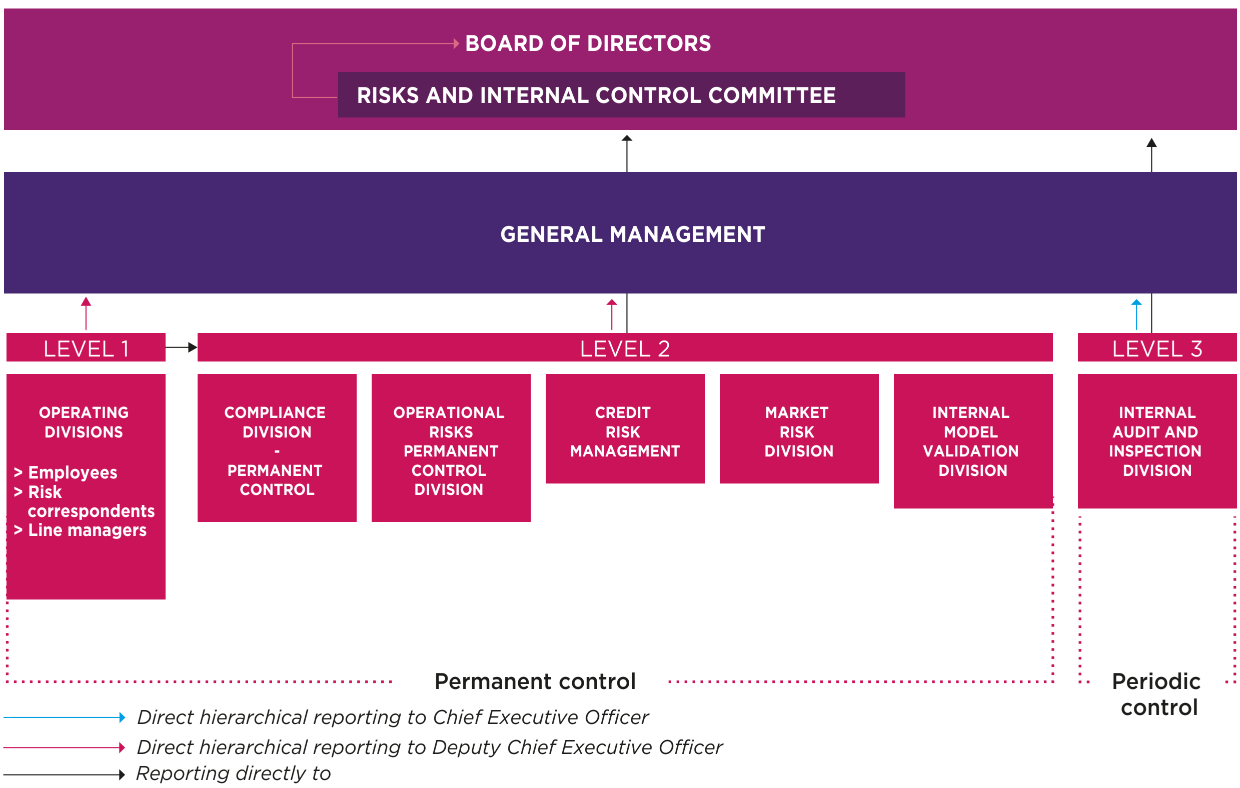
The objectives and organization of SFIL's internal control system comply with the provisions of the ministerial *arrêté* of November 3, 2014 as amended. This text requires that an internal control system be set up and specifies the principles relating to systems to oversee transactions and internal procedures, accounting organization and information processing, systems for measuring risks and results, systems for monitoring and managing risks, verification of compliance, and the internal control documentation and information system. Its main purpose is to ensure overall risk management and to provide reasonable, but not absolute, assurance that SFIL will achieve the objectives it has set itself in this area.

More specifically, the objectives of SFIL's internal control system are to:

- verify the effectiveness of the risk control system to ensure that risks are in line with the risk appetite that its governance bodies have defined;
- verify the reliability and relevance of the accounting and financial information produced;
- ensure compliance with laws, regulations and internal policies;
- monitor the operational security of the SFIL Group's processes to ensure that transactions are conducted properly.

In accordance with the *arrêté* of November 3, 2014 as amended, 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. The Operational Risks and Permanent Control division (ORPCD) and the Compliance division are responsible for permanent control activities within the SFIL Group. The periodic control at the third level is a verification and assessment function for the first two levels, with its own audit cycle. The second and third level functions are independent control functions.

These three functions report directly to General Management. In application of the *arrêté* of February 25, 2021, amending the *arrêté* of November 3, 2014, the permanent control functions are placed under the responsibility of SFIL's Deputy Chief Executive Officer, who is appointed as the effective manager responsible for the consistency and effectiveness of permanent control. The permanent control of the anti-money laundering and anti-terrorist financing system is also part of the compliance control system. The third level of control is placed under the responsibility of SFIL's Chief Executive Officer, who is appointed as the effective manager responsible for the consistency and effectiveness of periodic control.

They also report on the performance of their duties to the Risks and Internal Control Committee, a specialized committee of the Board of Directors. At their request, they can be heard by this committee and by the Board. They can directly approach the Board or the 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 as necessary within the Internal Control Coordination Committee, which coordinates the internal control system.

1.6.1.2 Supervisory body and effective managers

The internal control system is placed under the supervision of SFIL's Board of Directors.

The Board of Directors directly exercises key responsibilities in terms of internal control:

- firstly, it ensures that an adequate and effective framework with a clear organizational structure and independent and effective risk management, compliance and audit functions exists;
- it determines, on the proposal of the effective managers, the strategy and guidelines of the internal control activity and oversees their implementation;
- it reviews the activity and results of internal control at least twice a year;
- it regularly examines, assesses and controls the effectiveness of the governance system, including in particular the clear definition of the responsibilities and internal control, including the procedures for declaring risks, and takes the appropriate measures to remedy any shortcomings that it observes;
- it validates the Risk Appetite Statement, approves and regularly reviews the strategies and policies governing the taking, management, monitoring and control of risks and approves their overall limits.

To fulfill its responsibilities, the Board of Directors relies on the Risks and Internal Control Committee, from which it emanates and which 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 bank's strategy and objectives;
- conducting a regular review of (i) the strategies, policies, procedures, systems, tools and limits used to detect, measure, manage and monitor liquidity risk as well as (ii) the underlying assumptions. It communicates its findings to the Board of Directors;
- examining different scenarios, including stress scenarios, to assess how the bank's risk profile would react to external and internal events;
- assessing 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 proposing, as necessary, additional actions in this respect;
- carrying out the monitoring of SFIL's permanent control, compliance and periodic control system; to this end, it analyzes the reports on internal control and the measurement and monitoring of risks, the activity reports of the Internal Audit division, and any significant correspondence with supervisors and reports thereon to the Board of Directors;
- giving an opinion on the compensation policy and practices, notably whether they are compatible with the situation of the Company with regard to the risks to which it is exposed, its capital, its liquidity as well as the probability and staggering of expected benefits over time.

The heads of the internal control functions provide the Board of Directors and effective managers with a reasoned opinion on the level of control of actual or potential risks, particularly with regard to the Risk Appetite Statement defined and propose any improvement actions they deem necessary. The reports of the internal control functions are presented and discussed within the Risks and Internal Control Committee. The heads of Internal Audit, the Risks division and the Compliance division may be heard by the Board of Directors or one of its specialized committees, possibly without the presence of the effective managers.

The effective managers, namely the Chief Executive Officer and Deputy Chief Executive Officer, are responsible for the overall internal control system. As such and without prejudice to the prerogatives of the Board of Directors, they:

- determine the essential policies and procedures governing this system;
- directly supervise the functions exercising independent control and provide them with the means enabling them to carry out their responsibilities effectively;
- set the Group's risk-taking policies, validate the most important decisions in this area and, if necessary, make the final decisions as part of the escalation process;

- periodically assess and monitor the effectiveness of internal control policies, systems and procedures and take appropriate measures to remedy any shortcomings;
- are sent the internal control reports prepared by the three control functions;
- report to the Board of Directors or its relevant committee on the operation of this 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. The internal control system is in fact the responsibility of each employee, whatever their hierarchical level and their responsibilities. To this end, they rely on the policies, limits and indicators with a clear separation between the launch of operations and their validation, control or settlement. These policies, limits and indicators are defined by several internal committees. They are composed of operating, support, and control staff, and chaired by a member of the Executive Committee of SFIL.

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 carried out by the Compliance division are described in section 1.6.1.5.

1.6.1.4.1 Objective

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

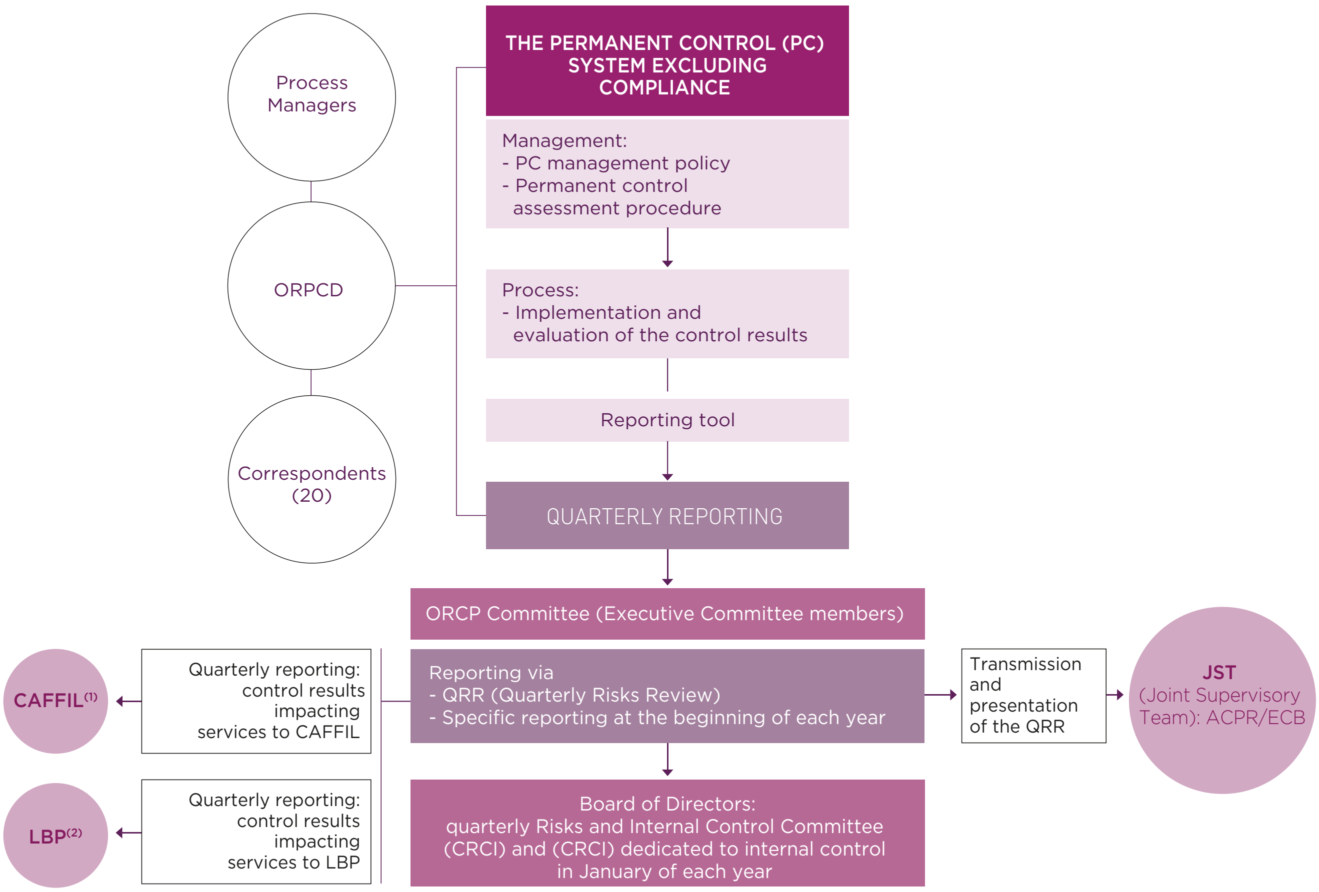
- effectiveness and solidity of the risk control system (excluding non-compliance risk);
- effectiveness of the operational control system and internal procedures;
- quality of the accounting and financial information and quality of the information systems.

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 relies on:

- through a network of correspondents located in the operating divisions, who are responsible for carrying out and monitoring certain controls;
- process managers who are responsible for permanently verifying the solidity and effectiveness of the internal control system for their perimeter;
- the Operational Risks and Permanent Control division, which manages the system and carries out second-level controls on operational risks.



(1) *Within the framework of the SFIL/CAFFIL agreement.*
(2) *Within the framework of the SFIL/LBP agreement.*

1.6.1.4.3 Permanent control system excluding compliance

Permanent control excluding compliance is based on a control plan covering the various divisions, activities and processes of SFIL and CAFFIL. These controls are defined in conjunction with the operating divisions and adjusted 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 raised;
- the results of the operational risk mapping by process;
- the recommendations of the Internal Audit division, the external auditors and the regulator;
- new activities and new processes at SFIL.

In addition, a project to overhaul the permanent control plan was initiated at the end of 2021 to systematically review each control and check that it is appropriate to the corresponding risk and to replace them with other, more relevant controls if necessary.

Missions	2021 activities and results
Performance and assessment of permanent controls	Permanent control plan consisting of 134 controls
Monitoring key operational risk indicators	62 key operational risk indicators monitored and analyzed
Monitoring recurrent action plans	13 action plans open as of 12/31/2021. Over the period, 7 action plans were implemented
Internal and external reporting	4 Operational Risks and Permanent Control Committee meetings Contribution to 4 Quarterly Risk Reviews (QRR) for the Risks and Internal Control Committee transmitted to the ECB Holding of 1 Risks and Internal Control Committee meeting per year dedicated specifically to internal control
Initiation of the overhaul of the permanent control plan	Overhaul of the permanent controls of 2 test processes (accounting and management control)

1.6.1.5 The second level of control: compliance control

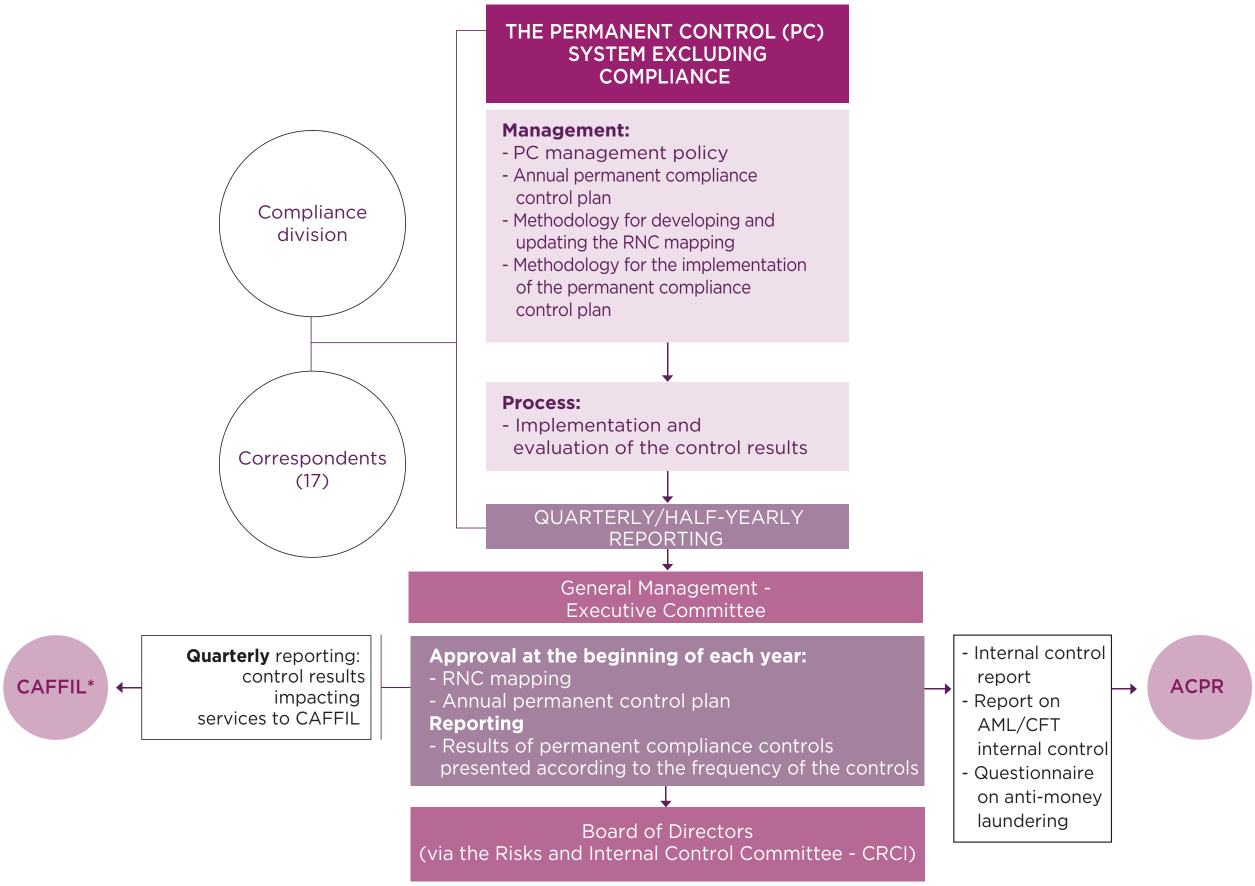
1.6.1.5.1 Objective

The permanent compliance control system aims to ensure compliance with laws, regulations, rules of ethics and internal rules, the protection of the SFIL Group's reputation, ethics in business practices, the prevention of conflicts of interest, the protection of the interests of its investors and clients and market integrity, the fight against money laundering, corruption and the financing of terrorism as well as compliance with financial sanctions/embargoes.

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.). Moreover, the Compliance division control 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 security, etc.), which other divisions are responsible for monitoring.

It applies to all SFIL Group divisions, activities and processes.

1.6.1.5.2 Organization and governance of the periodic control system



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

Permanent compliance control is the responsibility of SFIL's Compliance division, which is independent of the operating teams. More precisely, the permanent compliance control system is segregated within a "permanent control" unit from the Compliance division (for a more detailed description of the organization and governance of the compliance control system, see section 1.7.2.6 of the management report – Non-compliance risks). The system also covers 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.

The Compliance division also relies on internal systems for reporting breaches, infringements and malfunctions, namely:

i) a network of 17 "risk" correspondents; and

ii) a professional or ethics whistleblowing procedure. No alert was issued in 2021 to the General Secretary, Director of Compliance, on risks relating to the compliance system.

To ensure the effectiveness of the non-compliance risk management system, the Compliance division defines an annual control plan based on the identification and assessment of non-compliance risks. This mapping is reviewed at least once a year in order in particular to take into account changes in SFIL's activities, the results of compliance checks carried out in N-1, compliance incidents and regulatory developments. The risk assessment methodology is identical to that of the other two control functions.

The risk mapping and the control plan are presented for validation at the beginning of each year to the effective managers and then to the Risks and Internal Control Committee for approval during a meeting dedicated to hearing from the risk management, compliance and periodic control officers, not attended by General Management.

These action plans are monitored by compliance and reported to the SFIL and CAFFIL governance bodies.

SFIL's effective managers and the Board of Directors and the governance bodies of CAFFIL are regularly briefed on the compliance control system. Every three months or six months, the General Secretary, Chief Compliance Officer, presents the results of permanent compliance controls to the Executive Committee, on which SFIL's effective managers sit, to CAFFIL's Executive Board and to the Risks and Internal Control Committee according to their frequency of completion. These bodies examine the results of the controls and the progress made with the action plans. They assess the relevance of the controls, decide on any improvements to be made, and, more generally, rule on the key challenges connected with the compliance measures.

1.6.1.5.3 Permanent control activities of the Compliance division

During the 2021 financial year, the Compliance division carried out the following work in the context of its missions in relation to permanent compliance controls:

Missions	2021 Performance
Identifying and assessing non-compliance risk	Presentation of the updated non-compliance risk map and including the first corruption risk map to the Risks and Internal Control Committee on January 28, 2021. A total of 61 non-compliance risks were mapped compared to 60 in 2020.
Controlling the risks of non-compliance	• The 2021 control plan was presented to the Risks and Internal Control Committee on January 28, 2021. The plan included 26 thematic controls to be carried out on a half-yearly or annual basis with no change compared to 2020. • In the course of the 2021 financial year and following the integration of SFIL into the CDC group, the control plan was revised in order to be consistent with the CDC internal control structure. All the changes made were presented to the governance bodies for approval. • 100% of the controls were implemented in accordance with the amended 2021 plan.
Defining and monitoring action plans	Anomalies or non-compliances identified as part of the compliance controls were the subject of specific action plans proposed to the relevant divisions in charge of their implementation. These compliance action plans were continuously monitored by the Compliance division during 2021. 62 new action plans were launched during the period. As of December 31, 2021, 19 action plans remained open, compared with 22 as of December 31, 2020, reflecting an overall improvement in the SFIL Group's non-compliance risk profile.
Inform General Management and the governance bodies	The results of the permanent compliance controls at December 31, 2020 and for the first three quarters of 2021 as well as the monitoring of the action plans were presented to: • effective managers at the Executive Committees of March 16, May 26, September 7 and December 21, 2021; • Risks and Internal Control Committee of March 17, May 28, September 8 and December 8, 2021; highlighting the main risk points identified, the actions completed and those still to be addressed.
Reporting to the banking supervisor	Contribution to the 2020 report on internal control which is steered by Internal Audit. Preparation of the report on AML/CFT internal control and submission to the ACPR for SFIL and CAFFIL, after being approved by SFIL's Board of Directors on March 19, 2021 and CAFFIL's Supervisory Board of March 18, 2021. Questionnaire on anti-money laundering (sent on February 17, 2021 for SFIL and CAFFIL). Questionnaire on customer protection and commercial practices submitted to the ACPR in a simplified version, SFIL and CAFFIL being exempt in view of their activities.

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.

In addition to the direct reporting of the General Auditor to SFIL's Chief Executive Officer, independence and efficiency of the Internal Audit and Inspection division is assured by:

- the absence of involvement in the operating management of SFIL's activities;
- unconditional and immediate access to all information, documents, premises, systems or persons its activities require;
- the resources supplied by the General Management to carry out these missions;
- the respect of the principles of integrity, objectivity, confidentiality and competence (in particular through a permanent training plan on audit techniques and regulatory developments) on the part of the staff of the Internal Audit division.

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, 2022, the Internal Audit and Inspection division had nine staff (plus two alternates), including six auditors and audit managers. The General Auditor supervises all the division's audit activities and reports. She is assisted by a supervisor, who shares responsibility for the team of auditors, and oversees the audit assignments that they carry out under the auspices of the audit managers. In addition, the auditors and audit managers are each responsible for a particular field, through the update of permanent documentation, the participation as observers in some SFIL Group Governance Committees, the monitoring of risks, and the follow-up of 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[1] Professional Practices Framework for Internal Auditing, and are mapped in a dedicated process for the management of major risks.

Missions	2021 Performance
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 risks identified remains stable and the overall level of criticality is down compared to the 2020 assessment.
The preparation and structure of the multi-yearly audit plan	
The multi-yearly plan is prepared from the results of the annual risks assessment and the coverage objective of all the SFIL's group activities over a three-year cycle. The annual audit plan is divided into audit missions which run from February 1 of the reference year to January 31 of the following year.	The annual audit plan for 2022 was validated in January 2022 by the Risks and Internal Control Committee, which includes 24 audit missions, three of which will be carried out by the CDC Internal Audit department. Under the 2021 audit plan validated in January 2021, 13 audits had been carried out at the end of January 2022, *i.e.* a completion rate of 76%, given that one audit mission not completed at the end of January 2022 has since been carried out. In addition, 3 missions out of the 17 initially planned for 2021 were postponed to 2022 for strategic reasons. The missions carried out in 2021 focused on: • the SFIL Group's core business (refinancing of export credits, financing of public sector investments, financing of the SFIL Group); • key operational processes (cash management, CSR framework); • support processes (management of local public sector operations including "green" loans, management of international outstanding, IT assets management); • risk monitoring (internal credit models, market models, outsourcing system, SWIFT information system security).
The preparation and structure of the inspection plan	
The purpose of this function is to play a role in the prevention, detection and investigation of fraud in accordance with the inspection plan or on the request of the General Secretary or General Management.	The 2022 inspection plan was defined during the fourth quarter, and foresees the implementation of three inspections. Under the 2021 inspection plan, all planned controls have been completed

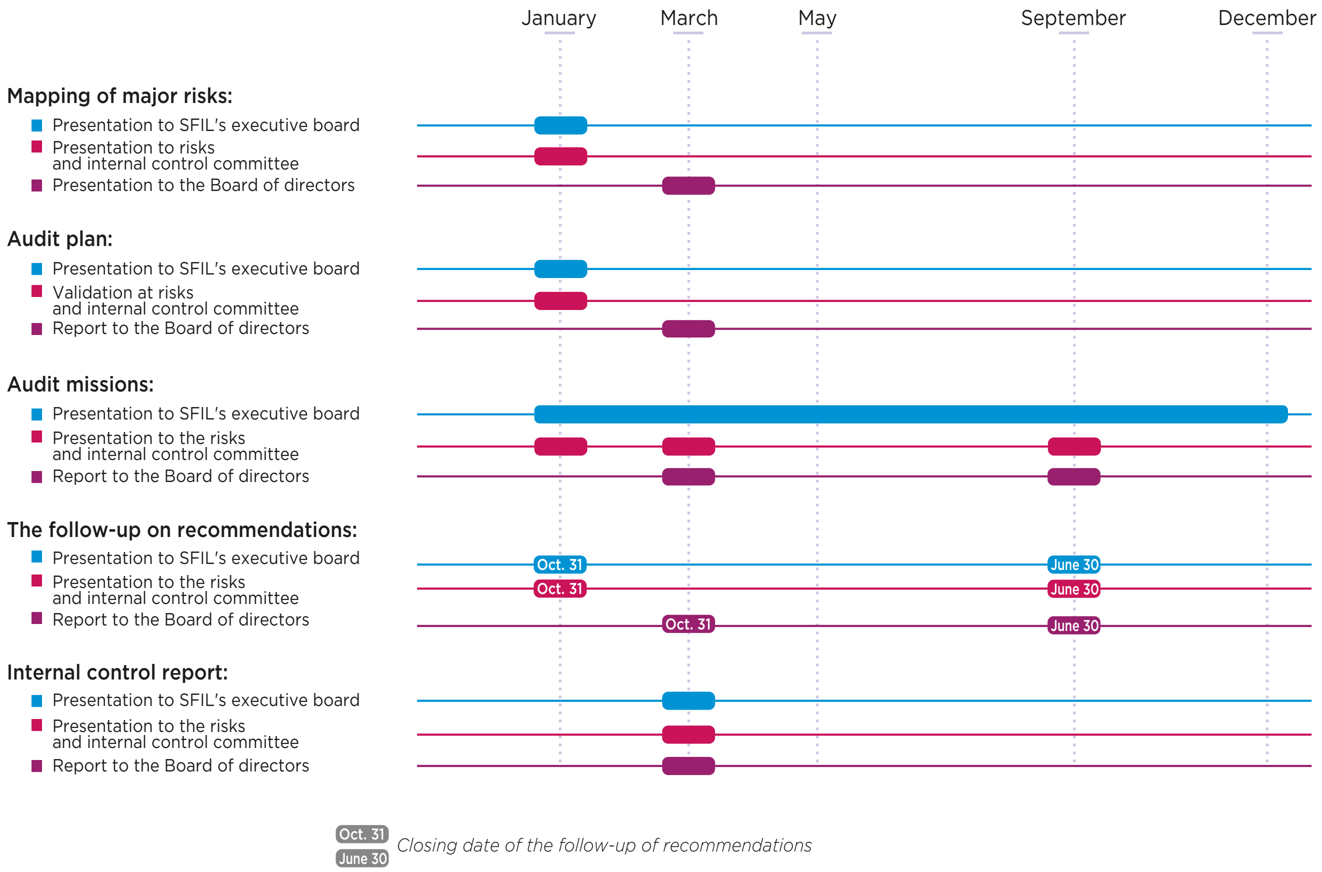
(1) *Institut Français de l'Audit et du Contrôle Interne (IFACI).*

Missions	2021 Performance
Monitoring of the recommendations issued following the missions carried out by the Internal Audit and Inspection division	
This monitoring is performed *via* an automated monitoring process to implement the action plans resulting from these recommendations. Responsibility for the appropriate implementation of the recommendations is incumbent on identified managers. The follow-up of this implementation is under the responsibility of the auditors and audit managers according to their field of competence. The validation of the stage of progress or accomplishment of these action plans is the responsibility of the Supervisor and the General Auditor.	All these recommendations prompted continuous monitoring in 2021 and the production of quarterly statements highlighting the main risk points remaining to be covered or those closed during the review period. .
The Secretariat to the Financial Statements Committee and the Risks and Internal Control Committee	
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 accounts committees were organized.

Indicators dedicated to monitoring the effectiveness and performance of the internal audit department's activities are monitored on a quarterly basis.

1.6.1.6.3 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.



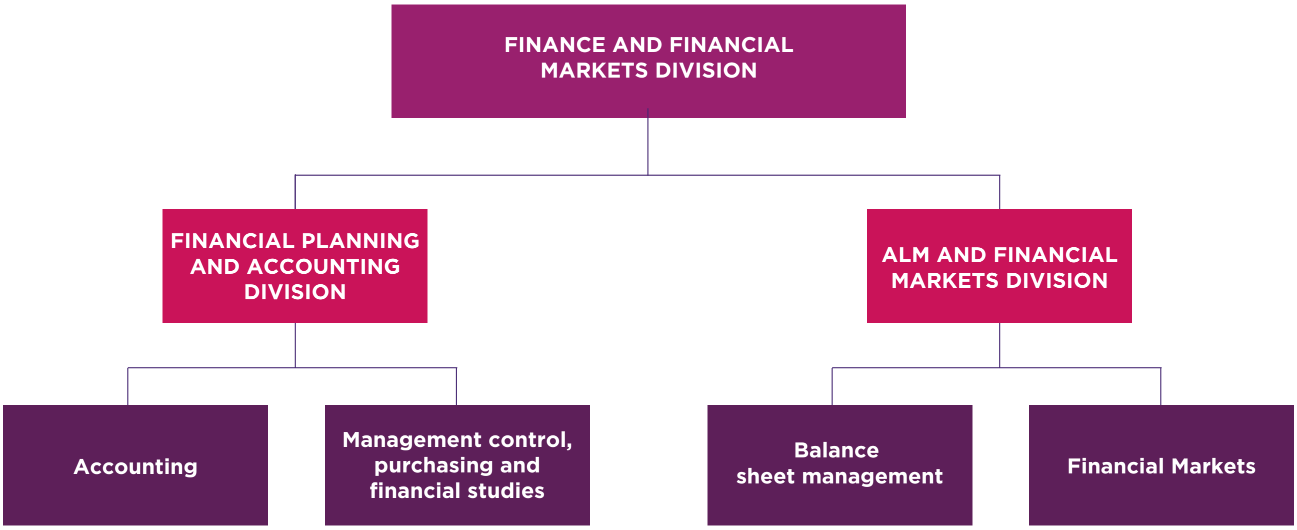
1.6.2 Preparation and processing of accounting and financial information

1.6.2.1 Financial statements

The main aim of the Company's annual financial statements, as well as all the financial data produced by the Accounting department is to give a true and fair view of its assets, financial position and results. The *arrêté* of November 3, 2014, on internal control highlights in its accounting chapter that the organization adopted should guarantee the existence of procedures called audit tracks. They make it possible to establish a link between accounting data and the original supporting document, 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 grounds the organization of accounting practices in the SFIL Group and also applies to both SFIL and Caisse Française de Financement Local.

1.6.2.1.1 Role and organization of accounting

SFIL's Accounting division reports to the Financial Planning and Accounting division, which itself reports to SFIL's finance and financial markets division. It interacts with numerous divisions within SFIL, providing it with a cross-sectional overview of the current business activities.



The Accounting division revolves around four teams:

- the business line accounting team, which provides first-level control over transactions relating to customers and market instruments;
- the overheads and payroll accounting team, which is responsible for paying supplier invoices. This team also provides first-level control over the 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. Lastly, this team performs 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 division, 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 mission, 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 managing 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 organization makes it possible to ensure continuous improvement in terms of process quality and efficiency and 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 a transaction is entered in one of the systems, one or more accounting entries are directly generated through automated accounting plans. These automatic functions are supplemented by manual entries for certain types of specific transactions. SFIL's accounting system can handle dual accounting for compliance with French GAAP and IFRS-EU standards. The synthesis of this data is thus obtained automatically using parameterized publication tools.

The internal control system in the operating divisions guarantees the completeness and accuracy of accounting entries. The team in charge of accounting standards ensures compliance with standards, validates automated accounting procedures and examines new, complex or unusual operations. When certain operations cannot be completely incorporated into the management tools available, the controls implemented within the accounting teams aim to translate the specific effects related to these specific transactions and correct their translation if required.

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 accounting data from net banking income with 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 explained. Finally, these teams also prepare a synthetic memorandum on the work done, which points out areas that need attention and improvement for the processes to be used in future financial statements. Finally, the management control team, in order to check the consistency of interest income and expenses from one period to another, compares these data to the average outstandings of operations in order to produce average rates that are more easily comparable from one period to the next. As such, significant changes from one period to another or not in line with budget forecasts of average profit margins are systematically analyzed by management control, which can, if necessary, target its analysis at the unit level of each operation.

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. Finally, this information and any comments made on discrepancies are subject to review by the Deputy Head of the Accounting division and the Head of Financial Planning and Accounting with the main heads of accounting teams.

The preparation of the financial statements is carried out by the aggregation of the accounts thus produced according to an automated and standardized process. This function requires a configuration administered by the standards and design team. Consolidation operations are included in a set of developments provided within the SFIL Group's accounting information system. Internal transactions reconciliations are facilitated by keeping the contributions of 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. Notes to the consolidated and financial statements are generally produced based on accounting data that may be enhanced by management information. 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-referenced controls are also conducted 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 annual financial statements are approved by the Board of Directors. The principal issues in the period's management report are also examined on this occasion. These annual and half-year financial statements are subject to an audit and a review (respectively) by the Statutory Auditors.

1.6.2.1.4 Publication of financial statements

This accounting and financial information is made 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 Caisse Française de Financement Local.

They are consulted throughout the process of preparation of the financial statements 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. They may make recommendations to the Company's management on internal control procedures and systems that could improve the quality or security of financial and accounting information produced. 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 the agreements that are regulated. They provide a full and complete account of their work in a specific report at the end of their statutory assignment. They employ due diligence to obtain reasonable assurance that the financial statements are free from 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, 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. The half-yearly financial reports also include risk assessments and projections. This information is supplied directly by the operating divisions or the Risks division. Their accuracy is therefore guaranteed 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 Department and the Financial Performance division on the basis of management data reconciled with the accounts.

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

SFIL Group's risk appetite is defined by SFIL's General Management and Risks Committee. It is approved by SFIL's Risks and Internal Control Committee and in fine by SFIL's Board of Directors and CAFFIL's Supervisory Board.

The risk appetite framework is formalized by indicators that are monitored quarterly by the Risks and Internal Control Committee, defined for each risk area. Most of these indicators are accompanied by levels to be monitored or respected (Early Warning RAF and RAF limit). In the event of non-compliance with the limits, a system for reporting and correcting information is provided.

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

The SFIL Group has set up a comprehensive risk management system:

- to identify, monitor, manage and measure risks using specific methodologies;
- to decide on limits to be implemented;
- to decide on delegations to assign to the front office teams;
- to decide on the amount of provisions required;
- to inform the competent committees about changes in these risks and proactively alerting them in the event a limit or alert threshold is potentially exceeded.

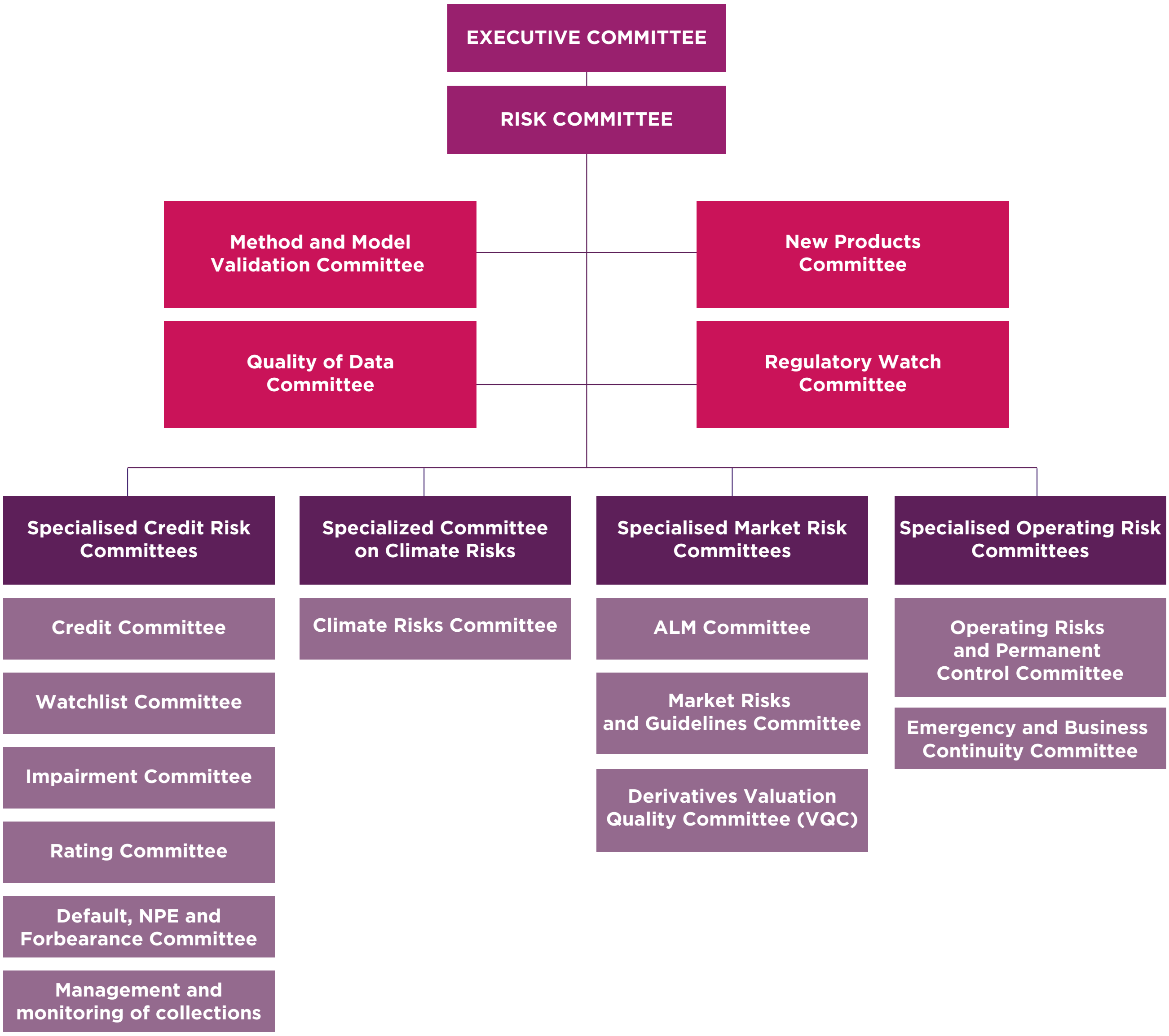
Risk review

The Chief Risk Officer presents a "Quarterly Risks Review" to the Risks and Internal Control Committee. This review provides a synthetic overview of the SFIL Group's main risks and the changes to them during the previous quarter (credit risks, market and balance sheet risks, operational risks, climate risks) as well as changes in regulations during the period.

Overall governance of risks

To respect the risk appetite, policies have been defined for the entire scope of the SFIL Group's activities 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.

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 - the Risk Committee, the Validation of Methods and Models Committee, and the New Products Committee - and committees specializing in credit risks, climate risks, market risks and operational risks:



The tasks of the main cross-divisional committees are described below; those of the main specialized committees are described in each section dedicated to the risk concerned.

Risks Committee

This committee is the umbrella committee of the Risks Committees and is chaired by the Chief Executive Officer or the Deputy Chief Executive Officer. It defines the SFIL Group's risk profile, validates the risk management systems and ensures their compliance. In particular, it is in charge of defining delegations in the granting of credit and approving the risk policies of SFIL concerning all types of risks and the limits proposed by the Risks division.

Validation of Methods and Models Committee

This committee is chaired by the Chief Risk Officer. The Market Validation Committee is responsible for validating and implementing market risk and derivatives valuation models. The Credit Validation and Quality Control Committees are responsible for validating the Internal rating systems used to calculate regulatory capital and the IFRS 9 impairment and 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 risks of non-compliance connected to the creation or significant modification of products or services on the basis of the compliance report which is submitted to it. The Chief Risk Officer informs the Executive Committee of decisions taken by the CNP.

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 12/31/2021	34.6%, *i.e.* 4.5x higher than the minimum requirement	35.3%, *i.e.* 3.1x higher than the minimum requirement	9.0% (based on the methodological principles of the CRR II Regulation)

SREP

After adapting its SREP (Supervisory Review and Evaluation Process) review and assessment exercise in 2020 in the context of the health crisis, the European Central Bank resumed the "traditional" SREP exercise in 2021, to define the capital requirements and Common Equity Tier 1 (CET1).

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 entities;
- 0.75% in respect of the Pillar 2 (P2R) Requirement, unchanged since 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, 2021, SFIL's consolidated CET1 and Total capital ratios stand at 34.6% and 35.3%, respectively, a level representing more than three times the minimum requirements set by the European supervisor.

Leverage ratio

Regulation (EU) 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.

As a reminder, this regulation has, however, been amended (Regulation (EU) 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. Thus, the SFIL Group benefits from specific and appropriate calculation rules for establishing its leverage ratio.

Calculated using the methodological principles of the amended regulations, the SFIL Group's leverage ratio is 9.0% at December 31, 2021 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's September 23, 2020 decision setting the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for SFIL.

As the Ordinary Insolvency Processing is now SFIL's preferred resolution strategy, the MREL requirement will consequently be limited to only SFIL's Loss Absorption Amount (LAA). This MREL requirement also applies solely to SFIL's social scope.

Risk profile

The SFIL Group's risk profile is low as indicated in the analysis below[(1)].

Credit risk

Exposures to credit risk, measured using the EAD (Exposure At Default) metric, amounted to EUR 74.6 billion at December 31, 2021 and mainly concerned public sector and sovereign counterparties.

The majority of the portfolio consists of exposures to French local public administrations (regions, departments, municipalities, groups of municipalities, etc.) and public health institutions, with EUR 51 billion in EAD as of December 31, 2021. This outstandings are diversified, both in terms of number of counterparties, distribution over the territory and types of customer.

It is a high-quality loan: the portion of the portfolio with a weighting of more than 20% is only 1.9% and the amount of doubtful and litigious loans according to French standards remains at a low level.

(1) For the potential impacts of regulatory changes to which the SFIL Group is subject, see Section 1.2.7 of this report.

In accordance with its strategy, SFIL's new production carried out as part of the partnership with LBP and debt restructuring operations are exclusively carried out with borrowers from the French local public sector (including public hospitals). The historical default rate of the French local public sector remains extremely low, with a loss rate of less than 1% for municipalities and groups of municipalities with their own taxation system.

The exposures of the Italian portfolio amounted to EUR 5.2 billion and included exposure to Italian local authorities (EUR 3.2 billion) and an exposure to the Italian sovereign (EUR 2 billion). These exposures are managed in run-off and do not include any borrowers in default. The remainder of the outstandings is mainly composed of exposures to bank counterparties (EUR 1.8 billion), in particular in respect of exposures to interest rate derivatives and investments of excess cash.

It should be noted that SFIL does not take any credit risk in respect of the new export credit activity since all export credit exposures benefit from a Bpifrance Assurance Export policy covering both political and commercial risk.

Climate risks

The risks associated with climate change, *i.e.* physical (extreme weather events, environmental degradation) and transition risks (transition to a low-carbon economic model) are gradually being integrated into SFIL's risk management system.

At this stage, work focused on the impact of climate risks on the credit risk of French local authorities. The impact of the transition risk on the credit risk of French local authorities seems low at this stage, as local authorities generally have the means to make the necessary investments without significantly deteriorating their financial position. The impact of acute physical risks is more material for overseas local authorities than for those located in mainland France.

Balance sheet risk

- 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 by canceling existing hedging instrument positions (interest rate derivatives). Lastly, the Group's business model, which is based on the financing of the local public sector and refinancing large export credits through the issuance of covered bonds, is relatively insensitive to the low interest rate environment. In particular, because the Group does not take sight deposits, it is not impacted by a reduction in the transformation margin in a low interest rate environment;
- liquidity risk is both strictly managed, using various internal liquidity stress tests, and limited, as the Group mainly finances itself over the long term using 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 would be unable to issue in the markets, its liquidity requirements could be met through the assignment of assets to the Banque de France, since the majority of the Group's assets are eligible for this type of refinancing transaction;
- foreign exchange risk is marginal, outstandings in foreign currencies being systematically hedged when taken onto the balance sheet and until their maturity.

Market risk

The Group has no trading portfolio. However, certain positions or activities of the banking book, although not representing a market risk in the regulatory sense of the term, are nevertheless sensitive to the volatility of market parameters and pose a risk to SFIL's accounting result or equity. These are mainly risks arising from fluctuations in the valuation of financial assets recognized at fair value through profit or loss or equity and certain risks arising from the export credit activity and the associated hedging derivatives.

Operational risk

SFIL's activities in 2021 only generated two operational incidents with a cumulative financial impact of less than EUR 2.5 million, and five incidents that only generated losses in man-days.

The existing permanent control system enables the monitoring of the risk management system, the reliability of the information systems and the quality of the controls put in place across SFIL/CAFFIL's entire scope of activities, and, therefore, mitigate major risks, whatever their nature.

Non-compliance risk

The SFIL Group has no appetite for banking and financial non-compliance risk. To this end, it has set up a compliance system based on a risk-based approach, reasonably designed to ensure compliance with laws and regulations, particularly with regard to AML-CFT and applicable sanctions. The system is based on the identification of potential risks, strategies to mitigate them, programs dedicated to regulations that are particularly structuring for its activities, awareness-raising/training actions on these risks and a body of rules and procedures. The SFIL Group also adopts a policy of zero tolerance for corruption, influence peddling and all breaches of probity. The adequacy and effectiveness of the systems are checked by means of permanent and periodic controls.

Legal risk

Concerning judicial developments on structured loans, as of December 31, 2021, the number of borrowers who had brought suit was only three compared to ten at the end of 2020.

Since SFIL's creation, 220 borrowers have ended lawsuits they had brought.

As of December 31, 2021, to the best of the Bank's knowledge, there were no other governmental, legal or arbitration proceedings that could have, or have had over the last twelve months, a material impact on the Company or Group's financial position or profitability.

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.

The Credit Risks division is tasked with the following missions within the scope of its function to monitor credit risks:

Definition	In line with SFIL's and CAFFIL's Risk Appetite: • 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.

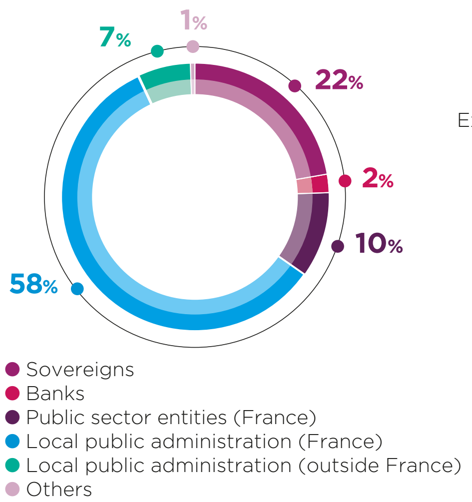
1.7.2.1.2 Governance

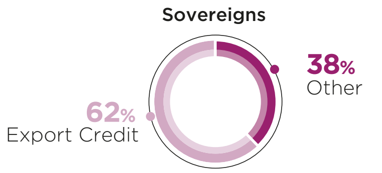
Credit risk governance relies on specialized committees meeting quarterly, except for the Credit Committee which meets weekly:

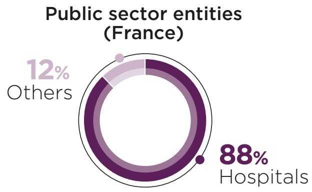
- the Credit Committee:
  - approves new commitments[1] undertaken by CAFFIL or SFIL (loans and market transactions) and restructured loans based on an independent analysis completed by the Risks division,
  - monitors concentration limits and sets credit limits when certain predefined thresholds are exceeded,
  - reviews the commitments made within the framework of delegations granted (to the Risks division, the Local public sector and operations division, the ALM and financial markets division);
- the Watchlist Committee is responsible for monitoring assets subject to special attention given the deterioration of their risk;
- the Default, Non-Performing Exposures & Forbearance Committee:
  - categorizes arrears as either real default or technical arrears and decides to add or withdraw borrowers in the default category,
  - validates the list of counterparties with non-performing exposure,
  - validates the Forbearance exposure list;
- 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 (organized by the "Credit Validation and Quality Control" team to guarantee the independence of the control process) ensures that the Internal rating systems and processes are correctly and appropriately applied.

(1) Not delegated to the Risks division, the Local Public Sector and Operations division and the ALM and Financial Markets division.

1.7.2.1.3 Credit risk exposures







Exposures to credit risk, which is measured using the EAD (Exposure At Default) metric, amounted to EUR 74.6 billion as at December 31, 2021:

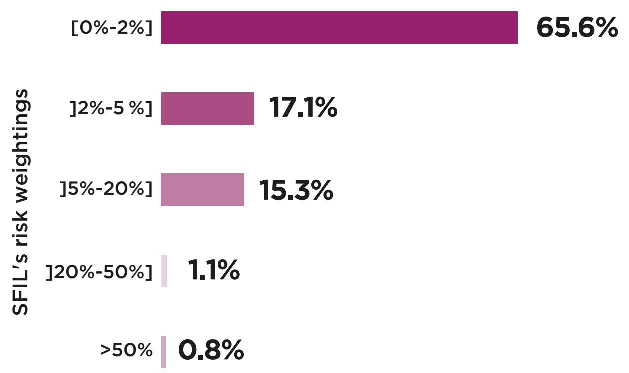
- nearly 60% of this exposure is concentrated in French local public authorities (regions, departments and communities and groups of communities, etc.);
- 22% of this exposure is included in "Sovereign" items including 62% as a result of the export credit activity;
- 10% of this exposure comes from public sector entities, including 88% from public stakeholders in the hospital 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, 2021, 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 WEIGHTINGS (BASEL III) OF THE SFIL GROUP'S PORTFOLIO AT DECEMBER 31, 2021 (CONSOLIDATED BASIS)



This analysis confirms the excellent quality of the assets. As than 83% of the portfolio has a weighting of less than 5% and 98% of the portfolio has a weighting that is less than or equal to 20%.

The amount of risk-weighted exposures (RWA) stands at EUR 3.7 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 in 2020 as part of the national effort 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 table below shows the breakdown by residual maturity of the payment extensions granted to these entities since the start of the pandemic and which constituted a Forbearance (in 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 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
Loans subjects to payment delay outstanding as of 12/31/2021	-	-	-	-	-	-	-

	Cumulative impairment, cumulative negative changes in fair value for 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 subjects to payment delay outstanding as of 12/31/2021		-	-	-	-	-	-	-

	Number of obligors	Gross carrying amount							
			Of which legislative moratoria	Of which expired	Residual maturity of payment delays				
					≤ 3 months	> 3 months ≤ 6 months	> 6 months ≤ 9 months	> 9 months ≤ 12 months	> 1 year
Loans for which payment delays have been offered	35	87,086,568.93							
Loans for which payment delays have been granted	34	86,191,463.35	-	86,191,463.35	-	-	-	-	-

Requests for payment delays, limited in number and amount, 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 has been placed on the watchlist since 2020. The whole export credit portfolio is 100% guaranteed by the French Republic *via* BPI AE credit insurance policies.

1.7.2.1.5 Arrears, doubtful loans and provisions

Arrears as of 12/31/2021	Doubtful loans and litigious loans (French accounting standards) at the level of CAFFIL	Carrying amount before impairment of financial assets and financing commitments classified as Stage 3	Non-Performing Exposures
EUR 13 million	**EUR 155 million**	**EUR 377 million**	**EUR 442 million**
(0.02% of CAFFIL's cover pool)	(of which loans with no arrear amounts of EUR 129 million)	(of which loans with no arrear amounts of EUR 364 million)	(of which loans with no arrear amounts of EUR 416 million)

Total arrears amounted to EUR 13 million as of December 31, 2021. They are down sharply compared to December 31, 2020 (EUR 37 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, French counterparties.

No arrear amounts related to the Covid-19 epidemic have been recognized in the export credit and international local authorities' portfolios. SFIL has granted payment extensions to French public hospitals and local authorities. At the end of June 2020, these payment extensions represented EUR 17 million. As of December 31, 2021, residual arrears of EUR 0.2 million concerns only local authorities, as the hospitals have all repaid within their payment extensions.

As of December 31, 2021, at the level of CAFFIL and in application of French accounting standards, doubtful and litigious loans amounted to EUR 155 million, *i.e.* 0.25% of CAFFIL's cover pool, reflecting the portfolio's excellent quality. They were down significantly by EUR 57 million, or 27%, compared to December 31, 2020 (EUR 212 million). This change is mainly due to the declassification from this category of counterparties whose significant outstanding loan outstandings had been downgraded due to a spillover effect[(1)]. Outstandings downgraded by contagion represent EUR 129 million as of December 31, 2021.

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 situation 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".

Thus, the definition of default (Stage 3) under IFRS accounting standards covers a larger perimeter than the notion of doubtful and litigious loans under French GAAP and is very close to the regulatory definition 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 (Non Solely Payment of Principal and Interest)).

Provisions for expected credit losses are set aside for all of these outstandings, including Stage 1 and Stage 2 outstandings. 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 his loans is classified as doubtful loans, by contagion, in addition unpaid installments.*

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.

	IFRS net carrying amount (before impairment)		Impairment	
(in EUR millions)	12/31/2020	12/31/2021	12/31/2020	12/31/2021
Stage 1	54,586	55,438	(9)	(10)
Stage 2	9,590	8,801	(46)	(43)
Stage 3	584	377	(7)	(5)
TOTAL	**64,760**	**64,616**	**(62)**	**(59)**
Non-Performing Exposures	721	442		

Outstandings classified as Non-Performing Exposures as well as Stage 3 fell between December 31, 2021 and December 31, 2020 despite the ongoing Covid-19 health crisis. This improvement is linked in particular to the termination of the probationary period of several customers in accordance with the Company's default policy.

In the context of the ongoing health crisis, the cruise sector - export credit portfolio was maintained in Stage 2. This portfolio had been downgraded from Stage 1 to Stage 2 during 2020. It should be noted that this portfolio benefits from the 100% loan insurance granted by the French Republic. As of December 31, 2021, a significant portion of these loans had not yet been drawn down.

Impairments fell from EUR 62 million to EUR 59 million between December 31, 2020 and December 31, 2021. This improvement is mainly due to the transfer of certain financial assets from Stages 3 and 2 towards Stage 1.

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. Arrears have even reached their best level since the creation of SFIL in 2013, and since 2018, date of entry into force of IFRS 9, for Stage 3 financial assets. This demonstrates the Group's great resilience in the face of an unprecedented health crisis.

1.7.2.2 Climate risks

1.7.2.2.1 Definition and management of climate risk

Acute physical risks represent the risk of loss resulting from extreme weather events, the resulting damage of which may lead to the destruction of the physical assets of local authorities or corporates.

Chronic physical risks represent the risk of loss resulting from longer-term changes in climate models (e.g. sea level rise).

Transition risks refer to the financial loss resulting from the transition process towards a low-carbon and environmentally sustainable economy.

SFIL wishes to integrate climate risks into all its risk management processes. In 2021, the Risks division assessed the impact on credit risk of transition risks and acute physical risks on the portfolio of French local authorities. Work will continue in 2022 by studying the impacts on other risk categories (in particular on liquidity risk, market risk and operational risk).

1.7.2.2.2 Governance

A Climate Risk Committee has been set up. It is chaired by the Chief Risk Officer and is composed of representatives of the various divisions concerned. The work examined by the Climate Risks Committee is then presented in summary form to the bank's CSR Committee.

A report on climate risks is presented each quarter to the Risks and Internal Control Committee as part of the Quarterly Risks Review.

1.7.2.2.3 Climate risk exposures

In 2021, SFIL implemented the following actions:

- Transition risks

  In 2021, SFIL finalized a study on the transition risk for French local authorities. The analysis is based on three scenarios[(1)] or transition trajectories (orderly, accelerated and delayed) and allowed to quantify the investment needs of local authorities as part of the transition to a low-carbon economy.

  The scenarios used are based on the National Low Carbon Strategy (SNBC) defined by France to implement its commitment to reduce its greenhouse gas emissions by 40% by 2030 compared to 1990 and to achieve carbon neutrality in 2050. The SNBC is broken down by sector, with certain sectors falling within the remit of local authorities, which will have to make significant investments to achieve carbon neutrality.

  In the absence of an estimate of the cost of implementing the SNBC for local authorities, the Risks division carried out its own analysis based on the various publications available. The level of additional investments to be made by local authorities has, therefore, been estimated for each of the following sectors: transport, energy renovation of buildings, energy production, waste management, adaptation of water networks.

  These additional investment estimates were then integrated into a simplified model for the long-term projections of local authority accounts, based on the macroeconomic assumptions provided by the ACPR for the climate stress test scenarios and taking into account local authorities' capacity to adjust the tax burden and spending.

  This made it possible to assess the impact of these investments on the operating sections and the indebtedness of local authorities.

(1) The orderly transition scenario is the baseline scenario: in this scenario, the transition begins in 2020 with the introduction of proactive measures and a significant increase in the carbon price. Compliance with climate commitments also limits physical risks. The accelerated transition scenario corresponds to a business-as-usual scenario until 2025: governments do not introduce transition measures, the increase in carbon prices is moderate, there are no major technological advances and the economic players do not change their behavior. In 2025, proactive government measures are pushing for an urgent low-carbon transformation to meet the interim objective of 2030 and carbon neutrality by 2050. The delayed transition scenario is one in which the implementation of measures to combat global warming is delayed, in particular due to underdeveloped carbon removal technologies. Efforts follow the current trend until 2030, when binding measures are put in place to meet climate commitments. Consumption patterns changed from 2030.

This model has made it possible to show that the implementation of the National Low Carbon Strategy would require a significant investment effort and financing needs, but which are achievable for French local authorities and generally not likely to significantly weaken their solid financial position.

- Physical risks

  In 2021, SFIL's Risks division completed a study to quantify the impact of acute physical risks on the main financial ratios of French local authorities. Five major sets of natural disasters were simulated at departmental level, namely tropical cyclones, tropical cyclones with rising sea levels, tropical cyclones with torrential rains, European winter storms and seismic/volcanic events.

  This study made it possible to quantify for each local authority the impact on gross savings of the occurrence of certain acute physical risks and then to define a scale of five categories (critical, high, moderate, low, very low) to quantify the intensity of the acute physical risk of each local authority.

  A mapping of exposures was carried out by linking the local authorities in the portfolio to their department. No department falls into the "critical" risk category, and only the overseas departments, with the exception of French Guiana, are considered to be at high or moderate risk. This work will continue in 2022 to integrate chronic risk factors related to environmental degradation.

  In addition, climate risks have been included in the bank's risk appetite and indicators with thresholds to be monitored every quarter have been put in place. A mapping of climate risks by risk category was also carried out.

1.7.2.3 Market risk

1.7.2.3.1 Definition and scope of market risk

Market risk is defined as the potential risk of loss (through the income statement or directly through other comprehensive income) resulting from fluctuations in the prices of financial instruments that make up a particular 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. It concerns 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.

Despite the persistence of the health crisis, the financial markets have shown great resilience, thanks in particular to the support provided by central banks and the public policies implemented to support economic activity. In this context, changes in spreads have remained modest and the market index used to measure the credit component of the portfolio of loans recognized at fair value through profit or loss is up by nine basis points over one year. Taking into account the amortization of the portfolio, the result of the revaluation is positive (EUR +55 million) over 2021. The sensitivity of the portfolio value to a one basis point change in credit spreads was EUR 2.1 million at December 31, 2021, down 19% year-on-year.

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).

Similarly, the credit spreads of securities in the portfolio of securities that may be held or sold, recognized at fair value through equity, remained broadly stable over the year; the change in the OCI reserve (down by EUR -0.5 million) is mainly due to the decrease in the sensitivity of the portfolio to a one basis point change in credit spreads (from EUR 0.1 million to EUR 0.05 million over one year).

1.7.2.3.2 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 Risks Committee.

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

Definition	In line with SFIL's and CAFFIL's Risk Appetite: • 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;
Daily control	• margin calls on derivatives (cash collateral) *via* the monitoring of market sensitivity. They correspond to a change in the fair value of the instruments for a standardized movement (or shock) of the market's parameters.
Calculation and control	• 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 residual risk of the securities portfolio is limited to credit spread risk: the Market and Balance Sheet Risks division then calculates the impact of changes in the issuers' credit spreads.

1.7.2.4 Balance sheet management risks

The continued health crisis in 2021 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. In terms of liquidity risk management, the year was marked by the implementation of a long-term issuance program that EUR 1 billion higher than that carried out in 2020, with cost and maturity conditions that improved compared to 2020.

1.7.2.4.1 Governance

Balance sheet risk management is structured 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 division 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 Risks division is in charge of defining the balance sheet risk management policy, calibrating and monitoring the limits on ALM indicators and performing second-level controls.

1.7.2.4.2 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 debt benefitting from the 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, 2021, the sources of financing used, other than the entity's equity, were as follows:

- debt benefitting from the 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 assigned through European Central Bank refinancing transactions through the Banque de France.

Available assets

(in EUR billions)	**12/31115**
Deposits in central bank	4.0
High-quality liquid assets (HQLA)[1]	4.1
Other eligible available securities in central bank[2]	1.0
Eligible private loans in central bank[3]	25.2
TOTAL LIQUIDITY RESERVES	**34.2**

(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.

The amount of reserves available and included in SFIL's regulatory liquidity ratio (LCR) at the consolidated level amounted to EUR 5.9 billion; the other assets are mainly CAFFIL assets capitalized at December 31, 2021, in order to comply with the level of overcollateralization required by the regulations. These may be mobilized to raise new financing, in particular from the Banque de France, in order to meet the maturities of obligations foncières issued by CAFFIL. Thanks to its status as a credit institution, CAFFIL has access to the refinancing operations offered to banks by the Banque de France within the framework of the Eurosystem. As part of the management of its cover pool and its overcollateralization or to meet a temporary liquidity requirement, CAFFIL can convert part of its assets into cash. The loans or securities assigned in guarantee with the central bank in order to obtain financing on the occasion of tenders organized by the Banque de France are then taken out of the cover pool and replaced by the cash thus obtained.

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.

Dynamic liquidity forecasts take into account business assumptions (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.

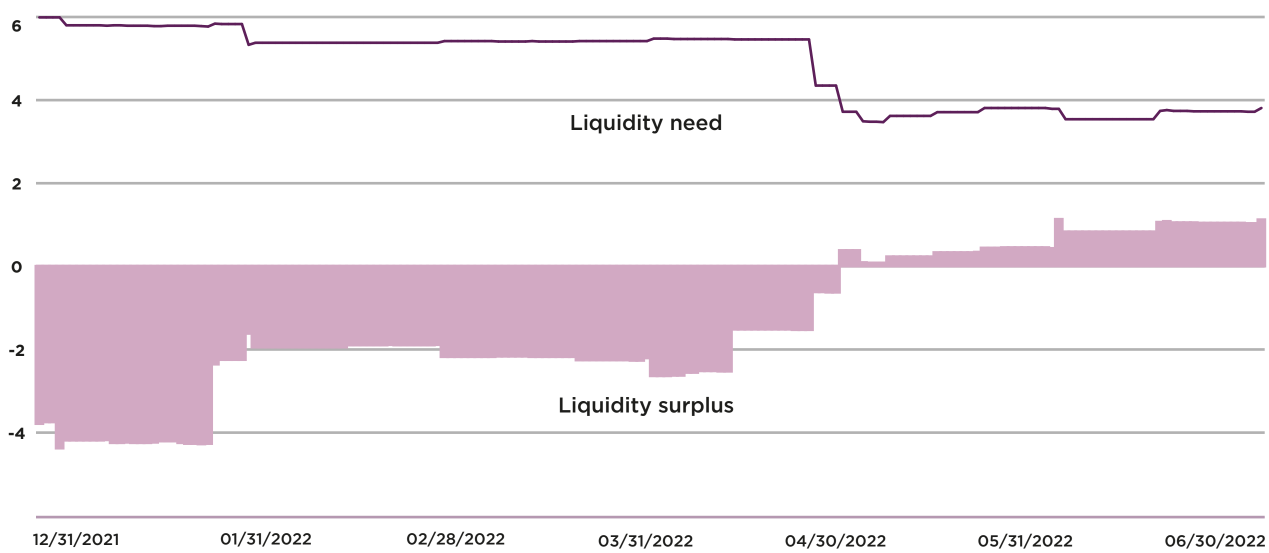
Regulatory liquidity indicators

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



Assets eligible for the Banque de France refinancing, after haircuts, in compliance with a 5% over-collateralization calculated on a regulatory basis, including liquidity surplus.

Cumulated need (+) or surplus (-)

- the maximum gap of 1.5 years 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 (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013, regarding:

- the LCR (Liquidity Coverage Ratio): as of December 31, 2021, the LCR stands at 702% for SFIL on a parent-company basis, and 949% 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, officially came into force in June 2021. As of December 31, 2021, the NSFR stood at 120% for SFIL on a consolidated basis;

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, 2021, it stood at -0.35 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).

1.7.2.4.3 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 four types of interest rate risks, which are generally hedged with derivatives:

Fixed interest rate risk	Results from the difference in volume and maturity between assets and liabilities with a fixed rate or an adjustable rate that has already been set. 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 triggering of implicit or explicit options due to a change in interest rates, or the possibility given to the institution or its customer to change the level and/or timing of cash flows of an operation.

The Group has defined a fixed-rate risk appetite for CAFFIL, which is reflected in a system of limits on directional and time bucket sensitivities of the Net Present Value. In order to manage this sensitivity within the limits set, the hedging strategy implemented is as follows:

- micro-hedging of interest rate risk on balance sheet items denominated in a currency other than the euro or indexed to a complex interest 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 of interest rate risk for 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 €str;
- this fixed-rate risk management is supplemented by monitoring of the fixings 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 €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. This process results in zero interest rate risk.

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

- the production of gaps (fixed rate, index and fixing):

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 run-off.
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 run-off.
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 predefined time buckets and supported by limits calibrated to restrict capital loss to EUR 80 million with a 99% quantile calculated based on ten-year historical data:

Translation of the rate 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 ST time bucket, EUR 10 million on the MT and LT and EUR 9 million on the TLT.
Sloping/rotation of the interest rate curve inside a time bucket	Limit of EUR 30 million on sensitivity by time bucket in absolute value.

The risk exposures measured by these various indicators at December 31, 2021 are as follows:

	Level at December 31, 2021 *(in EUR millions)*	Limit
Directional interest rate risk	(8.0)	< EUR 25 million
Steepening risk		
Sensitivity by time bucket		
• Short bucket	(6.0)	< EUR 15 million
• Medium bucket	(1.7)	< EUR 10 million
• Long bucket	(0.4)	< EUR 10 million
• Very long bucket	0.0	< EUR 9 million
Sensitivity by time bucket in absolute value		
• Short bucket	13.0	< EUR 30 million
• Medium bucket	12.0	< EUR 30 million
• Long bucket	18.0	< EUR 30 million
Very long bucket	13.0	< EUR 30 million

For SFIL as parent company, the limit is expressed on the fixed rate gap. It is zero given its perfect micro-hedging management strategy.

These indicators are calculated from a static viewpoint.

SFIL also measures the regulatory indicator of sensitivity of the economic value to a change in interest rates. At Group level, the standard regulatory stress scenarios defined by the EBAGL-2018-02 guidelines are applied since June 2019 in accordance with regulatory requirements.

The main assumptions used for this test are as follows:

- shocks applied taking into account the post-shock floor defined in paragraph 115 (k) of the EBA guidelines;
- exclusion of equity from liabilities;
- the treatment of trading margins and other margin components in interest payments must be consistent with the institution's management and measurement method for non-trading book interest rate risk: in the case of the SFIL Group, the measurement of shocks is based on interest rate flows excluding margin.

At 12/31/2021	Interest rate shock applied	Income statement *(in EUR millions)*
"Supervisory outlier test" according to the uniform shock +/-200 bps	+/-200 bps post-shock low starting with -100 bps	(197)/91
"Supervisory outlier test" according to the six differentiated shocks	+200 bps -200 bps Steepening Flattening ST increase ST decrease	(197) 91 (51) 15 (48) 39

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

- exposure to a rapid normalization of rates;
- growth in the volume of 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 refinancing large export credits through the issuance of covered bonds, is relatively insensitive to the low interest rate environment. In particular, because the Group does not take sight deposits, it is not impacted by a reduction in the transformation margin 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 - consolidated SFIL *(in EUR millions)*	**12/31/2021**
Parallel increase in rates of 200 bps	(9)
Parallel decrease in rates of 200 bps	7

1.7.2.4.4 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, GBP and CHF, 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 drawdown phase. This residual risk is controlled by a very low sensitivity limit to the euro/currency basis.

1.7.2.5 Operational risk

1.7.2.5.1 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 risks but excludes strategic risks.

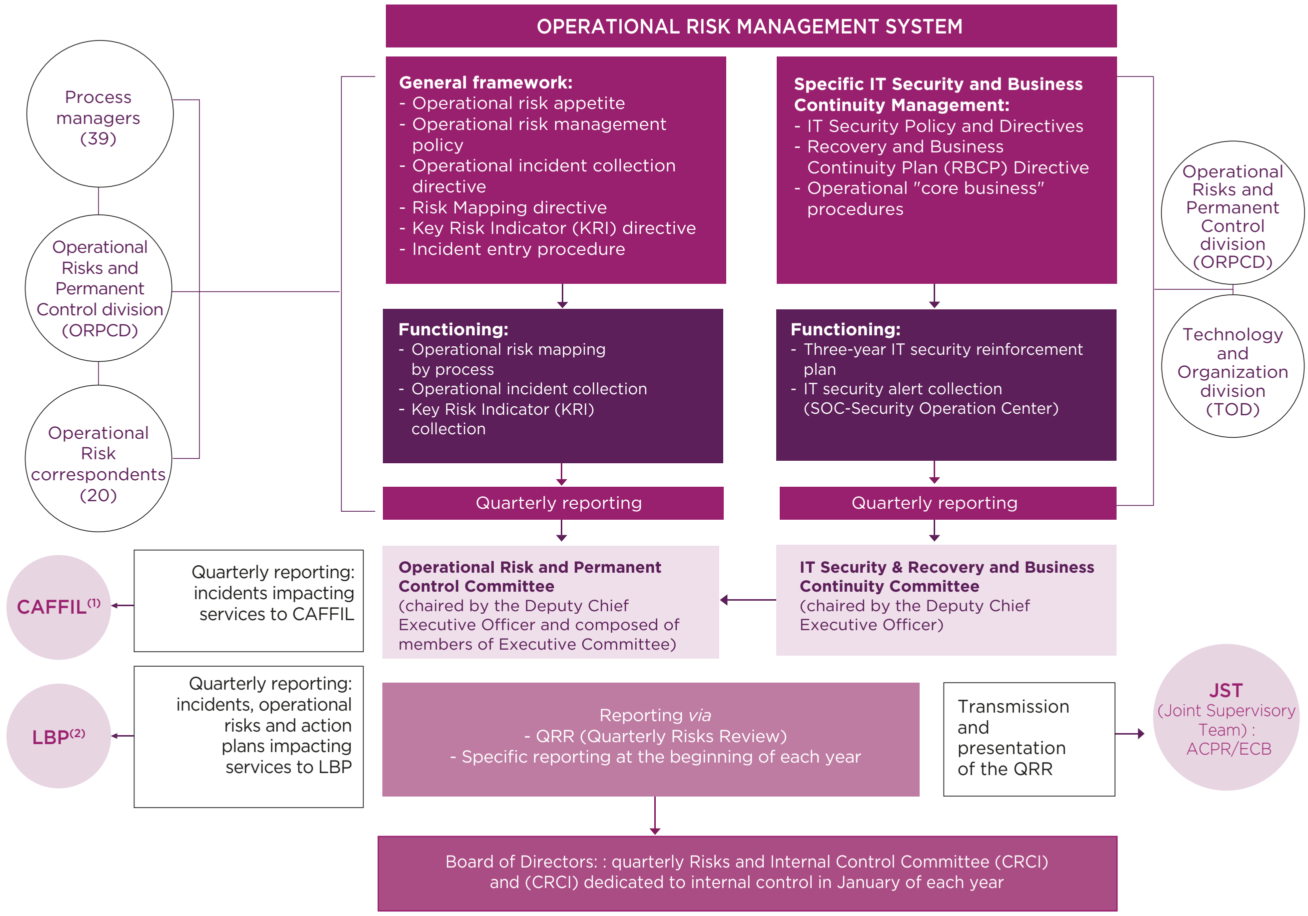
The operational risk management processes apply to all Group divisions, activities and processes (SFIL and CAFFIL).

1.7.2.5.2 Organization and governance

SFIL has set up an organization, procedures and a management tool to monitor and control its operational risks. This system is managed by the Operational Risks and Permanent Control division (ORPCD) which is composed of six employees and one manager.

Operational risks and permanent control management is organized around two committees:

- the Operational Risks and Permanent Control Committee (ROCP), whose role is to:
  - examine the main risks identified following (i) the update of the risk mapping, (ii) the occurrence of an incident, (iii) the permanent control campaigns, (iv) the management of business continuity, (v) information security management and decide whether or not they are acceptable, and any corrective actions to be implemented,
  - validate the permanent control plan and monitor the results of the controls.
- the Information Systems Security (ISS) & Contingency and Business Continuity Plan Committee, whose role is to monitor the implementation of the information systems security policy, physical security policy and the Contingency and Business Continuity Plan as well as the directives and procedures in force, and to arbitrate the problems or alerts that arise therefrom.



(1) *Within the framework of the SFIL/CAFFIL agreement (Caisse Française de Financement Local).*
(2) *Within the framework of the SFIL/LBP agreement (La Banque Postale).*

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

1.7.2.5.3 Measurement and management of operational risk excluding non-compliance risk

SFIL has opted for the standard approach of calculating its regulatory capital for operational risk. This requirement amounts to EUR 29 million at December 31, 2021.

SFIL's policy with regard to the measurement and management of operational risks (excluding non-compliance risk) 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 divided into three main processes:

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

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

Missions	2021 activities and results
Definition of operational and ISS risk appetite	2 indicators defined and monitored on a regular basis for operational risks 2 indicators defined in 2021 for IT security
Operational incident collection	7 incidents in 2021 that led to losses in excess of the collection threshold (EUR 10,000) and whose financial impacts in 2021 were extremely limited.
Operational risk identification and assessment	Operational risks were mapped for 100% of SFIL's processes (see following item on operational risk identification).
Definition and monitoring of action plans	Half-yearly monitoring carried out in the QRR and presentation to the CRCI Monitoring by SFIL's Executive Committee of the performance of the action plans defined for residual risks assessed as major
IT security management	Update and validation of the three-year IT security reinforcement plan (2020-2022)
	Response to 3 self-assessment questionnaires (standard or requested by the IT security supervisory authority - SWIFT, Banque de France and JST)
	5 e-learning modules on IT security were deployed for SFIL employees. More specifically on the risk of phishing, awareness-raising reminders are regularly sent *via* the intranet or e-mails.
	Deployment of new scenarios in the SOC
	An ISS watch is carried out on the news and vulnerabilities of the components of the information system as well as on the fraudulent use of the SFIL and CAFFIL brands.
Business continuity and crisis management	3 functional tests (backup sites) 2 tests of the IT backup plan 1 test of the crisis cell carried out with a cyber incident scenario
	Regular crisis units were held to manage the Covid-19 crisis
Internal and external reporting	4 IT Security & Recovery and Business Continuity Planning Committee meetings. 4 Operational Risks and Permanent Control Committee meetings
	Contribution to 4 Quarterly Risk Reviews (QRR) for SFIL's Risks and Internal Control Committee
	Specific contribution to the document presented to the January CRCI dedicated specifically to internal control

Operational incident collection

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 threshold of mandatory declaration for financial impacts is EUR 10,000. The operational risk correspondents, 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

An operational risk map is drawn up and regularly updated for each SFIL process. This is based on a methodology which conforms with best practices and, among others, on the analysis of past operational incidents. This methodology makes it possible to identify and assess the risks related to each process, identify the mitigation factors of these risks (systems or controls in place), and determine the residual impact in order to decide whether or not to accept them.

This methodology has been rolled out to all 37 processes, the formalization of which has now been completed and replaces the mapping of operational risks by division. The full deployment of this methodology has been effective since 2021.

SFIL's operational risk mapping includes 219 operational risks. The risk mapping by process and its updates are validated by the Operational Risk and Permanent Control Committee.

Where residual impacts are deemed to be material and operational risks are major, corrective actions or improvement initiatives are taken (strengthening systems, procedures and the permanent control plan, implementing monitoring or risk control systems, etc.).

Monitoring key operational risk indicators

In addition to the mapping of operational risks which provides a periodic instantaneous picture of the risk profile, the SFIL Group has defined 62 key operational risk indicators associated with warning thresholds. These indicators are used to continuously and dynamically monitor changes in operational risks. They are monitored on a quarterly basis and reported in the QRR.

Definition and monitoring of action plans

The correspondents define the actions to correct the significant incidents or major operational risks identified. The Operational Risks and Permanent Control division regularly monitors these action plans. The results of these action plans are presented to the CRCI through the QRR, on a half-yearly basis.

IT security management

The Operational Risks and Permanent Control division has put in place a set of provisions, governed by a policy and directives, based on the requirements of the ISO 27001 standard, applicable to all SFIL's operating divisions. These provisions are intended to protect information against 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.

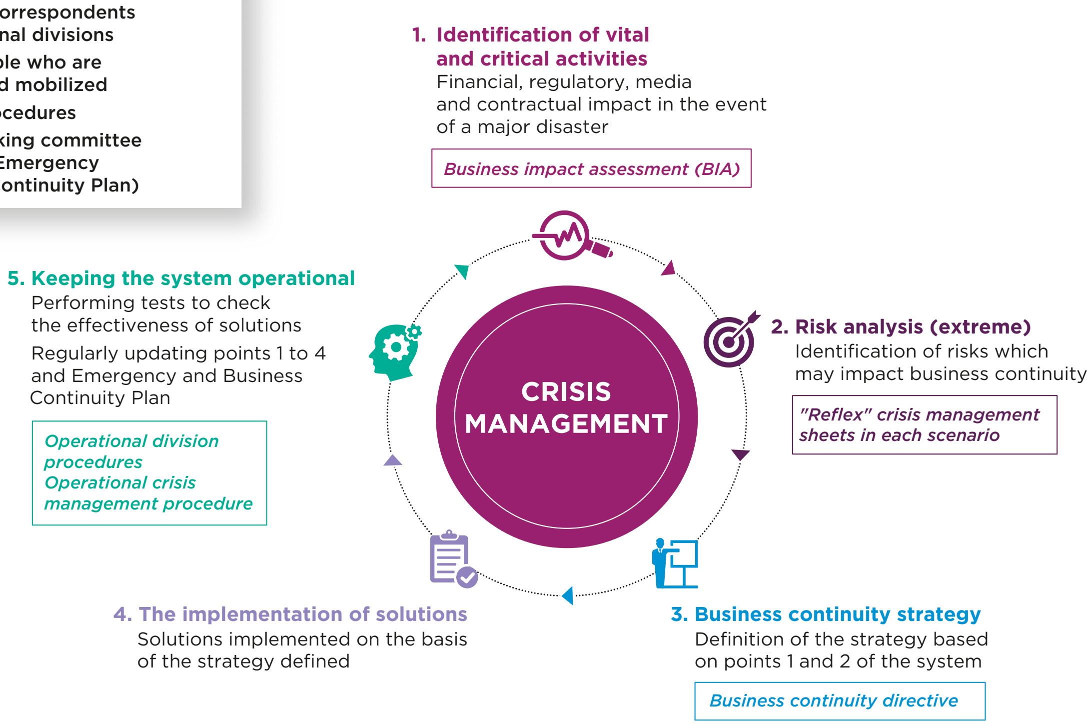
In addition, to improve existing systems a three-year (2020-2022) information system security strengthening plan has been defined and is regularly monitored. A SOC (Security Operation Center) system was set up to prevent and manage IT security warnings and threats.

Business continuity and crisis management

The SFIL Group has developed a Recovery and Business Continuity Plan (RBCP). 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 also has insurance to cover the liability of its corporate officers (RCMS), civil professional liability (RCpro and fraud). The insurance program covers SFIL and its subsidiary CAFFIL.

Secure payment methods

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 operational capacity of the institution to ensure business continuity;
- managing all increased risks during this period.

The crisis cell met 17 times in 2021.

SFIL conducted a feedback on its Covid-19 crisis management at the beginning of 2021 which resulted in 35 areas for improvement which are monitored by the ISS RBCP committees.

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

1.7.2.6 Risk of non-compliance

1.7.2.6.1 Definition

Non-compliance risk is defined by article 10 p) of the *arrêté* of November 3, 2014 as the risk of legal, administrative or disciplinary sanction, significant financial loss or damage to reputation resulting from failure to comply with provisions specific to the banking and financial activities, be they directly applicable national or European laws and regulations, ethical or professional conduct standards, or instructions from effective managers issued, notably, pursuant to guidance from the supervisory body.

Reputational risk is the risk of undermining the trust in the SFIL Group of its customers, counterparties, suppliers, employees, shareholders, supervisors or any other third party whose trust, in any capacity whatsoever, is a necessary condition for the normal continuation of the activity. Reputational risk is essentially a risk contingent on all other risks incurred by the bank and in particular the potential materialization of a credit risk, a market risk, an operational risk or a risk of non-compliance, as well as a violation of the SFIL Code of Ethics and professional conduct.

Non-compliance risks by the SFIL Group are organized into two major categories: regulatory compliance risks and risks in terms of financial security:

Regulatory compliance risks					Risks in terms of financial security			
Ethics and prevention of conflicts of interest	Integrity markets	Protection of customers' interests	Fight against corruption	Protection of personal data	Customer knowledge (KYC)	AML/CFT	Sanctions, asset freezes and embargoes	Export rules

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

1.7.2.6.2 Organization and governance

SFIL 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 operational units and particularly of any commercial, financial or accounting activity. It was composed of six employees as of December 31, 2021, under the responsibility of the General Secretary, Director of Compliance. A member of SFIL's Executive Committee, the General Secretary is appointed as Compliance Officer and AML/CFT Officer for the ACPR. Reporting directly to the Chief Executive Officer until September 2021, and since then to the Deputy Chief Executive Officer, she has direct and independent access to the Risks and Internal Control Committee as well as to 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 (16 risk correspondents);
- a unit dedicated to permanent compliance control and personal data protection.

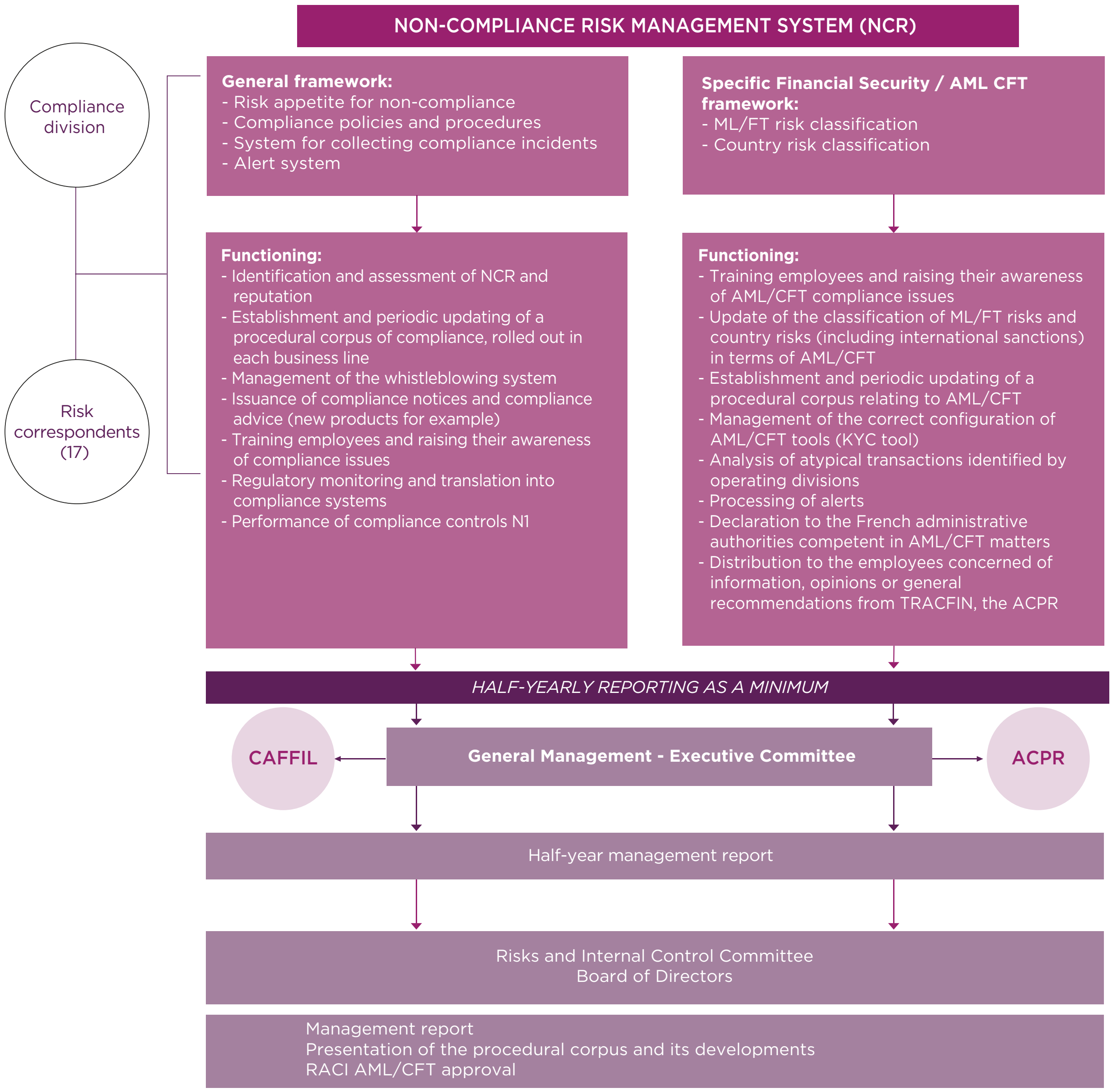
Reports on the compliance system are submitted to SFIL's governance bodies.

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 the implementation of compliance action plans.

SFIL's Board of Directors, *via* the Risks and Internal Control Committee, reviews 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.

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



1.7.2.6.3 Measurement and management of non-compliance risk

The management of non-compliance risk is based on compliance with the risk appetite. This is defined by General Management and approved by SFIL's Risks and Internal Control Committee and *in fine* by SFIL's Board of Directors and CAFFIL's Supervisory Board. In compliance with the risk appetite, compliance policies and procedures have been defined for the entire scope of the SFIL Group's activities. The Compliance division verifies compliance with these policies and procedures and, if necessary, proposes actions to the departments concerned to ensure their compliance.

SFIL's policy for measuring and managing non-compliance risk, consists of regularly identifying and assessing its risk exposure and the existing mitigation and control systems to establish whether or not the level of residual risk is acceptable. This policy is divided into four main processes:

- the mapping of non-compliance risks;
- the collection and reporting of compliance incidents;
- the performance of permanent compliance controls;
- the monitoring of key non-compliance risk indicators including AML/CFT indicators.

1.7.2.6.4 Implementation of the compliance system

During 2021, SFIL continued to implement its compliance system, through the following initiatives:

- In terms of financial security/AML/CFT: SFIL has implemented all the provisions related to the fifth Anti-Money Laundering and the Financing of Terrorism Directive, which entered into force under French law following the decree of February 12, 2020, with the regulatory framework for compliance being implemented in operational processes. In addition, as part of the project to update the Caisse des Dépôts group's money laundering and terrorist financing risk management tools, SFIL has endeavored to implement the normative *corpus* of its parent company. The general AML/CFT procedure and the risk classification methodology were reviewed. SFIL's harmonized procedural *corpus* was presented to the Risks and Internal Control Committee and approved by SFIL's Board of Directors on December 8, 2021, for application from January 1, 2022. During the first half of 2022, the Compliance division will focus on the operational implementation of these new standards in order to meet the requirements of inter-group reporting and information sharing through ML/TF risk indicators.
- In the area of Know Your Client, the business lines focused on making progress on the compliance action plans, which were closed. The financial security tool project intended to strengthen the robustness of the business relationship screening system has been completed. The Compliance division and the Technology and Organization division are now focusing on improving existing functionalities for a better user experience.
- In terms of the fight against corruption: The corruption risk was mapped among the risks of the non-compliance risk mapping. In 2021, SFIL undertook to redesign this aspect of the mapping for a more granular approach to this risk. Based on corruption risk situations established by the Compliance division *via* interviews with all the business lines, these were validated with the various divisions, in line with their activities. The new recommendations of the French Anti-Corruption Agency have also been taken into account insofar as they are relevant to its activities, since SFIL is not subject to the Sapin II law. The new mapping was presented to the Risks and Control Committee on January 27, 2022.
- In terms of market integrity: the procedure for combating market abuse has been updated to take into account, in particular, the European Regulation (EU) No. 2019/2115 of November 27, 2019 amending Directive 2014/65/EU and the Regulations (EU) No. 596/2014 and (EU) No. 2017/1129 which entered into force on January 1, 2021. This update was accompanied by work on the organizational implementation of the system within SFIL and in particular on the process for qualifying inside information.
- In terms of protecting customer interests, actions were carried out on the system in terms of strengthening internal rules on customer protection elements such as complaints management and product governance. With regard to the latter, a policy for approving new products was drafted in 2021 by the Risks division jointly with Compliance and approved by the Board of Directors in December 2021 in order to incorporate the new regulatory requirements arising from the guidelines of the European banking authority. The importance that the SFIL Group attaches to this topic is reflected in the SFIL Code of Ethics and professional conduct.
- In terms of personal data protection: On a more cross-functional basis, SFIL is constantly striving to improve its compliance system in order to ensure the effectiveness of prevention actions and compliance with applicable regulations. This improvement continued in 2021, notably with:
  - the overhaul of the permanent compliance control plan with the aim in particular of reinforcing the consistency between level 2 and level 1 controls. In this context, the objective of compliance is to continue to consolidate and strengthen its supervisory role, relying more and more on the permanent control actions of the first line of defense. The plan has also been made consistent with the AML/CFT steering of CDC as parent company;
  - implementation of the training plan as validated by the Risks and Internal Control Committee in January 2021. The training of employees and corporate officers is a priority for SFIL insofar as it contributes to strengthening the culture of compliance. 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. The training plan was enriched in 2021 by a training course dedicated to corporate officers on "governance and compliance". Numerous training sessions and training materials were rolled out and enhanced in 2021, with 21 sessions conducted and over 350 employees trained in person.

In general, the Compliance division continued to improve its organization, processes and tools with a focus on digital, with the constant aim of improving its effectiveness in handling regulatory changes and meeting supervisors' expectations.

1.7.2.7 Legal and tax risks

1.7.2.7.1 Legal risk

The *arrêté* of November 3, 2014 defines Legal Risk as the risk of any dispute with a counterparty resulting from any inaccuracy, lack or insufficiency that may be attributed to the Company in the exercise of its activities.

It is managed within the General Secretariat by:

- the Legal division, which has three teams: a "financial markets" team, a "public-sector credit" and an "export credit" team;
- the Corporate Administration and General Secretariat division dedicated to the corporate administration 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;
- monitoring regulatory changes via a legal watch initiated by the two divisions; in this context, the Legal division has endeavored to comply with the Benchmark regulations and to continue its work under the EMIR Directive regarding the initial margin for derivative transactions not offset in clearing;
- 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 expresses its opinion when 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 effective managers, 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 who had brought suit for structured loans was three as of December 31, 2021, compared with ten at end-2020. Since SFIL's creation, 220 borrowers have ended lawsuits they had brought.

The Court of Cassation issued six new judgments in 2021, without calling into question its now established case law (in particular by its judgments of March 28, 2018 and June 26, 2019, confirmed in 2020) confirming the validity of the structured loans recorded on the balance sheet of CAFFIL.

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, 2021, 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.

1.7.2.7.2 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.

During 2021, the French and Irish administrations met concerning the taxation in Ireland of the income of the former Dexia Municipal Agency (CAFFIL's former name) branch in Dublin, which closed in 2013 and which resulted in a tax adjustment notice from the French tax authorities. Discussions should continue in 2022. As a reminder, Caisse Française de Financement Local has settled all of the duties assessed.

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, 2021, SFIL had a total of 394 employees, of which 335 were under permanent contracts. In 2021, SFIL hired a total of 73 people, including 21 under permanent contract (of which 4 were promoted from fixed-term to permanent contracts), 16 under temporary contracts and 27 under work-study contracts. It also took on 9 interns on work placement plans.

a) Employee breakdown by gender

Headcount	2018	2019	2020	2021
Men	219	219	209	199
Women	169	174	185	195
TOTAL	**388**	**393**	**394**	**394**

b) Employee breakdown by age and grade

2021	< 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	3	27	42	49	59	66	47	30	19	342
Non-managers	30	12	1	2	5	0	1	1		52

c) Distribution of employees by geographical area

	2018	2019	2020	2021
Issy-les-Moulineaux	370	375	377	376
Lyon	18	18	17	18
TOTAL	**388**	**393**	**394**	**394**

1.8.1.1.2 Changes in staff under permanent and temporary contracts

	2018	2019	2020	2021
Hired under permanent contracts	20	24	14	17
Net switched to permanent contracts	9	7	7	5
Layoffs/terminations from permanent contracts	8	10	3	8
Resigned from permanent contracts	18	11	8	13
Transfer from temporary contracts to permanent contracts	9	3	15	4
Hired under temporary contracts (including work-study and interns)	39	43	38	50
Layoffs/resignations from temporary contracts (including work-study)	4	1	0	4
Retired from permanent contracts	2	2	0	2
End of permanent/temporary contract probationary period (incl. work-study)	3	0	3	2
Expired temporary contracts (incl. work-study)	39	34	34	27
Switched from work-study to temporary contracts			8	2
Others	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 SFIL's Board of Directors which decides on the concrete actions to take and approves the compensation policy.

SFIL defines its compensation policy around six 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;
- be in line with SFIL Group's risk appetite.

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 50,000, 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 four 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 2021, the gross compensation paid to the abovementioned group of people totaled EUR 7.47 million for 52 employees, compared with EUR 7.44 million for 51 employees in 2020.

e) Gross payroll distributed

In 2021, the annual gross payroll was EUR 29.05 million (in 2020, this amount was EUR 28.38 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.

EUR	2018	2019	2020	2021
Permanent contract	65,273	65,580	66,213	67,162

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

2021	Number of employees	% of employees
Part-time employees	28	7%
Employees benefiting from the remote working agreement	394	100%
Employees with flat daily rate	335	85%
Employees with hourly rate	59	15%

1.8.1.2.2 Absenteeism[1]

In 2021, the absenteeism rate was 1.5% (in 2020, this rate was 1.8%).

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

1.8.1.3 Labor relations

1.8.1.3.1 Organization of social dialogue

The employee relations agreement in force since 2019 made it possible to create representative bodies suited to the Company's needs and to reinvigorate the social dialog by giving greater credibility to the representative offices. This agreement will be renegotiated with the employee representative organizations in the second half of 2022.

Currently, 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 specialized 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 2021, the employee representative bodies were convened according to the statutory, regulatory and contractual provisions in force and as required, including:

- 16 SEC meetings (the SEC agreement provides for eight);
- nine meetings of the C2SCT (the SEC agreement provides for two);
- two meetings of the Social Commission;
- two meetings of the Economic and Strategic Committee;
- two meetings of the CSA commission.

Due to the health crisis of 2021, management and elected officials had to exchange views on a daily basis.

Elected representatives were also fully involved in the structuring projects of 2021: redevelopment of premises, deployment of remote working and the Objectif 2026 Plan.

In 2021, at the end of the information/consultation process, elected members of the SEC unanimously issued three favorable opinions:

- on the economic situation;
- on strategic orientations;
- on the strategic plan.

And a favorable opinion on SFIL's social policy for 2020.

It is also specified that three employee representatives sit on the Board of Directors.

1.8.1.3.2 Collective bargaining agreement review

Numerous negotiations took place in 2021, resulting in the signing of the following eight agreements:

- agreement on the mandatory annual negotiation on compensation, working hours and value-added sharing (February 2, 2021);
- amendment No. 2 to the PEE agreement (February 18, 2021);
- amendment No. 2 to the PERCO agreement (February 18, 2021);
- agreement on remote working within SFIL (April 14, 2021);
- amendment No. 3 to the PEE agreement (September 22, 2021);
- amendment No. 3 to the PERCO agreement (September 22, 2021);
- amendment No. 4 to the PERCO agreement in PERECO (September 22, 2021);
- method agreement: timetable for information/consultation on the strategic plan (October 5, 2021).

As part of the 2022 NAO, initiated in November 2021, SFIL's management implemented a unilateral decision on December 16, 2021, with effect from January 1, 2022.

1.8.1.4 Health and safety

1.8.1.4.1 Work health and safety conditions

In 2021, SFIL reported six commuting accidents and one work accident (no serious accident).

Given the health situation, all employees benefited from general remote working for several weeks in 2021, as 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 remote working, 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.

Building on its success in previous years, a new vaccination campaign took place 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.

SFIL has also instigated two 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 250 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

2021	Number of employees	Frequency rate	Severity rate
Work accidents	1	1.57	0.03
Commuting accidents(1)	6	9.40	0.43
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.
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 four areas of skills development:

- contributing to SFIL's social responsibility;
- supporting the change in our working practices and understanding SFIL's culture;
- developing business line and regulatory skills;
- mandatory training.

Despite an atypical year in 2021 with regard to the health situation and therefore the widespread use of remote working, training has regained its momentum with 436 employees (temporary/permanent/ work-study) trained in 2021 for a budget total of EUR 550,000 of which 47% for business line training. 53% of training was conducted remotely (digital, videoconferencing).

1.8.1.5.2 Number of training days

In 2021, 11,220 training hours were provided by SFIL, *i.e.* 1,602 days of training (on a basis of seven hours per day), which represents an average of 3.7 days of training per employee over the 2021 financial year.

It should be noted that the sharp increase in the number of training hours compared to 2020 (11,220 hours compared to 5,700 hours in 2020) is mainly due to the strengthening of e-learning training and the generalization to all employees of remote working workshops to support them in this practice and the hybrid way of working..

1.8.1.6 Equality of treatment

1.8.1.6.1 Measures taken to promote gender equality

In 2021, 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;
- 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, in 2021, SFIL published the level of its Gender Equality Index for 2020, which reached 93 points out of a maximum of 100 points. The level of the index increased by one point between 2019 and 2020.

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). At the end of 2021, SFIL's employment rate of people with disabilities stood at 2%. 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:

- outsource contracts to various accessible companies (SOTRES 92, HASC, Handicap au service des compétences or Aktisea) for workers with disabilities to do digitization work in the Company or provide awareness-raising and training actions;
- implement a range of awareness initiatives, onsite, *via* the intranet or in digital format, in close collaboration with the Disability & diversity unit of La Banque Postale, and catering service provider ARPEGE;
- welcome four 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;
- facilitate the disability declaration of SFIL employees and support employees with disabilities in their professional mobility;

- provide disability awareness training for all elected staff members and the HR development team;
- recruit three people with disabilities (two permanent contracts, one from the CABAT, one work-study).

1.8.1.6.3 Anti-discrimination policy

SFIL's mechanism for combating harassment, discrimination and sexist behavior is based on several pillars:

- the application of a specific procedure which involves, depending on the situation, the Employer and SEC contacts "responsible for combating harassment and sexist behavior" as well as one or one of the three human risk contacts or the internal mediator. Internal investigations may be conducted;
- the long-term partnership with Allodiscrim/Allosexism which is an external body of lawyers offering a listening and advice service (free of charge and entirely anonymous with regard to the employer) to employees, regardless of their legal status (permanent contract, temporary contract, work-study, intern) who have faced alleged "discriminatory" treatment (discussions with lawyers are guaranteed absolute confidentiality under the legislation applicable to the lawyers' code of ethics);
- the existence of a whistle-blowing platform (managed externally by signalement.net) which allows any employee who considers themselves a victim, or who witnesses an inappropriate act or situation, to report it;
- a 24-hour counseling and support line run by external psychologists.

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.

Deployment to all employees of the "Acting against ordinary sexism" e-learning awareness-raising module continued.

At the end of 2021, SFIL joined the Group network of officers responsible for combating harassment and discrimination, bringing together the CDC Public Establishment and its subsidiaries.

1.8.1.7 Promotion of and compliance with the provisions of the fundamental conventions of the International Labour 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

Since the beginning of 2021, SFIL has implemented two significant measures to continue its efforts to preserve resources within the Company:

- in order to improve the results of waste recycling in the Company and raise employees' awareness of how to improve their practices, in January 2021, SFIL introduced sorting signage on office bins, with the aim of providing better guidance to employees to the sorting bins to be used and thus maximize the use of the systems in place for ordinary waste (paper, plastic, aluminum);
- In line with the measures taken in 2020 to reduce the use of plastic, in January 2021 SFIL installed new water fountains produced by a French start-up in the social and solidarity economy. Coupled with the distribution of sustainable water bottles at the end of 2020, the introduction of this new, more modern and efficient equipment aims to revitalize the use of water fountains by employees, and to further reduce the use of plastic in the Company.

In 2021, the system for collecting and recycling cans, coffee capsules, cups, bottle caps[1] and plastic bottles at the Issy-les-Moulineaux site enabled the recovery of 301 kg of waste.

	2021	Change/2020
Plastic bottles	40 kg	-43%
Aluminum cans	18 kg	-6%
Coffee capsules	197 kg	-38%
Cups	36 kg	-22%
Plastic bottle caps	10 kg	-9%
TOTAL	**301 KG**	**-35%**

(1) *The bottle tops collected are sold to a specialized association which resells them to recyclers and thus partially finances the purchase of equipment for people with reduced mobility and disabilities.*

Inflows were down by 35% compared to 2020, due in particular to the development of remote working in the context of the health crisis, but also thanks to awareness-raising actions, which led to a 43% reduction in plastic bottles following the campaign conducted in 2020,

Finally, all computers purchased or renewed by SFIL in 2021 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(1) certifications 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

Implementation of Sustainable Development and CSR e-learning module

In an effort to raise employee awareness of environmental issues, at the end of 2021 SFIL implemented a 30-minute e-learning module, dedicated to Sustainable Development and CSR.

The content, accessible to all employees, aims to raise awareness and take ownership of the major environmental challenges of the twenty-first century and SFIL’s commitments, as well as the actions undertaken to promote an environmental and societal culture.

Sustainable development and solidarity initiatives

Despite the health situation, SFIL has endeavored to continue its actions around solidarity and sustainable development during the period of remote work through the “Employee Engagement” group, notably with:

- at the end of June, SFIL offered employees a webinar on biodiversity, provided by the Pik-Pik association. Employees were made aware of the reasons for the loss of biodiversity and ecosystems, with a focus on biodiversity in cities;
- during the European Sustainable Development Week (SEDD) 2021 in September, employees were made aware of a range of topics, through intranet communications and publications: improved waste sorting in the premises, responsible digital technology, and the calculation of their individual carbon footprint *via* an ADEME tool;
- in the wake of SEDD and as part of its actions to promote and contribute to the circular economy, SFIL organized a new workshop for the free repair of defective electrical and electronic objects for its employees, in collaboration with the Pik-Pik association.

SFIL’Anthropie: the first day of corporate volunteering at SFIL

On December 2, 2021, SFIL’s first day of corporate volunteering took place, called the SFIL’Anthropie Day.

Thirty employees were able to work on solidarity actions during one day and provide practical assistance to three associations on the themes of autism, assistance to women victims of abuse and the fight against exclusion.

The day was organized with Unis-Cité Solidarité Entreprises, an organization specializing in the solidarity mobilization of employees on a large scale and donating all of its income to its associative Unis-Cité entity, a pioneering non-profit organization in civic service for young people.

This initiative made it possible to propose to employees a solidarity and useful action, which enables them to make a tangible commitment during their working time.

Amount of provisions and guarantees for environmental risks

The financial statements as of December 31, 2021, 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, in 2021, SFIL carried out a voluntary audit of its greenhouse gas emissions for the second time, on the 2020 scope. The audit measured its sites in Issy-les-Moulineaux and Lyon, under 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 2020 is 5,340 TCO_2 compared to 5,790 TCO_2 in 2019. Scope 3 accounts for 99% of emissions.

The decrease in emissions observed is mainly related to the health context, with the significant reduction in business and home-work travel.

Partial offsetting of emissions

SFIL is committed to the principle of contributing to the trajectory towards carbon neutrality through the “measure, reduce, offset” triptych.

Thus, in addition to the actions already undertaken to reduce its carbon impact, in December 2021, SFIL signed a voluntary carbon offsetting agreement with Société Forestière, also a subsidiary of the Caisse des Dépôts group.

This project to plant 4,350 trees of species adapted to the surrounding ecosystem will be labeled Low-Carbon by the Ministry for the Environmental Transition and will sequester the equivalent of 640 tonnes of CO_2, which corresponds to a portion of SFIL’s residual carbon emissions in 2020.

(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.*

1.8.2.3 Protection of biodiversity

SFIL continues to sponsor three mobile beehives with an independent beekeeper located in the Cher department, whose production is certified organic (Ecocert certification©).

As part of the salary rounding offered to employees, several tangible ecosystem rehabilitation and reforestation missions, led by Planète Urgence, were supported in 2021. Overall, 994 trees were planted thanks to support from SFIL employees.

In addition, the SFIL/LBP scheme's green loan offer addresses issues related to biodiversity through "GEMAPI" (Management of Aquatic Environment and Flood Prevention) and "Sustainable water and sanitation management".

Thus, the green loan has financed projects for the alternative management of rainwater (reintroduction of green spaces in urban areas), the preservation of wetlands (creation of alternative water reserves for agricultural irrigation), and ecological continuity (redevelopment of a fish passage).

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 2021, SFIL employed an average of 391 people under permanent, temporary, work-study and internship contracts at its two office sites in Issy-les-Moulineaux (373 employees) and Lyon (18 employees).

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

1.8.3.2.1 Conditions for dialog with these persons or organizations

SFIL has provided:

- financing for the training of 66 work-study employees with 29 higher education institutions;
- financing *via* the 2021 "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

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

Association created in 2005, the Institut Télémaque aims to relaunch the social ladder from middle school level by supporting committed and motivated young people from modest backgrounds through a dual "school-company" mentoring. Thanks to this partnership between Télémaque and SFIL, employees can get involved by becoming mentors to committed and motivated middle school students.

SFIL mentors offer the middle school students concerned the opportunity to carry out socio-cultural activities that they do not usually carry out, they talk to them about their career paths or introduce them to the professional world by presenting SFIL and their profession.

SFIL continued its partnership with MicroDon, and its employees were able to continue their commitment through "salary rounding" to two partner associations, L'Étoile de Martin (support for research on childhood cancer and organization of well-being moments for young patients) and, as previously indicated, Planète Urgence (whose purpose is to strengthen people for a solidarity and sustainable planet so that everyone can live in dignity and in complete autonomy in a protected environment).

In 2021, in the context of current health constraints, thanks also to our partnership with the Institut Télémaque, various SFIL employees were able to visit the Guy Moquet middle school in Gennevilliers, located in the "REP+" zone, to discuss with last year students and present our public development banking model and the different banking professions to them, as well as the educational and student orientations enabling them to access these professions.

Commitment to people with disabilities:

- during the European Week for People with Disabilities (SEEPH) which took place from November 15 to 19, 2021, SFIL once again committed to this issue through various actions throughout the week. SFIL employees were able to benefit from disability awareness workshops thanks to the intervention of Handicap Au Service des Compétences (HASC) as well as an online snakes and ladders type game, "Handipoursuite", *via* AKTISEA;
- SFIL was able to welcome two candidates with disabilities during a day alongside its employees as part of the Duoday initiative;
- in order to promote the professional reintegration into civilian life of disabled servicemen and women, SFIL continued its discussions with the French Army Wounded Assistance Unit (CABAT) and with Défense Mobilité. In particular, SFIL was able to support the professional retraining of a young servicewoman with a disability through coaching interviews delivered by a professional from the HR team, in conjunction with her contact at Défense Mobilité.

1.8.3.2.3 Subcontracting and suppliers

SFIL chooses its suppliers and subcontractors very carefully.

Relations with subcontractors and suppliers comply with the principles set out in SFIL's code of professional conduct and ethics, *i.e.* maintaining relationships based on mutual loyalty by promoting ethical behavior throughout the relationship. These relationships are also part of SFIL's corruption prevention system and, in particular, compliance with the third-party integrity control process to ensure the good repute of its business partners.

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. Since 2020, SFIL has initiated a partnership with a social enterprise providing digital services in favor of autism in order to integrate their service providers on missions of 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.

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.

A procedure for assessing third parties as part of the Purchasing process was put in place in 2020 and due diligence on suppliers is carried out in order to combat corruption.

In addition, in 2021 SFIL signed the Responsible Supplier Relations Charter of the National Purchasing Council, in conjunction with the French Ministry of the Economy and Finance, in which it confirms its commitment to a balanced and sustainable relationship with its suppliers.

Lastly, 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.

1.9 Additional information

Shareholders' Meeting of May 25, 2022

Conversion of Preferred Shares into Common Shares and related amendments to the by-laws

The change in control of the Company on September 30, 2020 changed the composition of its shareholder base by leading Caisse des Dépôts to hold all of the Company's shares (with the exception of one share held by the French State). In this context, the conservation of Preferred Shares held by Caisse des Dépôts is no longer justified.

After having obtained the agreement of the extraordinary meeting of the shareholder holding all the Preferred Shares issued by the Company, the Extraordinary Shareholders' Meeting will be asked (i) to vote on the conversion of all Preferred Shares into Common Shares on the basis of a conversion ratio of one common share for one preferred share (in the absence of any statutory provision imposing a different conversion ratio) and (ii) to revise the by-laws in order to remove any provision related to Preferred Shares.

During this overhaul of the bylaws, article 15 will also be amended in order to bring it into compliance with article 4, which allows the Board of Directors to transfer the registered office in France.

Regulated agreements submitted to the approval of the Shareholders' Meeting of May 25, 2022

In accordance with the provisions of article L.225-40 of the French Commercial Code, the agreements authorized and concluded in 2021, as included in the Statutory Auditors' special report on regulated agreements, will be submitted for the approval of the Ordinary Shareholders' Meeting.

***

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

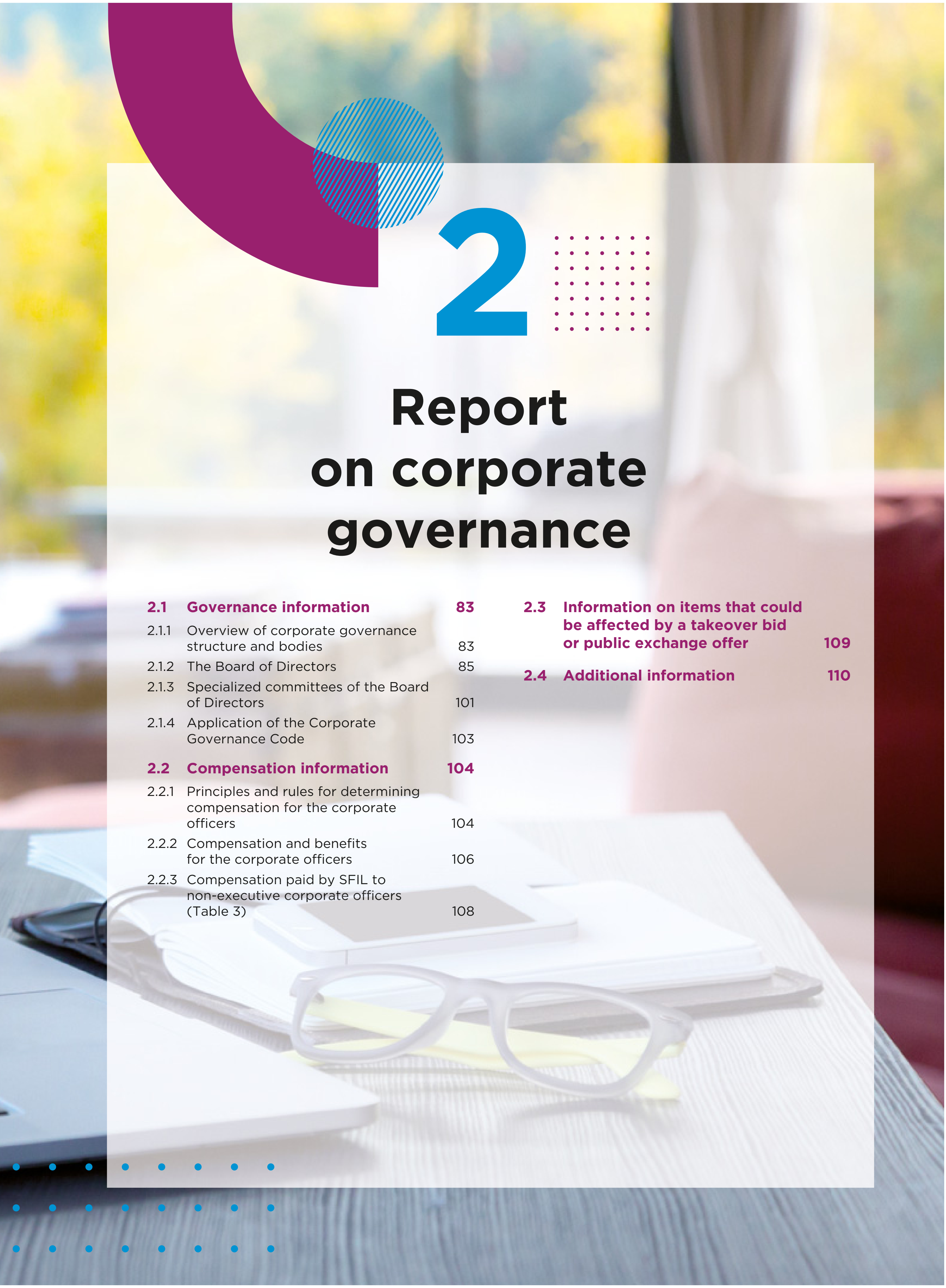
In the context of the continued pandemic in 2021, SFIL has used remote working, from an operational point of view, by taking into account the French government's recommendations.

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

To date, the foreseeable impacts of the war situation in Ukraine are limited for the SFIL Group. As a reminder, the SFIL Group does not have any offices outside France. In addition, the Group has no exposure in Russia or Belarus and only has one exposure in Ukraine which, at December 31, 2021, represented an outstanding amount of EUR 51.1 million on the balance sheet and EUR 17.4 million in off-balance sheet financing commitments. As this exposure granted as part of the export credit activity is 100% guaranteed by the French Republic, SFIL is not directly exposed to credit risk on this issue.

1


#Objectif
2026
Adapting our operating
methods to a new world



2

Report on corporate governance

Report on corporate governance established pursuant to articles L.225-37, L.225-37-4, L.22-10-10 and L.22-10-11 of the French Commercial Code

This Board of Directors' report on corporate governance presented pursuant to articles L.225-37, L.225-37-4, L.22-10-10 and L.22-10-11 of the French Commercial Code aims to report to shareholders on the Board's activities in 2021, its composition, and the conditions for preparing and organizing the Board's work. It also includes the list of all the terms of office and functions exercised in any company by each corporate officer during the financial year, information on the compensation of corporate officers, the diversity policy applied to the members of the Board of Directors and information on matters likely to have an impact in the event of a takeover bid or public exchange offer.

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.

Since September 30, 2020, the date on which the French State, with the exception of one share, and La Banque Postale sold their stakes to Caisse des Dépôts, the latter has become SFIL's reference shareholder. The French State continues to be present on SFIL's Board of Directors through a non-voting board member, given the public interest missions entrusted to 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 items presented are as of December 31, 2021.

2.1 Governance information

2.1.1 Overview of corporate governance structure and bodies

Composition of the Board of Directors

KEY FIGURES

Independence*	Women*	Attendance rate	Average age	Average length of service on the Board of Directors
33.3%	**41.7%**	**98.9%**	**55 YEARS**	**4 YEARS**

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

15 DIRECTORS

	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			✓	✓
MEMBERS OF THE BOARD OF DIRECTORS REPRESENTING THE EMPLOYEES				
Sandrine Barbosa				✓
Frédéric Guillemin	✓		✓	
Cécile Latil-Bouculat		✓		

** Independent Director.*

NON-VOTING DIRECTOR

Paul Teboul

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	4	2
Independence	50%*	50%*	66.7%*	66.7%*
Attendance rate	94.3%	97.6%	87.5%	100%

*Excluding directors representing employees.

MANAGEMENT BODIES

(1) The General Auditor attends all meetings as a guest.
(2) 30%, 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, 2021

	Personal Information				Experience		Position on the Board			
	Age	Gender	Nationality	Number of shares	Number of directorships in listed companies	Independence	Initial date of appointment	Expiry of mandate	Seniority on the Board	Participation in Board Comm.
Pierre Sorbets Chairman	71	♂	🇫🇷	None	None	✓	5/26/2016	2025	5.5 years	■ ▲
Philippe Mills Chief Executive Officer	56	♂	🇫🇷	None	None		1/31/2013	2024	9 years	
Caisse des Dépôts represented by Olivier Fabas	39	♂	🇫🇷	9,285,724	None		9/30/2020	2024	1 year	■ ▲
Sandrine Barbosa Member of the Board of Directors representing the employees	52	♀	🇫🇷	None	None		11/13/2020	2024	1 year	●
Serge Bayard	58	♂	🇫🇷	None	None		3/24/2016	2025	6 years	
Virginie Chapron du Jeu	60	♀	🇫🇷	None	None		9/30/2020	2024	1 year	★ ●
Brigitte Daurelle Independent Director	52	♀	🇫🇷	None	None	✓	5/28/2020	2024	1.5 years	■ ▲ ★ ●
Laetitia Dordain	53	♀	🇫🇷	None	None		9/30/2020	2024	1 year	
Eckhard Forst Independent Director	62	♂	🇩🇪	None	None	✓	5/28/2020	2024	1.5 years	■ ▲
Frédéric Guillemin Member of the Board of Directors representing the employees	58	♂	🇫🇷	None	None		12/12/2014	2024	7 years	■ ★
Cathy Kopp Independent Director	72	♀	🇫🇷	None	None	✓	1/31/2013	2024	9 years	★ ●
Cécile Latil-Bouculat Member of the Board of Directors representing the employees	49	♀	🇫🇷	None	None		11/13/2020	2024	1 year	▲
Pierre Laurent	55	♂	🇫🇷	None	None		9/30/2020	2024	1 year	▲
Fabienne Moreau	53	♀	🇫🇷	None	None		9/30/2020	2024	1 year	■
Quentin de Nantes	37	♂	🇫🇷	None	None		9/30/2020	2024	1 year	■ ▲

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

Members having left the Board of Directors between January 1 and December 31, 2021

	Personal Information				Experience	Position on the Board				
	Age	Gender	Nationality	Number of shares	Number of directorships in listed companies	Independence	Initial date of appointment	End of mandate	Seniority on the Board	Participation in Board Comm.
Gabriel Cumenge Non-voting Director	41	♂		None	None		9/30/2020	9/10/2021	1 year	

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

	Exit	Appointment	Reappointment
Board of Directors	**Gabriel Cumenge** as a non-voting Board member 9/10/2021	**Paul Teboul** as a non-voting Board member 9/10/2021	**Serge Bayard** 5/28/2021 **Pierre Sorbets** as Director and Chairman of the Board of Directors 5/28/2021
Financial Statements Committee			**Pierre Sorbets** 5/28/2021
Risks and Internal Control Committee			**Pierre Sorbets** 5/28/2021

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

Pierre Sorbets
PRINCIPAL FUNCTION: Chairman of the Board of Directors, Independent Director

Born on August 30, 1950 – French
Dates term of office begins and ends: May 28, 2021-2025
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, Director, Chairman of the Board of Directors, member of the Accounts 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
- Institut de la Gestion Déléguée, director and treasurer
- Woodsford TradeBridge, member of the Supervisory Board (since July 2021)

Chief Executive Officer

Philippe Mills
PRINCIPAL FUNCTION: Chief Executive Officer of SFIL, Director

Born on November 4, 1965 – French
Dates term of office begins and ends: May 28, 2020-2024
Date of initial mandate: January 31, 2013

Business address
SFIL
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

Serge Bayard
PRINCIPAL POSITION: Deputy Chief Executive Officer and Head of Customer Development within the Corporate and Investment Banking Department of La Banque Postale

Born on October 24, 1963 - French
Dates term of office begins and ends: May 28, 2021-2025
Date of initial mandate: May 31, 2016

Business address
La Banque Postale
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 (2011-April 2021)
  - Deputy Chief Executive Officer and Head of Customer Development in the Corporate and Investment Banking Department of La Banque Postale (since April 1, 2021)

MANDATES AND FUNCTIONS
- La Banque Postale, Director of Companies and Regional Development (until April 2021), Deputy Chief Executive Officer and Head of Customer Development in the Corporate and Investment Banking division (since April 1, 2021)
- SFIL, Director
- 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 **PRINCIPAL FUNCTION: Chief Financial Officer CDC Group**	
Born on October 13, 1961 - French **Dates term of office begins and ends:** 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 Deputy Chief Executive 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
- Bpifrance, Director, member of the Audit Committee and member of the Risks 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

Brigitte Daurelle

PRINCIPAL FUNCTION: Chief Executive Officer MFEX Holding AB and MFEX Mutual Exchange

Born on April 1, 1969 – French
Dates term of office begins and ends:
May 28, 2020-2024
Date of initial mandate: May 28, 2020

Business address
MFEX
4 rue du 4 Septembre
75002 Paris

BIOGRAPHICAL DATA

- Master in Management Sciences - Dauphine
- DESS in Management - Dauphine
- 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
- 2015-2021: member and Chair of the Management Committee and Chief Executive Officer of Euroclear France, Euroclear Belgium and Euroclear Nederland
- Since 2021: Chief Executive Officer of MFEX Holding AB and MFEX Mutual Exchange

MANDATES AND FUNCTIONS

- MFEX Holding AB, Chief Executive Officer, MFEX Mutual Exchange, Chief Executive Officer and MFEX France, Director (since September 2021)
- Euroclear France, Euroclear Belgium and Euroclear Nederland, Chief Executive Officer and Director (until September 2021)
- 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
- Euroclear Properties, Director (until February 2021)
- European Central Securities Depositories Association, Vice-President (until May 2021)
- PrefX, Director (until September 2021)
- AFTI (French association of securities professionals), permanent representative (until September 2021)

Laetitia Dordain

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 term of office begins and ends:
September 30, 2020-2024
Date of first term of office: 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 et Consignations
  - 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, Director

Olivier Fabas

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 term of office begins and ends:
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, representative of Caisse des Dépôts, Director, member of the Financial Statements Committee and member of the Risks and Internal Control Committee
- Icade, Director
- Qualium Investment, Director
- Société Forestière de la Caisse des Dépôts, Director and Chairman of the Audit and Strategy Committee

Eckhard Forst

PRINCIPAL FUNCTION: Chairman of the Executive Board of NRW Bank (Germany)

Born on November 21, 1959 - German
Dates term of office begins and ends:
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)
- 2001-2003: Chief Executive Officer of Banque Worms (then part of the Deutsche Bank Group)
- 2003-2006: Managing Director of Deutsche Bank AG in Bielefeld (Head of Corporate and Investment Banking)
- 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, Director, Chairman of the Risks and Internal Control Committee and member of the Financial Statements Committee
- HSBC Trinkaus & Burkhardt AG, Member of the Advisory Board
- Portigon AG, Chairman of the Supervisory Board
- VÖB (Bundesverband Öffentlicher Banken Deutschlands eV), Chairman
- Honorary Consul of France from 2011 to 2016 in Hanover and since 2017 in Münster

Cathy Kopp

PRINCIPAL FUNCTION: Independent member of the Board of Directors

Born on April 13, 1949 – French
Dates term of office begins and ends:
May 28, 2020-2024
Date of initial mandate: January 31, 2013

BIOGRAPHICAL DATA

- After studying mathematics, joined IBM France in 1973
- In 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

PRINCIPAL FUNCTION: Director of the Development department at Banque des Territoires (CDC)

Born on January 19, 1966 - French
Dates term of office begins and ends:
September 30, 2020-2024
Date of first term of office: 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, Director, member of the Risks and Internal Control Committee
- COOP'HLM Financement (SFHC), Director

Fabienne Moreau

PRINCIPAL FUNCTION: Head of the Accounting and Regulatory department in the Group Finance department Caisse des Dépôts

Born on August 22, 1968 – French
Dates term of office begins and ends:
September 30, 2020-2024
Date of first term of office: 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 Chief Executive Officer 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, Director, member of the Financial Statements Committee
- STOA, Member of the Board of Directors, Member of the Audit and Risk Committee

Quentin de Nantes

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 term of office begins and ends:
September 30, 2020-2024
Date of first term of office: 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
- SFIL, Director, member of the Accounts Committee and member of the Risks and Internal Control Committee
- La Banque Postale Local Authorities, Director

Members of the Board of Directors representing employees

Sandrine Barbosa

PRINCIPAL FUNCTION: Data Architect in the Technology and Organization division of SFIL

Born on December 19, 1969 – French
Dates term of office begins and ends:
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 division

MANDATES AND FUNCTIONS
- SFIL, Data Architect in the Technology and Organization division
- SFIL, Director, member of the Compensation Committee

Frédéric Guillemin

PRINCIPAL FUNCTION: Head of the Reporting Unit in the Risks division at SFIL

Born on April 1, 1963 – French
Dates term of office begins and ends:
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, Director, member of the Accounts Committee and member of the Governance, Appointments and CSR Committee

Cécile Latil-Bouculat

PRINCIPAL FUNCTION: Transformation and Innovation Director in the Technology and Organization division of SFIL

Born March 7, 1972 - French
Dates term of office begins and ends:
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 division
- SFIL, Director and member of the Risks and Internal Control Committee

Non-voting Director

Gabriel Cumenge (until September 10, 2021)
PRINCIPAL FUNCTION: Deputy Director of Banking and General Interest Financing in the Economy Financing Department at the French Treasury Department

Born on July 19, 1980 – French
Dates function begins and ends:
September 30, 2020-September 10, 2021
Date of initial mandate: September 30, 2020

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)
  - Advisor 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: Treasury Department
  - 2017-July 2021: Deputy Director for International Corporate Finance.
  - Since July 2021: Deputy Director of Banking and General Interest Financing in the Economy Financing Department

MANDATES AND FUNCTIONS

- Directorate General of the Treasury, Deputy Director for International Corporate Finance (until July 2021), Deputy Director of Banking and General Interest Financing in the Economy Financing Department (since July 2021).
- SFIL, non-voting member (until September 2021)
- 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 (until October 2021)
- Institut d'Emission d'Outre-Mer (IEOM), member of the Supervisory Board (since September 2021)
- Banque de France, alternate non-voting member of the *Conseil Général* (since July 2021)

<table>
<tr><th colspan="2">Paul Teboul (since September 10, 2021)
PRINCIPAL FUNCTION: Deputy Director in charge of international business financing and foreign trade support at the French Treasury Department</th></tr>
<tr><td>Born on December 7, 1982 – French
Dates function begins and ends:
September 10, 2021-2024
Date of initial mandate: September 10, 2021</td><td>Business address
Direction Générale du Trésor
139, rue de Bercy
75572 Paris Cedex 12</td></tr>
<tr><td>BIOGRAPHICAL DATA
• Preparatory classes for business schools, scientific track
• ESSEC
• Graduate of Institut d'études politiques de Paris, mention public affairs
• Alumnus of École nationale d'administration</td><td>• 2010-2014: Court of Auditors
  • Auditor then referendum advisor to the First Chamber
• Since 2014: Treasury Department
  • 2014-2016: rapporteur then Deputy Secretary General of the Interministerial Committee for Industrial Restructuring (CIRI)
  • 2016-2019: Head of the Housing Financing and General Interest Office
  • 2019-September 2021: Head of Sub-Saharan Africa, Monetary Cooperation and AFD Office
  • Since September 2021: Deputy Director in charge of international business financing and foreign trade support</td></tr>
<tr><td>MANDATES AND FUNCTIONS
• Directorate General of the Treasury, Head of the Sub-Saharan Africa, Monetary Cooperation and AFD Office (until September 2021), Deputy Director in charge of international business financing and foreign trade support (since September 2021)
• SFIL, non-voting member (since September 2021)
• STOA, non-voting member (until September 2021)
• Agence Française de Développement (AFD), member of the specialized committee for foreign operations set up within the Board of Directors (until October 2021)</td><td>• French Agency for International Technical Expertise, Director (until October 2021)
• National Steering and Monitoring Committee for the support funds for local authorities and certain public institutions that have taken out loans or structured risk financial contracts, alternate member (until October 2021)
• Naval Group, non-voting board member (since October 2021)</td></tr>
</table>

Representative of the Social and Economic Committee: Thomas Perdriau

2.1.2.3 Attendance 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
Pierre Sorbets Chairman of the Board	100%	100%	100%	n/a	n/a
Philippe Mills Chief Executive Officer	100%	n/a	n/a	n/a	n/a
Caisse des Dépôts*	100%	100%	100%	n/a	n/a
Sandrine Barbosa	100%	n/a	n/a	n/a	100%
Serge Bayard	100%	n/a	n/a	n/a	n/a
Virginie Chapron du Jeu	100%	n/a	n/a	75%	100%
Brigitte Daurelle	100%	100%	100%	75%	100%
Laetitia Dordain	100%	n/a	n/a	n/a	n/a
Eckhard Forst	100%	80%	100%	n/a	n/a
Frédéric Guillemin	100%	100%	n/a	100%	n/a
Cathy Kopp	100%	n/a	n/a	100%	100%
Cécile Latil-Bouculat	100%	n/a	83.3%	n/a	n/a
Pierre Laurent	100%	n/a	100%	n/a	n/a
Fabienne Moreau	83.3%	80%	n/a	n/a	n/a
Quentin de Nantes	100%	100%	100%	n/a	n/a

** 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.

Pierre Sorbets assumes the function of Chairman of the Company's Board of Directors. 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 2021, 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 2021, the Board of Directors met six times. Average attendance of the Members was 98.9%, an increase (+5%) from the previous year.

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, the directors receive an agenda as well as a file containing the notes or documents relating to the agenda from 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 2021, 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 also paid particular attention to environmental issues and climate risks.

The Board is also periodically asked to review the deliberations of the Company's specialized committees.

Its principal work for the year 2021 is shown in the following table.

Principal missions of the Board of Directors	Specific work carried out by the Board of Directors in 2021
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 • Increase in the SFIL Group's bond issuance program • Strategy review of the local public sector • Strategy review of the export credit market • Approval of CSR policy guidelines and CSR report • Approval of the 2026 strategic plan • Monitor the integration of SFIL within the Caisse des Dépôts group • Monitoring risks in the context of the pandemic, including cyber risk • Response to the Works Council's opinion on strategic orientations • Discussions with the JST on the points of attention and recommendations of the latter relating to the control of the SREP 2020 • Distribution of reserves and convening of an ad hoc Shareholders' Meeting
Governance-internal control and accounts:	
• Propose the appointment/renewal of corporate officers • Ensure the individual and collective skills of members of governance bodies • Establish a succession plan to prepare and organize changes to the members of the supervisory and management bodies • Ensure that effective policies to prevent and manage conflicts of interest exist • 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	• Reappointment of the Chairman of the Board of Directors • Change of non-voting member • 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 the SFIL Group's governance bodies • Review of the governance policy, the policy for assessing the suitability of the members of the management bodies and key positions, the procedure for the appointment/renewal of an effective manager or a member of a corporate body and procedures relating to the SFIL and CAFFIL succession plans • Update of the internal regulations of SFIL's Board of Directors and CAFFIL's Supervisory Board • Adjustment of the Internal Rules of the Financial Statements Committee to incorporate the provisions of the Caisse des Dépôts Group on the use of SACCs • Assessment of the functioning of SFIL's Board of Directors and its specialized committees and CAFFIL's Supervisory Board • Assessment of the independence of Directors • Review of the professional diversity policy • Review of the diversity policy of SFIL and CAFFIL's governing bodies • 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 2020 annual financial report and approval of the 2021 first-half financial report

Principal missions of the Board of Directors	Specific work carried out by the Board of Directors in 2021
• 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.	• 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 the AML/CFT internal control report and approval of the update of the AML/CFT system • Appointment of the effective managers responsible for the consistency and effectiveness of the internal audit function, the consistency and effectiveness of permanent control and the implementation of the AML-CFT system • Approval of amendments to the financing agreements between SFIL and Caisse des Dépôts and La Banque Postale, to the management agreement between SFIL and CAFFIL and to the master agreement for the assignment of receivables from La Banque Postale to CAFFIL and the consolidated version of the SFIL/La Banque Postale revolving credit facility
Risk management	
• Define risk appetite • Approve the overall risk limits set and reviewed at least once a year by the effective managers • Regularly examine the Company's policies • Ensure that compliance policies are in place	• Validation of risk appetite • Update of the loan decision policy • Approval of the Preventive Recovery Plan for 2021 • Approval of ICAAP and ILAAP reports • Approval of internal models' reporting • Review of the Pillar 3 report and approval of the risk profile • Review of quarterly reports on risk monitoring • Review of the compliance activity report • Validation of the general AML/CFT procedure and the procedure relating to the ML/FT risk classification • Review of the Data Protection Officer's report • Update of the market abuse procedure
Compensation	
• Determine the distribution of the compensation package for directors set by the Shareholders' Meeting • Adopt and regularly review the general principles of the compensation policy and control its implementation	• Determination of the compensation of the Chief Executive Officer • Setting of the directors' compensation • Update to the compensation policy • Review of the 2021 overall budget for variable compensation • Determination and implementation of the 2021 cross-functional objectives • Review of the gender equality index

Furthermore, the Board convened an Ordinary Shareholders' Meeting for May 28, 2021. The purpose of the meeting was to approve the annual and consolidated financial statements, the appropriation of income, related-party agreements, the opinion on the overall amount of compensation for the financial year 2020, to renew the term of office of two Directors and to set the amount of the compensation package for directors. An Extraordinary Ordinary Shareholders' Meeting was also convened at the end of 2021 by the Board of Directors with a view to distributing reserves.

2.1.2.5 Conditions for appointing directors, assessment of the skills and qualifications of independent members

The Board of Directors strives to have a balanced composition both in terms of the representation of women and men and the diversity of skills and experience of its members.

The Governance, Appointments and CSR Committee performs an analysis for each appointment based on an analysis grid that lists the different assessment criteria including the main areas of expertise sought by the Board for its candidates. This is an individual analysis while taking into account the collective skills within the Board. New appointments are approved by the European supervisor on the basis of a "fit and proper" analysis.

As part of the assessment of its operations, the Board of Directors considers that it brings together the skills required to perform its role and its missions. It has identified areas in which its investment will increase, including CSR, climate risk and export credit. It should be noted that in 2021, training was provided to all corporate officers on the compliance system, and more targeted training for some of them in the areas of risk management and regulatory aspects related to finance.

In addition, during the renewal of the governance bodies of Caisse Française de Financement Local in 2021, SFIL's Board of Directors, following the analysis of the Governance Appointments and CSR Committee on the integrity and skills of the members of CAFFIL's Supervisory Board, given a favorable opinion.

In accordance with the Afep/Medef Code, the Board of Directors, acting on the report of the Governance, Appointments and CSR Committee, reviewed the situation of each of its members with respect to the Code criteria. During the course of 2021, the Board concluded that four members of the Board, Brigitte Daurelle and Cathy Kopp as well as Eckhard Forst and Pierre Sorbets, are independent, *i.e.* one-third of independent members excluding the directors representing employees. With regard to Brigitte Daurelle and Pierre Sorbets, the review notably concerned a change of function and a new term of office. For Eckhard Forst, the analysis focused on the holding of Group bonds by the entity he manages.

Criteria*	Pierre Sorbets	Philippe Mills	Serge Bayard	Virginie Chapron du Jeu	Brigitte Daurelle	Laetitia Dordain	Caisse des Dépôts represented 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	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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 2021, the Board conducted a formal assessment of its operations and its specialized committees based on a questionnaire. The new survey, conducted with a largely renewed Board of Directors at the end of 2020, confirms the quality of SFIL's governance. Note the high level of satisfaction with SFIL's strategy in terms of knowledge, involvement of Board members and risk management. The two themes of CSR and climate risk management, which are considered to be considerably better taken into account, must nevertheless be strengthened. The Governance, Appointments and CSR Committee and then the Board of Directors have provided answers and justifications for the various areas in which improvements are expected.

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 members*	Number of meetings	Attendance rate
7	**Brigitte Daurelle** Olivier Fabas Eckhard Forst Frédéric Guillemin Fabienne Moreau Quentin de Nantes Pierre Sorbets	50%	5	94.3%

Name *of the Committee Chair*

** Excluding directors representing employees.*

In 2021, the Financial Statements Committee met five times. Before their approval by the Board of Directors, it examined the financial statements of SFIL and Caisse Française de Financement Local as of December 31, 2020 and June 30, 2021, as well as the related Statutory Auditors' reports. The Committee also reviewed the quarterly accounting position of SFIL and Caisse Française de Financement Local as of March 31, 2021, and September 30, 2021. It continued to monitor the organizational changes made to the process of preparing the accounting information to meet the needs of the Caisse des Dépôts for reporting consolidation packages. The Committee also gave its opinion on the SFIL Group's strategic plan for 2022-2026. It took note of the audit approach of the Statutory Auditors for 2022 and examined the conditions of their independence and their services rendered other than the Statutory Audits.

2.1.3.2 The Risks and Internal Control Committee

Number of members	Members	Proportion of independent members*	Number of meetings	Attendance rate
7	Brigitte Daurelle Olivier Fabas **Eckhard Forst** Cécile Latil-Bouculat Pierre Laurent Quentin de Nantes Pierre Sorbets	50%	6	97.6%

Name *of the Committee Chairman*

** Excluding directors representing employees.*

In 2021, the Risks and Internal Control Committee met six times. The first meeting of 2021 was specifically devoted to the review of the systems of the permanent and periodic control functions of SFIL and Caisse Française de Financement Local, in particular: risk mapping, 2021 permanent control plans including compliance, 2021 audit plan, adequacy of means and resources. 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 2021, in the presence of General Management and the operational functions concerned by the subjects presented, mainly consisted in examining the quarterly reports on risk monitoring, the results of permanent control plans, including compliance, the results of periodic controls and follow-up of the recommendations issued as part of these controls, the Pillar 3 report, the ICAAP and ILAAP reports, the preventive recovery plan, the risk appetite, the internal credit models, the results of the Statutory Auditors' interim review. The following were also presented for review: the Data Protection Officer's report, the update of the system governing the risk of money laundering and terrorist financing, the update of the loan decision policy, the 2021 climate risks roadmap, the update to the compensation policy and the functions considered as risk takers, the update of the new product policy, the 2020 reports on internal control, including one dedicated to the fight against money laundering and the financing of terrorism.

2.1.3.3 The Governance, Appointments and CSR Committee

Number of members	Members	Proportion of independent members*	Number of meetings	Attendance rate
4	Virginie Chapron du Jeu Brigitte Daurelle Frédéric Guillemin **Cathy Kopp**	**66.7%**	**4**	**87.5%**

Name *of the Committee Chair*

** Excluding directors representing employees.*

In 2021, the Governance, Appointments and CSR Committee met four times. In particular, during the review of the gender balance policy for the governing bodies, the Committee approved the medium-term target of a minimum rate of 40% of women on the executive management bodies of SFIL and CAFFIL.

At its meeting of April 6, the Committee examined the CSR report for 2020.

The Committee also reassessed and issued a positive opinion on the independence of the following directors of SFIL: Brigitte Daurelle, Cathy Kopp, Eckhard Forst and Pierre Sorbets. It also approved the change in the supervision of the Permanent Control and Periodic Control functions following the amendment to the *arrêté* of November 3, 2014. Lastly, it examined the results of the assessment of the operation of SFIL's Board of Directors and submitted proposals for improvements.

2.1.3.4 The Compensation Committee

Number of members	Members	Proportion of independent members*	Number of meetings	Attendance rate
4	Sandrine Barbosa Virginie Chapron du Jeu Brigitte Daurelle **Cathy Kopp**	**66.7%**	**2**	**100%**

Name *of the Committee Chair*

** Excluding directors representing employees.*

In 2021, the Compensation Committee met twice. The meetings were mainly devoted to the review of the compensation of the Chief Executive Officer and members of SFIL's Executive Committee. In addition, the Committee issued a favorable opinion on the payment in April 2021 of the 2020 variable compensation package proposed by General Management. Moreover, the Committee reviewed the results of the equal opportunity policy and the results of the gender equality index for 2020 (93/100 points). Lastly, the Committee validated the 2021 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 Code[(1)], 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 discrepancies between the Company's governance and the provisions of the Code are as follows:

Recommendations 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.
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 possibility of holding an executive session at the end of one of the Board of Directors' meetings has not been 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) *Document available on the website 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 2021 and constituting the compensation policy applicable to them.

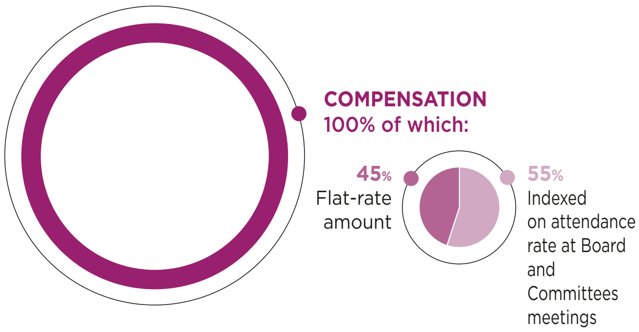
It is drawn up on the basis of the recommendations of the Afep/Medef Code, SFIL having made this choice whereas these recommendations specifically target companies whose shares are listed.

2.2.1 Principles and rules for determining compensation for the corporate officers

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



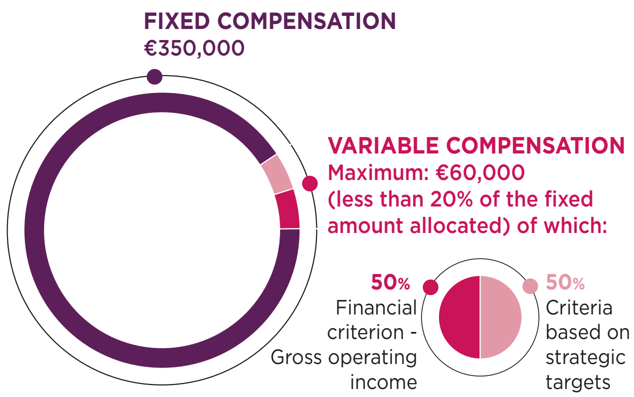
2.2.1.2 Compensation of the Chief Executive Officer

The compensation of the Chief Executive Officer includes a fixed portion and a variable portion. The whole package is proposed to the Board of Directors for decision. For the 2021 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.

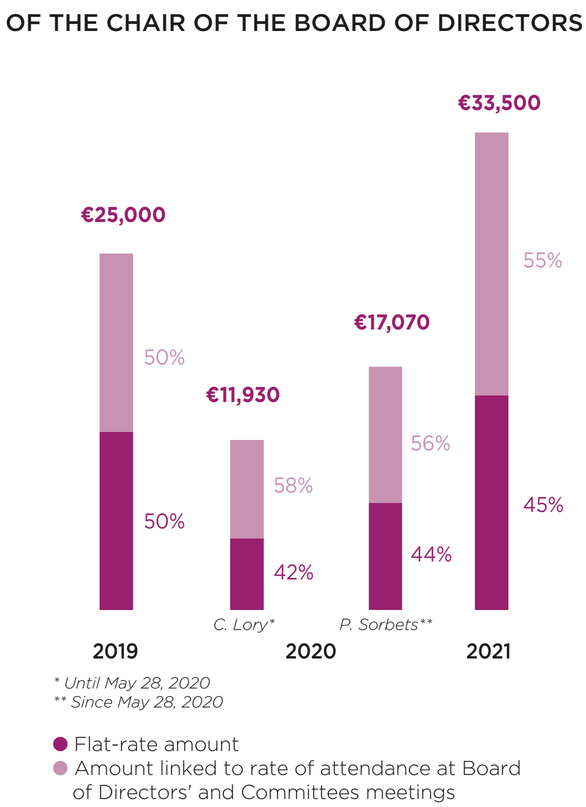
COMPENSATION STRUCTURE OF THE CHIEF EXECUTIVE OFFICER

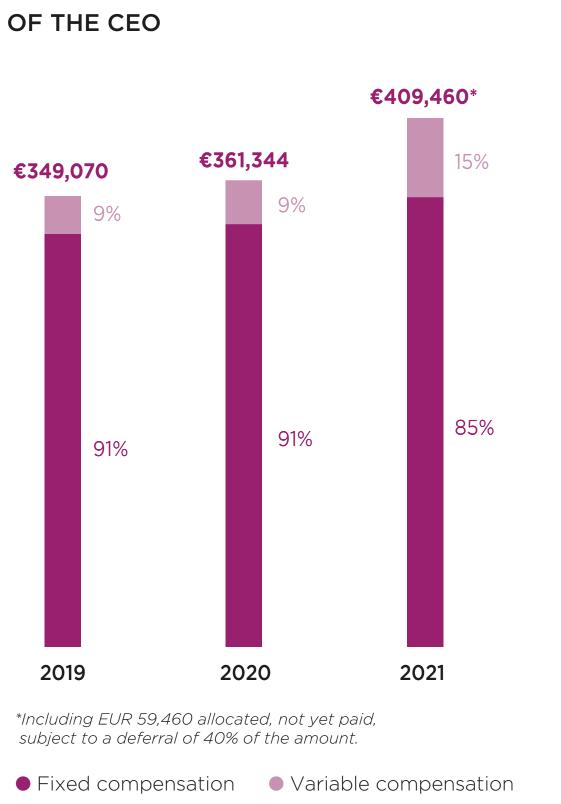
For the financial year 2021, the compensation of the Chief Executive Officer was set as follows:

- fixed compensation: EUR 350,000;
- maximum variable compensation: EUR 60,000 (less than 20% of the fixed amount awarded).



Change in compensation over the past three financial years





LEVEL OF ACHIEVEMENT BY OBJECTIVE

		2019	2020	2021
Financial criterion (GOI & Cost/income ratio)	Weight	50.0%	40.0%	40.0%
	Level of achievement	50.0%	40.0%	40.0%
Criteria for strategic objectives	Weight	50.0%	60.0%	60.0%
	Level of achievement	46.9%	50.25%	59.1%
Of which criteria on CSR objectives	Weight	6.0%	11.5%	13.0%
	Level of achievement	6.0%	11.5%	13.0%
Overall level of achievement of objectives	**Weight**	**100.0%**	**100.0%**	**100.0%**
	Level of achievement	**96.9%**	**90.25%**	**99.1%**

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 2020		**Financial year 2021**	
Pierre Sorbets Chairman of the Board of Directors	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 director and Chairman of the Board of Directors		17,070[1]	33,500	
Benefits in-kind				
TOTAL		**17,070**	**33,500**	

	Financial year 2020		**Financial year 2021**	
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		327,500		350,000
Gross variable compensation		33,844	59,460*	
Exceptional gross compensation				
Compensation allocated for term of office as Director				
Benefits in-kind				
TOTAL		**361,344**	**59,460***	**350,000**

** Spread of 40% over 4 years.*

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

(1) Appointment as Chairman of the Board of Directors during the 2020 financial year.

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;
- an additional EUR 15,000 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;
- EUR 1,000 per attendance at each specialized committee and per financial year, provided that the overall compensation package allocated by the Shareholders' Meeting is not exceeded, after payment of the amounts referred to above.

	Financial year 2020	Financial year 2021
Non-executive corporate officers	Gross amounts paid in respect of the financial year	Gross amounts paid in respect of the financial year
Jean-Pierre Balligand*	2,937.50(1)	/
Sandrine Barbosa**	/(2)	/(2)
Serge Bayard	10,625.00(3)	7,500.00(3')
Caisse des Dépôts**	5,812.50(4)	18,500.00(4)
Virginie Chapron du Jeu**	4,812.50(5)	12,500.00(5)
Gabriel Cumenge*	3,750.00(6)	/
Brigitte Daurelle**	16,810.79(7)	25,500.00(7)
Laetitia Dordain**	2,812.50(3')	7,500.00(3')
State*	14,687.50(8)	/
Virginie Fernandes*	9,687.50(9)	/
Eckhard Forst**	9,873.29(4)	19,500.00(4)
Frédéric Guillemin	/(2)	/(2)
Cathy Kopp	21,500.00(10)	17,500.00(10)
Cécile Latil-Bouculat**	/(2)	/(2)
Pierre Laurent**	3,812.50(11)	13,500.00(11)
Fabienne Moreau**	4,812.50(12)	10,250.00(12)
Quentin de Nantes**	5,812.50(9)	18,500.00(9)
Françoise de Panafieu*	4,875.00(10)	/
Pierre Sorbets	9,503.42(13)	(14)
TOTAL	**132,125.00**	**150,750.00**

** 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.
(3') Compensation paid to Caisse des Dépôts.
(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.
(14) See section 2.2.2 Compensation of executive corporate officers - Table 2.

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 the 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. It should be noted that, as indicated in the Management report, the conversion of the preferred shares into ordinary shares will be proposed to the Shareholders' Meeting of May 25, 2022.

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'État).

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

No transaction was brought to the attention of SFIL (see article 223-26 of the AMF General Regulations).

Agreements covered by article L.225-37-4-2° of the French Commercial Code

No convention subject to article L.225-37-4 2° of the French Commercial Code requires 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 Shareholders' Meeting called to approve the financial statements of the Company's financial year to end on December 31, 2024.

KPMG SA

Eqho Tower -2, avenue Gambetta -92066 Paris-La Défense Cedex (France)

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 Shareholders' 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.

#Objectif 2026

Developing the infrastructures of tomorrow

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IFRS Financial Statements

3.1 Financial Statements

3.1.1 Assets

EUR millions	*Note*	12/31/2020	12/31/2021
Central banks	*2.1*	1,932	3,961
Financial Assets at fair value throught profit or loss	*2.2*	4,266	3,518
Hedging derivatives	*4.1*	5,154	3,310
Financial Assets at fair value through equity	*2.3*	625	403
Financial Assets at amortized cost			
Loans and advances to banks at amortized cost	*2.4*	328	312
Loans and advances to customers at amortized cost	*2.4*	49,867	50,881
Securities at amortized cost	*2.4*	9,124	7,846
Fair value revaluation of portfolio hedge		2,842	1,988
Current tax assets	*2.5*	3	9
Deferred tax assets	*2.5*	79	73
Tangible assets	*2.6*	13	8
Intangible assets	*2.7*	26	23
Accruals and other assets	*2.8*	2,777	2,466
TOTAL ASSETS		**77,036**	**74,799**

3.1.2 Liabilities

EUR millions	*Note*	12/31/2020	12/31/2021
Central banks		-	-
Financial liabilities at fair value through profit or loss	*3.1*	1,037	762
Hedging derivatives	*4.1*	7,595	5,557
Financial liabilities at amortized cost			
Due to banks at amortized cost	*3.2*	-	-
Customer borrowings and deposits at amortized cost		-	-
Debt securities at amortized cost	*3.2*	64,398	65,250
Fair value revaluation of portfolio hedge		739	430
Current tax liabilities	*3.3*	5	3
Deferred tax liabilities	*3.3*	-	-
Accruals and other liabilities	*3.4*	1,572	1,088
Provisions	*3.5*	23	23
Subordinated debt		-	-
EQUITY		**1,667**	**1,686**
Capital		1,445	1,445
Reserves and retained earnings		204	215
Net result through equity		(26)	(50)
Net income		44	76
TOTAL LIABILITIES		**77,036**	**74,799**

3.1.3 Income Statement

EUR millions	*Note*	2020	**2021**
Interest income	*5.1*	2,472	2,259
Interest expense	*5.1*	(2,337)	(2,098)
Fee and commission income	*5.2*	19	8
Fee and commission expense	*5.2*	(2)	(3)
Net result of financial instruments at fair value though profit or loss	*5.3*	20	52
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*	7	17
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		1	0
Other expense		(0)	(0)
NET BANKING INCOME		**180**	**235**
Operating expenses	*5.6*	(94)	(97)
Depreciation and amortization of property and equipment and intangible assets	*5.7*	(18)	(18)
GROS OPERATING INCOME		**68**	**119**
Cost of risk	*5.8*	(6)	3
OPERATING INCOME		**62**	**122**
Net gains (losses) on other assets		-	(0)
INCOME BEFORE TAX		**62**	**122**
Income tax	*5.9*	(18)	(46)
NET INCOME		**44**	**76**
EARNINGS PER SHARE *(IN EUR)*			
• Basic		4.75	8.24
• Diluted		4.75	8.24

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3.1.4 Net income and unrealized or deferred gains and losses through equity

EUR millions	2020	**2021**
NET INCOME	**44**	**76**
Items that may subsequently be reclassified through profit or loss	**3**	**(25)**
Unrealized or deferred gains and losses of financial assets at fair value through equity	(0)	(0)
Unrealized or deferred gains and losses of cash flow hedges	4	(33)
Tax on items that may subsequently be reclassified through profit or loss	(1)	9
Items that may not be reclassified through profit or loss	**(0)**	**0**
Actuarial gains and losses on defined-benefit plans	(0)	0
Tax on items that may not subsequently be reclassified through profit or loss	0	(0)
TOTAL UNREALIZED GAINS OR LOSSES THROUGH EQUITY	**3**	**(25)**
NET INCOME AND GAINS OR LOSSES THROUGH EQUITY	**47**	**52**

3.1.5 Changes in equity

EUR millions	Capital and reserves			Unrealized or deferred gains and losses				
	Share capital, additional paid-in capital	Retained earnings and net income for the period	Total	Remeasurement gains (losses) related to post-employment benefit plans, after tax	Net change in fair value of financial assets at fair value through equity, after tax	Net change in fair value of cash flow hedging derivatives, after tax	Total	Total equity
EQUITY AS OF JANUARY 1, 2020	**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**
Stocks issued	-	-	-	-	-	-	-	-
Dividends	-	(33)	(33)	-	-	-	-	(33)
Changes in fair value of financial assets through equity	-	-	-	-	(0)	-	(0)	(0)
Changes in fair value of derivatives through equity	-	-	-	0	-	(25)	(24)	(24)
Changes in fair value of derivatives through profit and loss	-	-	-	-	-	-	-	-
Net income for the period	-	76	76	-	-	-	-	76
Other movements	-	-	-		-	-	-	-
EQUITY AS OF DECEMBER 31, 2021	**1,445**	**292**	**1,737**	**(1)**	**(0)**	**(50)**	**(50)**	**1,686**

3.1.6 Cash flow statement

EUR millions	12/31/2020	12/31/2021
NET INCOME BEFORE TAX	**62**	**122**
+/- Net depreciation and amortization of tangible and intangible fixed assets	18	18
+/- Depreciation and write-downs	13	(26)
+/- Expense/income from investing activities	(263)	428
+/- Expense/income from financing activities	(108)	(116)
+/- Other non-cash items	124	305
= Non-monetary items included in net income before tax and other adjustments	**(216)**	**609**
+/- Cash from interbank operations	(331)	77
+/- Cash from customer operations	(1,485)	(1,627)
+/- Cash from financing assets and liabilities	836	1,219
+/- Cash from not financing assets and liabilities	(499)	(814)
- Income tax paid	(56)	(56)
= Decrease/(increase) in cash from operating activities	**(1,535)**	**(1,201)**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(1,689)**	**(470)**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(3)**	**(2)**
+/- Cash from or for shareholders	-	(33)
+/- Other cash from financing activities	2,440	2,540
CASH FLOW FROM FINANCING ACTIVITIES (C)	**2,440**	**2,507**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	**-**	**-**
INCREASE/(DECREASE) IN CASH EQUIVALENTS (A + B + C + D)	**748**	**2,035**
CASH AND CASH EQUIVALENTS AT THE BEGINNING 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
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**1,960**	**3,995**
Cash and balances with central banks (assets & liabilities)	1,932	3,960
Interbank accounts (assets & liabilities) and loans/sight deposits	28	35
CHANGE IN NET CASH	**748**	**2,035**

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 condensed 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.

Group SFIL has furthermore voluntarily decided to use as from 2020 the new European Single Electronic Format (ESEF) format.

The consolidated financial statements as of December 31, 2021, were approved by the Board of directors on March 18, 2022.

Due to Covid-19 outbreak in 2020 and the widespread of health crisis in 2020 and 2021, 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.

The Group considers applying IFRS 9 transitional arrangements as regards hedge accounting starting from January 1, 2022. In this case, IFRS 9 standard would apply prospectively from this date to all of the Group's micro-hedging (FVH and CFH) relationships. Macro-hedging (PHE) relationships would keep being recognized under IAS 39 requirements, in accordance with the transitional arrangements stated by IFRS 9. A bimonthly steering committee was set up to coordinate this transition, in terms of accounting principles and choices, and of operational aspects and systems. This committee gathers members of the ALM and financial markets division, the financial planning and Accounting division, the technology and organization division, and the market risk division. The first time application (FTA) impacts are very limited: they relate to the accounting recognition of hedging relationships on credit export activity and would mostly stem from the choice considered by the Group to retrospectively apply an option introduced by IFRS 9 to export credit hedging relationships. This approach consists in applying the so-called "cost of hedging of foreign currency basis spread". Cross currency basis swaps used for export credit purposes are concerned. This approach enables to initially account for the fair value movement of hedging derivatives attributable to basis spread under a specific section of other comprehensive income. This reserve is recycled to profit or loss when the hedged cash flows impact profit or loss. The treatment applied until December 31, 2021 already consists in a recognition in other comprehensive income and an amortization through profit or loss: the only difference is the section used within other comprehensive income. Thus, there should be no overall impact on financial statements.

1.1.2 IASB and IFRIC texts endorsed by the European Union and effective as of January 1, 2021

- Amendments to **IAS 39 Financial instruments: recognition and measurement/IFRS 9 Financial instruments/IFRS 7 Financial instruments: disclosures:** issued by IASB on September 26, 2019, endorsed by the European Union on January 15, 2020 (Regulation (EU) N° 2020/34) and effective for reporting periods beginning on or after January 1, 2020 with early application permitted, these amendments complete "phase 1" of IASB's project and are intended to avoid that the uncertainty arising from interest rate benchmark reform results in an early discontinuation of hedging relationships. IASB aimed thus at mitigating the impacts of this global reform on the financial statements of entities. These amendments bring in exemptions as regards especially 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 the ones where uncertainties arise about the interest rate benchmark 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", IASB has finalized during the second semester of 2020 its works on how to account for the consequences of interest rate benchmark reform; such works have resulted in additional amendments (see below).
- 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 (Regulation (EU) 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 economic equivalence between the former and the new basis for determining those flows.

  The "phase 2" amendments (the one to IFRS 9 in particular) provide 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.

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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 Other comprehensive income 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 extend 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.

As a reminder, the Group has opted for an early application of the "phase 1" amendments from January 1, 2019, while it has not chosen early application of the "phase 2" amendments: the "phase 2" amendments have therefore been applied since January 1, 2021. In compliance with the provisions of the "phase 2" amendments, the first time application of these amendments has been made retrospectively; however, in compliance with the exceptions provided, the Group has opted for not restating the comparative period (2020). No first time application impact on opening equity (2021) has been recognized with regard to the "phase 2" amendments.

Broadly speaking, the impacts of the "phase 2" amendments on the Group's consolidated financial statements are for now relatively limited due to the low number of transitions to alternative benchmark rates to date. More specifically, the impacts of these amendments are the following:

- "Phase 2" amendment to IFRS 9 is applied by the Group, notably the practical expedient provided by this amendment;
- Regarding hedge accounting, "phase 1" amendment to IAS 39 is applied by the Group to hedging relationships that have yet to transition to alternative benchmark rates, while "phase 2" amendment to IAS 39 is applied to hedging relationships that are in the transition period;
- The Group discloses the qualitative and quantitative information required by "phase 1" and "phase 2" amendments to IFRS 7. Qualitative information is presented below, in the next paragraph. As for quantitative information, the required pieces of information are disclosed below in note 4.1: notably notional amounts of derivatives to which "phase 1" amendments are applied and, regarding "phase 2", outstanding principal amounts of non-derivative financial instruments, and notional amounts of derivatives that have yet to transition or that are not in the scope of the transition to alternative benchmark rates;
- The amendment to IFRS 4 has no impact on the Group's consolidated financial statements given that the latter does not have any insurance businesses;
- The amendment to IFRS 16 has no impact on the Group's consolidated financial statements given that the future variable payments of leases where the Group is the lessee are not indexed on rates affected by the reform.

The benchmark interest rates to which the Group is mainly exposed are EURIBOR, EONIA, LIBOR (USD, GBP, CHF) and less materially STIBOR 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 gathering all the departments involved within the bank, in particular the Finance and financial markets division, the Local Public Sector and Operations division, the Legal department and also the Risk division. This committee aims at reducing the risks arising from the transition, monitoring its effective implementation within the times and to follow-up on the industry's work on this matter. This committee oversees transition operations to contracts indexed on benchmark interest rate affected by the reform and is generally speaking responsible for ensuring a smooth transition towards alternative reference rates.

Without changing its risk management strategy, the Group has identified, in the context of the abovementioned committee, the risks to which it is exposed arising from financial instruments because of the transition to the new benchmark rates:

- litigation risk, arising from the renegotiation of legacy contracts (related, for instance, to the introduction of fallback provisions);
- market risk, arising from the outbreak of a basis risk between the various interest rate curves, from potential market disruption due to the various transitions, or from a potential liquidity stress during the transition on some market segments;
- operational risk, arising from the changes to information systems and processes;
- accounting risk, this risk might from a theoretical perspective result in some P&L volatility through ineffectiveness in the event that for example the hedged item and the hedging instrument of the same hedging relationship do not simultaneously transition towards alternative reference rates. Similarly, the outbreak of a basis risk between the various interest rate curves previously mentioned might also result in some P&L volatility. At this stage, such a volatility seems however to be immaterial.

In 2021, the Group has reinforced its access to derivatives markets of alternative reference rates. The Group has moreover pursued its negotiation efforts with its borrowers, its lenders and its derivatives counterparties in the objective of transitioning towards alternative reference rates or alternatively of inserting resilient fallback provisions. The Group has adhered to the ISDA Protocol covering those aspects. As a reminder, in 2020, in the context of the implementation of the IBOR reform, LCH clearing house changed the benchmark rate used both for discounting derivative instruments (discount rate) and for related cash collateral compensation: it was using EONIA and has been using €STER since that date. Value changes arising from switching discount rates led to cash compensation, in accordance with the market's practices.

As regards derivatives entered into by the Group that are not eligible to clearing houses, the same modification of the rate used for discounting derivative instruments (discount rate) and for related cash collateral compensation has been made with several counterparties in the year 2021. Regarding index rate, LCH clearing house transitioned from EONIA bto €STER during the fourth quarter of 2021; this replacement resulted in cash collateral being paid. Financial assets, financial liabilities and derivative contracts of the Group affected by the reform are presented in note 4.2.

1.1.3 IASB and IFRIC texts endorsed by the European Union or in the process of being endorsed but not yet applicable

- Amendment to **IFRS 16 Leases:** issued by the IASB in March 2021, endorsed by the European Union on August 30, 2021 (UE Regulation n° 2021/1421) and effective for reporting periods beginning on or after April 1, 2021 with early application permitted, this amendment provides for a one-year extension (until June 2022 instead of initially planned June 2021) for the provisions of the amendment issued par IASB in May 2020 and endorsed by the European Union on October 9, 2020 (EU regulation No. 2020/1434). As a reminder, 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 is expected to have no impact on the Group's consolidated financial statements, given that so far the latter, as a lessee, has not benefited from any rent concession from its lessors due to the Covid-19 pandemic.
- Amendment to **IFRS 3 Business combinations:** issued by the IASB in May 2020, endorsed by the European Union on June 28, 2021 (UE Regulation No. 2021/1080) 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.

  This amendment is expected to have no impact on the Group's consolidated financial statements, given that its 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, endorsed by the European Union on June 28, 2021 (UE Regulation No. 2021/1080) 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.

  This amendment is expected to have no impact on the Group's consolidated financial statements, given that the latter does not account for any proceeds that relate to items produced by assets under construction.
- Amendment to **IAS 37 Provisions, contingent liabilities and contingent assets:** issued by the IASB in May 2020, endorsed by the European Union on June 28, 2021 (UE Regulation No. 2021/1080) 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.

  This amendment is expected to have no impact on the Group's consolidated financial statements, given that the latter is not a party of an onerous contract.
- 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, endorsed by the European Union on June 28, 2021 (UE Regulation No. 2021/1080) 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 1 is not applicable to the Group's consolidated financial statements. The amendments to IAS 41 and IFRS 16 will have no impact on the Group's consolidated financial statements. The amendment to IFRS 9 will have no impact on the Group's consolidated financial statements, given that the latter already takes into account all the fees exchanged between the borrower and the lender, excluding those exchanged with third parties, for the purpose of the "10 per cent" test.
- Amendment to **IAS 1 Presentation of financial statements:** issued by IASB in January 2020, not yet endorsed by the European Union and initially effective for reporting periods beginning on or after January 1, 2023 with potential postponement to January 1, 2024, and with early application permitted, 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 assets and liabilities based on a liquidity criterion, as most credit institutions do.

- **IFRS 17 Insurance contracts:** issued by IASB in May 2017, amended by IASB in June 2020, endorsed by the European Union on November 23, 2021 (UE Regulation No. 2021/2036) 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 and as the European Union has not endorsed it, the impacts of this standard on the Group's consolidated financial statements will be analyzed at a later stage.

- Amendment to **IAS 8 Accounting policies, changes in accounting estimates and errors:** issued by IASB in February 2021, endorsed by the European Union on March 2, 2022 (UE Regulation No. 2022/357) and effective for reporting periods beginning on or after January 1, 2023 with early application permitted, this amendment modifies the definition of "accounting estimates" so as to being able to better distinguishing between a change in an accounting estimate and the correction of an error.

  Given the distant date of application and as the European Union has not endorsed it, the impacts of this amendment on the Group's consolidated financial statements will be analyzed at a later stage.

- Amendment to **IAS 1 Presentation of financial statements:** issued by IASB in February 2021, not yet endorsed by the European Union and effective for reporting periods beginning on or after January 1, 2023 with early application permitted, this amendment specifies that entities must from now on provide information on "material accounting policy information" rather than on "significant accounting policies". Additional information has also been provided in order to help entities to assess the materiality of the information to be disclosed as regards accounting policies.

  Given the distant date of application and as the European Union has not endorsed it, the impacts of this amendment on the Group's consolidated financial statements will be analyzed at a later stage.

- Amendment to **IAS 12 Income taxes:** issued by IASB in May 2021, not yet endorsed by the European Union and effective for reporting periods beginning on or after January 1, 2023 with early application permitted, this amendment requires to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This narrows the scope of application of the initial recognition exception specified under IAS 12. In-scope transactions mainly comprise leases for the lessee and decommissioning obligations.

  Given the distant date of application and as the European Union has not endorsed it, the impacts of this amendment on the Group's consolidated financial statements 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 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. Controlled entities 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 Other comprehensive income 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 asset or liability denominated in a foreign currency.

1.2.4 Trade date and settlement date accounting

All purchases and sales of financial assets are recognized on 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-run loans granted by La Banque Postale;
- refinancing export credit contracts covered by Bpifrance 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. These 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 acquire, incur 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 the ones 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 only 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 considered with the ones 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 is compliant with both of the tow following conditions:

- this financial asset is held within a business model, objective of which is to hold financial assets in the purpose of collecting contractual cash flows (HTC 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 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 Other comprehensive income

A financial asset is classified and subsequently measured at fair value through the item Other comprehensive income if it is compliant with both of the two following 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 Other comprehensive income) 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 Other comprehensive income. 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 incomes generated by these assets are determined using an effective interest rate that embeds 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 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 for the Group without incurring undue cost or making undue effort, in particular qualitative and quantitative information on past events (use of historic metrics), on 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) year-to-year migrations towards risk levels regarded as risky (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 account, if applicable;
- it presents an arrear in payment past due 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 previously described 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 the one 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, which means that the Group has refrained the enforcement of its rights towards counterparty facing financial difficulties;
- it presents arrears in payment past due 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 experimented or is to experiment a rating migration regarded as risky in the forward-looking scenarios. The rating migrations regarded as risky have been assessed on the basis of a statistical analysis using historical data and complemented by the use of expert judgment.

If none of the situations detailed above has occurred, the 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 in Default Committee and is conditional to 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 simultaneously being in “default” in the meaning of the CRR;
- for the 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.

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 upon either projections realized by the credit risk direction, or quantitative studies.

In the case of French local authorities, the main hypothesis as well as the scenarios and their weighting are presented below. The hypothesis of these scenarios are regularly updated and have in particular been adapted so as to take into account the impacts of Covid-19 pandemic. Two types of hypothesis are used to model macro-budgetary variables:

- operating revenue and expenses;

- investment revenue and expenses. As regards investment expenses, their evolution is more and more influenced by the electoral cycle and the planned climate-related investments.

Three scenarios are therefore built:

- a base scenario (weighted at 60%) that foresees an evolution of local authorities accounts through an increase in operating revenue slightly more dynamic than that of operating expenses, which entails a significant increase in gross and net savings.
- an upside scenario (weighted at 15%) that deviates from the base scenario through more favorable macroeconomic hypothesis (GDP evolution, inflation and unemployment), a lower indexation of staff expenses on GDP growth and a stronger increase in State endowments.
- a downside scenario (weighted at 25%) that deviates from the base scenario through less favorable macroeconomic hypothesis (GDP evolution, inflation and unemployment), freeze on State endowments and steady volume overhead costs despite the contraction in GDP and a stronger increase in intervention expenditures.

The impact of changing weights between the three scenarios on the amounts of expected credit losses is deemed very limited. As an illustration, as of December 31, 2021, the following table presents the accounted ECL (EUR 59,1 million) and the unweighted ECL of the three scenarios. The respective weights of each scenario and the detail of macro-budgetary variables used are also specified.

Scenarios	Weight	Macro-budgetary variables	Var. 2021/2022	Var. 2022/2023	Var. 2023/2024	Unweighted ECL *(in EUR millions)*	Weighted ECL *(in EUR millions)*
Base	**60%**	Carrying debt as of 12/31/2021	(0.5)%	0.7%	1.0%	**58.4**	**59.1**
		Deleveraging capacity (in years)	4.5	4.4	4.4		
		Leveraging ratio (in % of AOE)	76.3%	75.3%	74.6%		
		Gross savings ratio (in % of AOE)	16.8%	16.9%	17.1%		
Downside	**25%**	Carrying debt as of 12/31/2021	1,1%	3,2%	4,1%	**60.7**	
		Deleveraging capacity (in years)	5.2	5.6	5.9		
		Leveraging ratio (in % of AOE)	79.9%	82.3%	85.2%		
		Gross savings ratio (in % of AOE)	15.5%	14.8%	14.4%		
Upside	**15%**	Carrying debt as of 12/31/2021	(1.7)%	(1.5)%	(1.8)%	**57.6**	
		Deleveraging capacity (in years)	4.2	3.9	3.6		
		Leveraging ratio (in % of AOE)	74.9%	71.9%	68.8%		
		Gross savings ratio (in % of AOE)	17.7%	18.4%	19.0%		

AOE: actual operating expenses.

For the contracts classified in Stage 1 or Stage 2, the 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 the contracts classified in Stage 1 and on the residual lifetime horizon for the 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 grouping with own-source tax revenue, given that this portfolio is the most material for the Group. These calculations have been performed by taking the following steps:

- a migration through-the-cycle matrix is built upon available historical data;
- it is then distorted to derive point-in-time PD as well as migration point in time matrix;
- the latter is used in the scenarios, taking into account forward-looking information.

For the contracts classified in Stage 3, the expected credit losses are computed according to two different methodologies depending on the type of counterparty:

- as regards local authorities and inter-municipal grouping with own-source tax revenue, the methodology is the same as for Stages 1 and 2. PD is set at 100% (recognized default) and a "Default" LGD model has been developed;
- as regards other counterparties, 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 efficiency of the framework of expected credit losses calculation under IFRS 9; they encompass data quality, portfolio structure and expectations quality.

Recognizing the impairment

Positive and negative variations of 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 when and only when 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 Other comprehensive income, cumulative gains or losses previously recognized in equity are, applying FIFO method, reversed in profit or loss on disposal, under the item of the net banking income used for recognizing the net gains and losses of this category.

Case of repos and reverse repos operations

Sold securities that are subject to 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 maturity 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 is included within the gain or the loss realized on derecognition.

In the case of a prepayment without refinancing, the loan does not exist any loner 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 in particular the case in one 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 are from now compliant with the SPPI criterion (while they were not originally) or because they are not any longer (while they were originally);
- the net present value of the cash flows under the new conditions, including any fees paid net of any fees received, is more than 10% different 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; 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 restructured margin of the loan over its original margin: it is immediately recognized in profit or loss of the reporting period, within the net interest margin. Furthermore, for financial assets measured at amortized cost or at fair value through the item Other comprehensive income, 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; 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 restructured margin of the 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 the 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 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 when and only when 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 then are 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 unique 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 closing date; they are:

- the ones which failed hedge effectiveness tests at closing date;
- the ones which hedge financial assets that are measured at fair value through profit or loss. It comprises mainly the financial assets that are not compliant with the SPPI criterion. In this case, the revaluation of the derivative hedges natively the revaluation of the hedged risk of the hedged item, making pointless the documentation of a hedging relationship;
- the ones which 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 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 closing date, are recognized in profit or loss within the 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 future cash flows that might eventually impact the 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, 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 reevaluating 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 when or as 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 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 orderly transaction between market 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 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 other comprehensive income 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 discounted cash flows method, using as much as possible observable, 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). Value adjustment allows switching from a fair value based on cash flows discounted at risk-free rate, *i.e.* without considering credit risk, into 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 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 remeasurements of financial assets measured at fair value through other comprehensive income and cash flow hedges, and other operations which are charged or credited directly to other comprehensive income, are also charged or credited to 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 non-cancellable, 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 or to reduce the lease duration, 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 when and only when:

- 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.

3

Regarding loan commitments, the followings must be distinguished (see above):

- loan commitments measured at fair value through profit or loss: they are fully in the scope of IFRS 9. Therefore, they are not impaired for expected credit losses but valued and their valuation is recognized on the asset 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 the ones related to financial assets measured at amortized cost or fair value through other comprehensive income. 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 letter of loan offer. Besides, related loss allowances are recognized on the liability 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.

Remeasurements 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 withdrawn.

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 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 French State. Within this framework, related-party transactions are those with companies owned directly or indirectly by the same final shareholders, in particular the subsidiaries of Caisse des Dépôts group, and with directors.

1.2.19 Segment reporting

The Group's unique 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

	12/31/2020	12/31/2021
Mandatory reserve deposits with central banks	-	-
Other deposits	1,932	3,961
TOTAL	**1,932**	**3,961**

2.2 Financial assets at fair value through profit or loss

2.2.1 Analysis by nature

	12/31/2020	12/31/2021
Loans and advances to customers	4,243	3,514
Non Hedging derivatives[1]	22	4
TOTAL	**4,266**	**3,518**

(1) SFIL Group 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 of loans and advances to customers analysis by counterparty

	12/31/2020	12/31/2021
Public sector	3,839	3,157
Other – guaranteed by a State or local government	404	357
TOTAL	**4,244**	**3,514**

2.3 Financial assets at fair value through equity

2.3.1 Analysis by nature

	12/31/2020	12/31/2021
Stocks	-	-
Bonds	625	403
TOTAL	**625**	**403**

2.3.2 Analysis by counterparty

	12/31/2020	12/31/2021
Public sector	123	22
Credit institutions	502	381
TOTAL	**625**	**403**

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

	12/31/2020										
	Gross amount				Impairment						
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net carrying amount	Accumulated partial write-offs	Accumulated total write-offs
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**	**-**	**-**

	12/31/2021										
	Gross amount				Impairment						
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net carrying amount	Accumulated partial write-offs	Accumulated total write-offs
Sight accounts	15	-	-	15	-	-	-	-	15	-	-
Credit institutions	298	-	-	298	(0)	-	-	(0)	298	-	-
LOANS AND ADVANCES TO BANKS AT AMORTIZED COST	**312**	**-**	**-**	**312**	**(0)**	**-**	**-**	**(0)**	**312**	**-**	**-**
Public sector	44,787	1,586	371	46,744	(3)	(14)	(5)	(22)	46,722	-	-
Non financial institutions	1,257	2,913	0	4,170	(0)	(10)	(1)	(11)	4,159	-	-
LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST	**46,044**	**4,499**	**371**	**50,914**	**(4)**	**(24)**	**(6)**	**(33)**	**50,881**	**-**	**-**
Public sector	5,252	1,327	4	6,582	(4)	(12)	(0)	(15)	6,567	-	-
Credit institutions	1,280	-	-	1,280	(0)	-	-	(0)	1,279	-	-
Non financial institutions	-	-	-	-	-	-	-	-	-	-	-
BONDS AT AMORTIZED COST	**6,531**	**1,327**	**4**	**7,862**	**(4)**	**(12)**	**(0)**	**(16)**	**7,846**	**-**	**-**
TOTAL	**52,888**	**5,825**	**375**	**59,088**	**(8)**	**(35)**	**(6)**	**(49)**	**59,039**	**-**	**-**

The breakdown of financial assets at amortized cost by Stage at December 31, 2021 has not changed significantly compared to December 31, 2020. The associated impairments also changed slightly compared to December 31, 2020. As a reminder, it was decided during the year 2020 and in the context of the Covid-19 health crisis, to record all exposures concerning the cruise sector on the watchlist and consequently to transfer them from Stage 1 to Stage 2. This downgrading was accompanied by an increase in the impairments relating to these balance sheet exposures (see note 8).

The SFIL Group's forborne outstandings correspond to the exposure of contracts on which concessions have been granted due to the debtor's financial difficulties (actual or future), which would not have been granted otherwise. These concessions may be waivers of receivables, deferred payments or restructuring subject to an amendment to the contract; they can also be granted during a total or partial refinancing subject to a new contract, including within the framework of the policy of desensitization.

The number of forborne contracts thus amounted to 92 as of December 31, 2021, carried by 71 borrowers, for a total risk exposure of EUR 371 million.

2.5 Tax assets

	12/31/2020	12/31/2021
Current income tax	2	8
Other taxes	1	1
CURRENT TAX ASSETS	**3**	**9**
DEFERRED TAX ASSETS (SEE NOTE 4.3)	**79**	**73**
TOTAL TAX ASSETS	**82**	**81**

Deferred tax assets were submitted to a recoverability test taking into account the business plans presented to the Supervisory Board according to realistic hypotheses. Deferred taxes as of December 31, 2021, 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, 2021, SFIL has no deferred tax assets related to carry forward tax losses.

In addition, SFIL takes into account the legislative measures designed to reduce the corporate income tax rate to 25.83% from 2022.

2.6 Tangible assets

	Equipment & Fixtures	Construction work in progress	IFRS 16	Total
NET CARRYING AMOUNT AS OF 12/31/2020	**5**	**1**	**7**	**13**
Acquisitions	1	0	-	1
Valuation/increases	-	-	(0)	(0)
Cancellations	-	(0)	-	(0)
Transfers	-	(1)	-	(1)
Sales	(0)	-	-	(0)
Depreciation and impairments	-	-	-	-
Amortizations	(2)	-	(3)	(5)
NET CARRYING AMOUNT AS OF 12/31/2021	**4**	**0**	**4**	**8**

2.7 intangible assets

	Software	Internally developed assets	Construction work in progress	Total
NET CARRYING AMOUNT AS OF 12/31/2020	**2**	**19**	**4**	**26**
Acquisitions	0	7	6	14
Valuation/increases	-	-	-	-
Cancellations	-	-	(0)	(0)
Transfers	-	-	(4)	(4)
Sales	-	-	-	-
Depreciation and impairments	-	-	-	-
Amortizations	(1)	(12)	-	(13)
NET CARRYING AMOUNT AS OF 12/31/2021	**2**	**15**	**6**	**23**

2.8 Accruals and other assets

	12/31/2020	12/31/2021
Cash collateral paid	2,575	2,219
Other accounts receivable	2	4
Prepaid charges	177	222
Other assets	23	20
TOTAL ACCRUALS AND OTHER ASSETS	**2,777**	**2,466**

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

	12/31/2020	12/31/2021
Non hedging derivatives(1)	1,037	762
TOTAL	**1,037**	**762**

(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

	12/31/2020	12/31/2021
Current account	-	-
Term deposits	-	-
SUB-TOTAL DUE TO CREDIT INSTITUTIONS AT AMORTIZED COST	**-**	**-**
Certificates of deposit(1)	1,571	798
Euro medium term notes(1)	7,735	9,289
Obligations foncières	47,270	47,826
Registered covered bonds	7,822	7,337
SUB-TOTAL DEBT SECURITIES AT AMORTIZED COST	**64,398**	**65,250**
TOTAL	**64,398**	**65,250**

(1) By contrast with obligations foncières and registered covered bonds, these bonds do not benefit from the legal privilege.

3.3 Tax liabilities

	12/31/2020	12/31/2021
Current income tax	2	-
Other taxes	3	3
CURRENT TAX LIABILITIES	**5**	**3**
DEFERRED TAX LIABILITIES (SEE NOTE 4.3)	**-**	**-**
TOTAL TAX LIABILITIES	**5**	**3**

3.4 Accruals and other liabilities

	12/31/2020	12/31/2021
Cash collateral received	1,426	953
Other accrued charges	32	34
Deferred income	-	-
Contribution to support fund(1)	80	70
Other accounts payable and other liabilities	34	31
TOTAL	**1,572**	**1,088**

(1) The item corresponds the residual balance of the commitment SFIL 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

	12/31/2020	Additions, including increases in existing provisions	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	12/31/2021
Commitments and guarantees given	12	1	-	(2)	-	-	11
Provision on pensions	8	1	-	(0)	(0)	-	8
Other provisions[(1)]	3	1	-	-	-	-	4
TOTAL	**23**	**3**	**-**	**(3)**	**(0)**	**-**	**23**

(1) As a reminder, in the context of the health crisis and its consequences for the cruise industry, Caisse Française de Financement Local decided, during 2020, to set up a provision of EUR 2.6 million for risks on the foreign exchange hedging instruments used to refinance dollar-denominated export credits in this sector. In 2021, Caisse Française de Financement Local decided to increase the amount of this provision by EUR 1.3 million given that the health context during the year continued to impact the cruise sector (see Note 8).

Note 4 Other notes on the balance sheet *(EUR millions)*

The hedging derivatives below are part of the SFIL Group's risk policy detailed in the management report (see 1.7.2.3 and 1.7.2.4).

4.1 Derivatives

4.1.1 Analysis by nature

	12/31/2020		12/31/2021	
	Assets	Liabilities	Assets	Liabilities
DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS[(1)]	**22**	**1,037**	**4**	**762**
Derivatives designated as fair value hedges	4,338	5,011	2,720	3,644
Derivatives designated as cash flow hedges	(6)	71	(8)	145
Derivatives designated as portfolio hedges	823	2,515	601	1,771
HEDGING DERIVATIVES	**5,155**	**7,597**	**3,313**	**5,560**
CVA/DVA IMPACT	**(1)**	**(2)**	**(2)**	**(3)**
TOTAL DERIVATIVES	**5,176**	**8,631**	**3,314**	**6,319**

(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

	12/31/2020				
	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**

	12/31/2021				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	497	526	(29)	0	3
Interest rate derivatives	2,848	2,848	-	4	759
TOTAL	**3,345**	**3,374**	**(29)**	**4**	**762**

4.1.3 Detail of derivatives designated as fair value hedges

	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**

	12/31/2021				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	4,181	4,331	(149)	114	284
Interest rate derivatives	61,706	61,690	17	2,606	3,360
TOTAL	**65,888**	**66,020**	**(133)**	**2,720**	**3,644**

4.1.4 Detail of derivatives designated as cash flow hedges

	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**

	12/31/2021				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	2,895	2,945	(50)	(8)	145
Interest rate derivatives	-	-	-	-	-
TOTAL	**2,895**	**2,945**	**(50)**	**(8)**	**145**

	12/31/2020	12/31/2021
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

	12/31/2020				
	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**

	12/31/2021				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Interest rate derivatives	38,429	38,424	5	601	1,771
TOTAL	**38,429**	**38,424**	**5**	**601**	**1,771**

4.2 Financial instruments broken down by type of index rate including those impacted by the benchmark interest rate reform

The table below shows the breakdown by benchmark index of financial assets and liabilities as well as derivatives affected by the benchmark interest rate reform, whether or not they have been migrated to the new indices. The amendments to IFRS 9, IAS 39 and IFRS 7, which allow exemption from certain requirements in terms of hedge accounting as part of this reform, were applied, when the conditions were met, to maintain the impacted hedging relationships. For the sake of completeness, this table also lists the financial instruments that are not affected by the reform.

	Exposures as of 12/31/2020			Exposures as of 12/31/2021		
	Outstanding amount		Net notional amount	Outstanding amount		Net notional amount
Current benchmark interest rate	Financial assets (excluding derivatives)	Financial liabilities (excluding derivatives)	Derivatives	Financial assets (excluding derivatives)	Financial liabilities (excluding derivatives)	Derivatives
INTEREST RATES BENCHMARK AFFECTED BY THE REFORM						
EONIA	631	124	(5,125)	569	-	-
LIBOR CHF	223	-	(214)	222	-	(212)
LIBOR GBP	32	-	(330)	76	-	(364)
LIBOR USD	240	-	(2,044)	409	-	(1,663)
STIBOR	17	-	(17)	17	-	(17)
INTEREST RATES BENCHMARK NOT AFFECTED BY THE REFORM						
SONIA	-	-	-	-	-	(185)
EURIBOR	10,816	984	138	9,595	972	1,514
€STER	-	30	3,601	14	125	(2,406)
FIXED RATE	45,820	56,151	4,184	47,401	59,118	3,528
OTHERS	102	2,205	(435)	104	2,075	(402)
TOTAL	**57,881**	**59,494**	**(242)**	**58,406**	**62,289**	**(206)**

In 2020, the amount of assets, liabilities and derivatives against €STER relate only to contracts initially entered into against this benchmark index.

In 2021, transactions against EONIA all switched to €STER. The remaining financial assets against EONIA correspond to a portfolio of loans with a TAM/TAG interest rate. The calculation of this interest rate will refer to €STER from January 1, 2022.

The financial assets and derivatives indexed to LIBOR and STIBOR at December 31, 2021 should be subject to a transition to the new benchmark indices in 2022 and 2023.

4.3 Deferred taxes

Deferred tax assets and liabilities are netted out when they concern the same tax entity.

4.3.1 Analysis by nature

	12/31/2020	12/31/2021
Deferred tax assets before impairment	79	73
Impairment on deferred tax assets	-	-
DEFERRED TAX ASSETS	**79**	**73**
DEFERRED TAX LIABILITIES	**-**	**-**
TOTAL	**79**	**73**

4.3.2 Movements

	12/31/2020	12/31/2021
AS OF JANUARY 1	**70**	**79**
Charge/credit recognized in the income statement	6	(3)
Effect of change in tax rates – impact on the income statement(1)	-	(12)
Movements directly recognized in equity	5	9
Effect of change in tax rates – impact on equity	-	-
Translation adjustment	-	-
Tax audit effects	-	-
Other movements	(2)	-
AS OF DECEMBER 31	**79**	**73**

Group SFIL took into account the legislative measures designed to reduce the corporate income tax rate to 25,83% from 2022

4.3.3 Deferred taxes from assets on the balance sheet

	12/31/2020	12/31/2021
Loans and loan loss provisions	946	(975)
Securities	(282)	(265)
Derivatives	(352)	9
Accruals and other assets	14	(1)
TOTAL	**326**	**(1,232)**

4.3.4 Deferred taxes from liabilities on the balance sheet

	12/31/2020	12/31/2021
Borrowings, deposits and issues of debt securities	(250)	737
Derivatives	-	541
Provisions	4	7
Accruals and other liabilities	(1)	20
TOTAL	**(247)**	**1,305**

4.4 Transactions with related parties

4.4.1 Analysis by nature

	Parent company[1]		Other related parties[2]	
	12/31/2020	12/31/2021	12/31/2020	12/31/2021
ASSETS				
financial assets at fair value through profit or loss	-	-	0	-
Hedging derivatives	-	-	17	-
Financial assets at fair value through equity	116	115	95	66
Loans and advances to banks at amortized cost	-	-	-	-
Securities at amortized cost	-	-	148	-
Accruals and other assets	1	1	2	1
LIABILITIES				
Hedging derivarives	-	-	14	-
Due to banks	-	-	-	-
Debt securities at amortized cost	-	-	880	383
Accruals and other liabilities	-	-	3	0
INCOME STATEMENT				
Interest income	-	(0)	5	0
Interest expense	(2)	(2)	(38)	(15)
Fee and commission income	-	-	4	4
Fee and commission expense	-	-	-	(0)
Net result of financial assets ar fair value through profit or loss	0	(1)	27	16
Net result of financial assets ar fair value through equity	-	-	-	-
Gains or losses resulting from derecognition of financial instruments at amortized cost	-	-	(4)	-
Other income	-	-	1	0
Other expense	-	-	-	-
Operating expenses	(0)	-	1	(0)
Cost of risk	0	0	0	0
OFF-BALANCE SHEET				
Foreing exchange derivatives	-	-	-	-
Interest rate derivatives	-	-	245	-
Financing commitments received	4,000	4,000	1,500	1,000
Financing commitments given	-	-	-	-

(1) This item includes transactions with Caisse des Dépôts, the parent company of SFIL.
(2) This item includes transactions with La Banque Postale and Bpifrance, subsidiaries of Caisse des Dépôts group.

4.5 Unrealized or deferred gains and losses, breakdown

	12/31/2020	12/31/2021
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	**(34)**	**(67)**
Unrealized gains and losses on employee benefits plan	**(2)**	**(2)**
TOTAL	**(35)**	**(68)**
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	9	17
Deferred taxes on gains and losses, on employee benefits plan	0	0
TOTAL AFTER TAXES	**(26)**	**(50)**

Note 5 Notes to the income statement *(EUR millions)*

5.1 Interest income – interest expense

SFIL 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.

	2020			2021		
	Income	Expense	Net	Income	Expense	Net
Loans/loans with credit institutions	-	-	-	-	-	-
Loans/loans with customers	135	-	135	110		110
Derivatives outside the hedging relationship	28	(151)	(123)	27	(130)	(103)
FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**163**	**(151)**	**12**	**137**	**(130)**	**7**
Hedging derivatives	1,338	(1,124)	214	1,206	(1,081)	125
HEDGING DERIVATIVES	**1,338**	**(1,124)**	**214**	**1,206**	**(1,081)**	**125**
Securities	1	-	1	1	-	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**1**	**-**	**1**	**1**	**-**	**1**
Central bank accounts	-	(6)	(6)	-	(4)	(4)
Accounts and loans with credit institutions	35	(45)	(10)	33	(58)	(25)
Accounts and loans with customers	785	-	785	732	-	732
Securities	150	(1,011)	(861)	150	(824)	(674)
Other	-	(0)	(0)	-	-	-
FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST	**970**	**(1,062)**	**(92)**	**915**	**(886)**	**28**
TOTAL	**2,472**	**(2,337)**	**135**	**2,259**	**(2,098)**	**161**

Income and expenses, measured using the effective interest rate method were EUR 916 million and EUR (886) million respectively in 2021 and EUR 971 million and EUR (1,062) million in 2020.
Negative interest paid by SFIL on financial instruments in assets represents EUR 25 million and negative interest received by SFIL on financial instruments in liabilities represents EUR 11 million.

5.2 Fees and commissions

	2020	2021
LBP servicing commission received	4	4
Other commissions[(1)]	13	0
TOTAL	**17**	**5**

(1) In 2020, this line includes a commission on financial instruments received as part of a hedging derivative allocation transaction.

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 revaluation of the assets and liabilities registered in relation to the hedge.

	2020	2021
Net result on financial assets or liabilities at fair value through profit or loss	14	58
Net result of hedge accounting	5	(6)
Net result of foreign exchange transactions	1	(1)
TOTAL	**20**	**52**

Analysis of net result of hedge accounting

	2020	2021
FAIR VALUE HEDGES	**3**	**(5)**
Fair value changes in the hedged item attributable to the hedged risk	211	523
Fair value changes in the hedging derivatives	(208)	(528)
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	**3**	**(1)**
Fair value changes in the hedged item	300	(455)
Fair value changes in the hedging derivatives	(297)	454
CVA/DVA IMPACT	**(1)**	**0**
TOTAL	**5**	**(6)**

5.4 Net result of financial instruments at fair value through equity

	2020	2021
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

	2020	2021
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	11	17
Net result of disposals or prepayments of due to banks at amortized cost	(4)	(0)
Net result of disposals or prepayments of debt securities at amortized cost	0	-
TOTAL	**7**	**17**

Detail of on derecognition of assets and liabilities at amortized cost

	2020		2021	
	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	47	3	111	7
Restructuring of loans and advances to customers[1]	1,294	8	2,417	10
Net result of disposals or prepayments of loans and advances to customers at amortized cost	**1,341**	**11**	**2,528**	**17**
SUB-TOTAL ASSETS	**1,341**	**11**	**2,528**	**17**
Prepayments of debt to banks	332	(4)	-	-
Net result of prepayments of debt to banks at amortized cost	**332**	**(4)**	**-**	**-**
Prepayments of debt securities	7	0	-	-
Net result of prepayments of debt securities at amortized cost	**7**	**0**	**-**	**-**
SUB-TOTAL LIABILITIES	**339**	**(4)**	**-**	**-**
TOTAL		**7**		**17**

(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 Bpifrance AE in the name, on behalf and under the control of the French Republic. Impacts on the result on this line are mostly associated with the activity of restructuring loans to local public sector customers, which lead to the upfront recognition of income in accordance with the principles of IFRS standards (see note 1.2.5.8).

5.6 Operating expenses

	2020	2021
Payroll costs	(50)	(52)
Other general and administrative expenses	(30)	(31)
Taxes	(14)	(14)
TOTAL	**(94)**	**(97)**

5.7 Depreciation and amortization, property and equipment and intangible assets

	2020	2021
Depreciation and amortization on tangible assets	(2)	(2)
Depreciation and amortization on intangible assets	(12)	(13)
IFRS 16 impact	(3)	(3)
TOTAL	**(17)**	**(18)**

5.8 Cost of risk

	2020				
Specific Impairment	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)**

	2021				
Specific Impairment	January 1	Allocations	Reversals	Losses	December 31
Stage 1	(0)	(0)	-	-	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**(0)**	**(0)**	**-**	**-**	**(0)**
Stage 1	(0)	(0)	0	0	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
LOANS AND ADVANCES TO BANKS AT AMORTIZED COST	**(0)**	**(0)**	**0**	**0**	**(0)**
Stage 1	(5)	(2)	7	(4)	(4)
Stage 2	(23)	(7)	3	3	(24)
Stage 3	(7)	(2)	3	1	(6)
LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST	**(33)**	**(11)**	**13**	**0**	**(33)**
Stage 1	(4)	(0)	1	(0)	(4)
Stage 2	(13)	(1)	2	0	(12)
Stage 3	(0)	(0)	-	-	(0)
BONDS AT AMORTIZED COST	**(17)**	**(1)**	**3**	**(0)**	**(16)**
Stage 1	(0)	(2)	0	-	(2)
Stage 2	(10)	(0)	2	-	(8)
Stage 3	(0)	(0)	0	-	(0)
OFF-BALANCE SHEET COMMITMENTS AT AMORTIZED COST	**(10)**	**(2)**	**2**	**-**	**(10)**
TOTAL	**(61)**	**(15)**	**18**	**0**	**(59)**

5.9 Corporate income tax

5.9.1 Breakdown of tax expense

	2020	2021
Current taxes	(24)	(31)
Deferred taxes	6	(3)
Deferred tax on previous year(1)	-	(12)
Tax adjustment effects	(0)	-
Other income taxes on previous exercise	-	(0)
TOTAL	**(18)**	**(46)**

(1) In 2021, SFIL Group decided to revalue the stock of deferred tax assets and the reversal of this stock in the context of the decrease in the fully effective tax rate from 2022.

5.9.2 Effective tax expense

The difference between the actual corporate income tax rate and the French tax rate can be analysed as follow:

	2020	2021
INCOME BEFORE INCOME TAXES	**62**	**122**
Net income from associates	-	-
TAX BASE	**62**	**122**
Applicable tax rate at end of the period	32.02%	28.41%
THEORETICAL CORPORATE INCOME TAX AT THE STANDARD RATE	**(20)**	**(35)**
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)	(0)	-
Other corporation tax previous year	-	(0)
Revaluation of the stock of deferred taxes	-	(12)
Use of corporate income tax rate applicable to the future fiscal years(2)	4	3
CORPORATE INCOME TAX RECORDED IN THE INCOME STATEMENT	**(18)**	**(46)**

(1) In 2021, SFIL Group decided to revalue the stock of deferred tax assets and the reversal of this stock in the context of the decrease in the fully effective tax rate from 2022.
(2) SFIL Group has taken into account the legislative measures reducing the corporate tax rate to 25.83% as of 2022.

5.9.3 Tax consolidation

Since January 1, 2014, Caisse Française de Financement Local has been a member of the SFIL tax group.

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Note 6 Note on off-balance sheet items *(EUR millions)*

6.1 Regular way trade

	12/31/2020	12/31/2021
Assets to be delivered	-	-
Liabilities to be received	-	-

6.2 Guarantees

	12/31/2020	12/31/2021
Guarantees received from credit institutions	-	-
Enhanced guarantees(1)	8,250	10,071
Loan guarantee commitments received	-	-
Guarantees received from customers(2)	1,746	1,557

(1) Irrevocable, unconditional guarantees issued by the French Republic and received by SFIL for funding major export credits.
(2) Guarantees received from customers are generally granted by local governments.

6.3 Financing commitments

	12/31/2020	12/31/2021
Loan commitments granted to credit institutions(1)	213	9
Loan commitments granted to customers(1)	4,552	5,117
Loan commitments received from credit institutions(2)	5,500	5,000
Loan commitments received from customers	-	-

(1) Financing commitments on loans and lines of credit related to contract issued but not paid out. These amounts mainly relates to commitments on operations in export credit business line.
(2) As of December 31, 2021, 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 1,000 million. Regarding Caisse des Dépôts commitments, 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

	12/31/2020	12/31/2021
Commitments given(1)	158	9
Commitments received(2)	233	223

(1) It mainly concerns the irrevocable payment commitment to the Deposit Guarantee and Resolution Fund.
(2) It mainly concerns a loan granted to a credit institution and guaranteed by a public sector entity.

6.5 Impairments on financing commitments and other commitments granted

	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**	**-**	**-**

	Financing commitments and financial guarantees under IFRS 9 as of 12/31/2021								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	9	-	-	9	(0)	-	-	9	-	-
Granted to customers	2,139	2,976	2	5,117	(2)	(8)	(0)	5,107	-	-
TOTAL	**2,148**	**2,976**	**2**	**5,126**	**(2)**	**(8)**	**(0)**	**5,116**	**-**	**-**

Financing commitments increased by EUR 0.4 billion in 2021 with an increase of EUR 1.1 billion in Stage 1 exposures and a decrease of EUR 0.7 billion in Stage 2 exposures in line with the export credit activity for the year and the drawdowns on previously signed loans. Provisions changed in the same way as exposures.

As a reminder, it was decided during the year 2020 and in the context of the Covid-19 health crisis, to record all exposures concerning the cruise sector on the watchlist and consequently to transfer them from Stage 1 to Stage 2. This downgrading was accompanied by an increase in the impairments relating to these financing commitment exposures (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 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

	12/31/2020		
	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)**

	12/31/2021		
	Book value	Fair value	Unrecognized fair value adjustment
Central banks	3,961	3,961	-
Financial assets at fair value through profit or loss	3,518	3,518	-
Hedging derivatives	3,310	3,310	-
Financial assets at fair value through equity	403	403	-
Loans and advances to banks at amortized cost	312	354	42
Loans and advances to customers at amortized cost	50,881	50,451	(430)
Bonds at amortized cost	7,846	7,182	(665)
TOTAL	**70,232**	**69,179**	**(1,053)**

7.1.2 Composition of the fair value of the liabilities, excluding equity

	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**

	12/31/2021		
	Book value	Fair value	Unrecognized fair value adjustment
Financial liabilities at fair value through profit or loss	762	762	-
Hedging derivatives	5,557	5,557	-
Due to banks at amortized cost	-	-	-
Debt securities at amortized cost	65,250	65,373	124
TOTAL	**71,569**	**71,692**	**124**

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 the instruments considered to be liquid, *i.e.* that 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 Hedging derivatives are valued using these internal models.

The measurement of derivatives 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 of efficiency to provide a valuation in market consensus. 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 payoffs which require an advanced statistical model with variable parameters which are sometimes unable to be seen in the market.

	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**

	12/31/2021			
Fair value of financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Central banks	3,961	-	-	3,961
Financial assets at fair value through profit or loss	-	3	3,515	3,518
Hedging derivatives	-	3,085	226	3,311
Financial assets at fair value through equity	403	-	-	403
Loans and advances to banks at amortized cost	15	94	245	354
Loans and advances to customers at amortized cost	-	-	50,451	50,451
Bonds at amortized cost	3,686	2,181	1,314	7,182
TOTAL	**8,065**	**5,363**	**55,751**	**69,179**

	12/31/2020			
Fair value of financial liabilities	**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**

	12/31/2021			
Fair value of financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit or loss	-	704	58	762
Hedging derivatives	-	5,180	377	5,557
Due to banks at amortized cost	-	-	-	-
Debt securities at amortized cost	50,713	7,291	7,370	65,373
TOTAL	**50,713**	**13,175**	**7,805**	**71,692**

Sensitivity of the market value of level 3 financial instruments to changes in 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 parameter 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.

	12/31/2020	12/31/2021
Uncertainty inherent in level 3 market parameters	5	3
Uncertainty inherent in level 3 derivatives valuation models	17	12
SENSITIVITY OF THE MARKET VALUE OF LEVEL 3 FINANCIAL INSTRUMENTS	**22**	**15**

7.1.4 Transfer between levels 1 and 2

	12/31/2020	12/31/2021
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
12/31/2020	**4,263**	**325**	**-**	**4,588**
Total unrealized or deferred gains and losses through profit or loss	(450)	(53)	-	(502)
Total unrealized or deferred gains and losses through equity	-	-	-	-
Purchase	24	46	-	70
Sale	-	-	-	-
Direct origination	-	-	-	-
Settlement	(323)	(93)	-	(415)
Transfer in activities destined to be sold	-	-	-	-
Transfer to level 3	-	-	-	-
Transfer out of level 3	-	-	-	-
Other variations	-	-	-	-
12/31/2021	**3,515**	**226**	**-**	**3,740**

Fair value of financial liabilities	Financial liabilities at fair value through profit or loss	Hedging derivatives	TOTAL FINANCIAL LIABILITIES
12/31/2020	**147**	**586**	**733**
Total unrealized or deferred gains and losses through profit or loss	(19)	(189)	(208)
Total unrealized or deferred gains and losses through equity	-	-	-
Purchase	5	4	8
Sale	-	-	-
Direct origination	-	-	-
Settlement	(74)	(25)	(99)
Transfer in activities destined to be sold	-	-	-
Transfer to level 3	-	-	-
Transfer out of level 3	-	-	-
Other variations	-	-	-
12/31/2021	**58**	**377**	**435**

7.2 Off-setting of financial assets and liabilities

7.2.1 Financial assets subject to off-setting, enforceable master netting arrangements and similar agreements

	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**

	12/31/2021					
				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	3,314	-	3,314	(2,259)	(923)	132
Derivatives (including hedging instruments)	3,514	-	3,514	-	-	3,514
Loans and advances to banks at amortized cost	312	-	312	-	-	312
Loans and advances to customers at amortized cost	50,881	-	50,881	-	-	50,881
TOTAL	**58,022**	**-**	**58,022**	**(2,259)**	**(923)**	**54,840**

7.2.2 Financial liabilities subject to off-setting, enforceable master netting arrangements and similar agreements

	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
Derivatives (including hedging instruments)	8,632	-	8,632	(3,461)	(2,396)	2,775
Due to banks at amortized cost	-	-	-	-	-	-
Customer borrowings and deposits	-	-	-	-	-	-
TOTAL	**8,632**	**-**	**8,632**	**(3,461)**	**(2,396)**	**2,775**

	12/31/2021					
				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)	6,319	-	6,319	(2,259)	(2,105)	1,954
Due to banks at amortized cost	-	-	-	-	-	-
Customer borrowings and deposits at amortized cost	-	-	-	-	-	-
TOTAL	**6,319**	**-**	**6,319**	**(2,259)**	**(2,105)**	**1,954**

7.3 Exposure to credit risk

In 2021, exposure to credit risks, includes:

- for assets other than derivatives: the amount shown on the balance sheet;
- for derivatives: the standardized approach to measure the counterparty credit risk (SA-CCR methodology) was applied from June 30, 2021; the Exposure at Default (EAD) is thus calculated on the basis of the following formula (alpha x (Replacement cost + Potential future exposure)) in accordance with the recommendations of the Basel Committee.
- for off-balance sheet commitments: the undrawn amount of financing commitments, which is shown 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

	12/31/2020	12/31/2021
France	66,060	66,310
Germany	623	319
Belgium	236	145
Italy	5,821	5,235
Spain	377	328
Other European Union countries	973	438
Switzerland	611	592
Norway	325	262
United Kingdom	476	95
United States and Canada	794	805
Japan	42	39
TOTAL EXPOSURE	**76,339**	**74,569**

Analysis of exposure by category of counterparty

	12/31/2020	12/31/2021
Sovereigns	13,544	16,662
Local public sector	58,268	55,872
Other assets guaranteed by public sector entities	25	243
Financial institutions	4,471	1,767
Other exposures	32	26
TOTAL EXPOSURE	**76,339**	**74,569**

Analysis of exposure by category of instrument

	12/31/2020	12/31/2021
Central banks	1,986	4,081
Loans and advances at fair value through profit of loss	4,239	3,505
Hedging derivatives	2,022	196
Bonds at fair value through equity	625	403
Loans to banks at amortized cost	29	35
Loans to customers at amortized cost	52,592	53,073
Bonds at amortized cost	9,337	7,969
Accruals and other assets	383	49
Financing commitments	5,125	5,257
TOTAL EXPOSURE	**76,339**	**74,569**

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 as of January 1, 2008. This enables SFIL to present on 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. More than 80% of the portfolio has a weighting of less than 5% and close to 98% 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	4,081	-	-	-	-	4,081
Financial assets at fair value through profit or loss	2,239	806	333	0	127	3,505
Hedging derivatives	2	-	3	148	43	196
Bonds at fair value through equity	137	-	139	128	-	403
Loans and advances due from banks at amortized cost	20	-	-	15	-	35
Loans and advances to customers at amortized cost	34,063	11,966	6,622	11	411	53,073
Bonds at amortized cost	3,135	-	4,305	526	4	7,969
Accruals and other assets	23	-	-	1	26	49
Financing commitments	5,229	1	28	-	-	5,257
TOTAL EXPOSURE	**48,928**	**12,773**	**11,429**	**829**	**610**	**74,569**
SHARE OF TOTAL EXPOSURE	**65.6%**	**17.1%**	**15.3%**	**1.1%**	**0.8%**	**100.0%**

Certain exposures do not yet benefit from an internal evaluation system validated by banking supervisors; in this case, their weighting is the one in the standard method, which is, for example, 20% for local governments.

7.4 Climate risk

Climate change and the transition to carbon neutrality in 2050 are currently one of the European Union's political priorities. With the challenge they present come opportunities and risks for the economy as a whole, and consequently, for financial institutions. Thus, the European Central Bank recognized in the risk mapping of the prudential supervision mechanism that climate risks were one of the main risk factors for European banks, requiring credit institutions to take a comprehensive and forward-looking approach to risks related to climate and environmental issues. Climate issues are also one of the main focuses of SFIL's strategic plan, whose purpose, as a public development bank, is to meet the requirements and challenges of the period by financing a sustainable future through its two public policy missions.

SFIL shares the regulator's priority in terms of integrating climate risks into risk policies. In 2020, the Risks division launched a global approach to assessing climate-related risks with the adoption of a first roadmap for climate risks. This roadmap is part of a risk management approach as recommended by the regulators. It is consistent with Caisse des Dépôts' sustainable policy for the success of the environmental and energy transition: the final objective is to assess the financial impact of climate-related risks on the asset portfolio as well as actions to be taken to limit these risks, in particular by taking into account transition risks[1] and physical risks[2], for which the transmission channels take the form of traditional risk categories (credit risk, market risk, operational risk, liquidity risk, etc.). On April 16, 2021, SFIL's Board of directors adopted a second roadmap in terms of climate risks in line with the work undertaken in 2020. In 2021, SFIL implemented the following actions:

Transition risk

- a first step was taken by SFIL as part of the development of a climate risk map, by finalizing a study on transition risk for French local authorities. The analysis is based on three transition scenarios or trajectories (ordered, accelerated and delayed) and made it possible to quantify the expenditure of local authorities as part of the transition to a low-carbon economy. The impact of these expenses on the financial position of local authorities was quantified and the risk metrics (RWA and ECL) were simulated on the basis of these stressed financial ratios; the impact in terms of RWA and ECL of these scenarios remains limited and mainly results from the expected growth of the portfolio of loans to local authorities to finance the investments necessary for the transition to a low-carbon economy;

(1) *ECB definition (ECB, Guide on Climate-Related and Environmental Risks, 2020): transition risk refers to the financial loss resulting from the transition process towards a low-carbon and more environmentally sustainable economy*
(2) *ECB definition (ECB, Guide on Climate-Related and Environmental Risks, 2020): physical risk is that arising from the financial impact of a changing climate and of environmental degradation. It can be acute (extreme events) or chronic (progressive shifts)*

- this work was used as part of the finalization of the ACPR climate pilot exercise on transition risks;
- this first study is being deepened as part of a partnership with the I4CE (Institute for Climate Economics). The purpose of this work is to identify climate change mitigation actions, as well as the investment effort of local authorities necessary to decarbonize the entire economy, according to a scenario of deployment of the National Low Carbon Strategy (SNBC), which aims to achieve carbon neutrality by 2050.

Physical risk

- In 2021, SFIL's Risks division carried out a quantitative study on acute physical risks for French local authorities. The approach used is based on the CLIMADA (climate adaptation) model – developed by researchers at the Zurich Federal Institute of Technology (ETHZ) – which simulates a set of natural disasters based on a history of climate events and projects it over a distant time horizon. Five major sets of natural disasters were simulated at the departmental level, namely tropical cyclones, tropical cyclones with rising sea levels, tropical cyclones with torrential rains, European winter storms and seismic/volcanic events. This study enabled SFIL's Risks division to determine a scale of five categories (critical, high, moderate, low, very low) of acute physical risk so as to qualify the financial impact of natural disasters on French local authorities. A mapping of exposures was possible by linking the local authorities in the portfolio to their department, reporting an amount in EAD for each of the five risk categories. It should be noted that no department falls into the critical risk category, and only the overseas departments, with the exception of French Guiana, are considered to be at high or moderate risk. This work marks a first step in SFIL's consideration of the physical risk. It will continue to reduce methodological biases by covering a wider spectrum of climate events and by reiterating the approach, but also by integrating chronic risk factors related to environmental degradation.

At this stage, the preliminary conclusions of the projections made in terms of physical and transition risks do not conclude that there is a significant impact and have therefore not been taken into account for the calculation of Exposures Credit Loss (ECL).

Certain acute physical risks (hurricane risk in particular) or chronic risks (snowfall issues for the local authorities supporting winter sports resorts) were taken into account to adjust the internal rating of the local authorities concerned and therefore the PD parameter of the ECL calculation. The associated effect on the calculation of ECL is not measurable at this stage because it is diluted in the overall internal rating of the local authority concerned. However, it is expected to be very low.

7.5 Liquidity risk: analysis by term to maturity

7.5.1 Breakdown of assets

	12/31/2021							
	Less than 1 month	1 to 3 months	**3 to 6 months**	6 months to 1 year	**1 to 5 years**	More than 5 years	**Indeterminate**	**Total broken down**
Central banks	3,961	-	-	-	-	-	-	3,961
Financial assets at fair value through profit or loss	35	32	108	170	1,011	1,658	9	3,024
Hedging derivatives	63	2	451	-	-	-	-	516
Financial assets at fair value through equity	12	48	50	43	247	-	-	401
Loans and advances to banks at amortized cost	16	0	16	20	99	166	-	317
Loans and advances to customers at amortized cost	604	573	1,401	2,082	17,071	28,068	4	49,803
Bonds at amortized cost	153	95	572	342	2,045	3,578	-	6,787
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-	-
Tangible assets	-	-	-	-	-	-	8	8
Intangible assets	-	-	-	-	-	-	23	23
Tax assets	-	-	-	-	-	-	81	81
Accruals and other assets	-	-	-	-	-	-	2,466	2,466
TOTAL	**4,844**	**750**	**2,599**	**2,658**	**20,473**	**33,470**	**2,592**	**67,387**

	12/31/2021		
	Total broken down	**Fair value adjustment**	**Total**
Central banks	3,961	-	3,961
Financial assets at fair value through profit or loss	3,024	494	3,518
Hedging derivatives	516	2,795	3,310
Financial assets at fair value through equity	401	3	403
Loans and advances to banks at amortized cost	317	(4)	312
Loans and advances to customers at amortized cost	49,803	1,078	50,881
Bonds at amortized cost	6,787	1,059	7,846
Fair value revaluation of portfolio hedge	-	1,988	1,988
Tangible assets	8	-	8
Intangible assets	23	-	23
Tax assets	81	-	81
Accruals and other assets	2,466	-	2,466
TOTAL	**67,387**	**7,412**	**74,799**

7.5.2 Breakdown of liabilities, excluding equity

	12/31/2021							
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Indetermi-nate	Total broken down
Central banks	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	0	0	46	-	-	-	-	46
Hedging derivatives	8	1	329	-	-	-	-	338
Due to banks at amortized cost	-	-	-	-	-	-	-	-
Customer borrowing and deposits at amortized cost	-	-	-	-	-	-	-	-
Debt securities at amortized cost	1,976	402	3,476	2,202	22,777	32,456	-	63,289
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	-	-	-
Accruals and other liabilities	-	-	-	-	-	-	1,088	1,088
Provisions	1	2	0	1	6	0	13	23
Subordinated debt	-	-	-	-	-	-	-	-
TOTAL	**1,985**	**405**	**3,851**	**2,203**	**22,783**	**32,456**	**1,101**	**64,785**

	12/31/2021		
	Total broken down	Fair value adjustment	Total
Central banks	-	-	-
Financial liabilities at fair value through profit or loss	46	716	762
Hedging derivatives	338	5,219	5,557
Due to banks at amortized cost	-	-	-
Customer borrowing and deposits at amortized cost	-	-	-
Debt securities at amortized cost	63,289	1,961	65,250
Fair value revaluation of portfolio hedge	-	430	430
Tax liabilities	-	3	3
Accruals and other liabilities	1,088	-	1,088
Provisions	23	-	23
Subordinated debt	-	-	-
TOTAL	**64,785**	**8,328**	**73,112**

7.5.3 Net liquidity gap

	12/31/2021								
	Less than 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Indetermi-nate	Not broken down	Total
AMOUNT	**2,860**	**345**	**(1,252)**	**454**	**(2,309)**	**1,014**	**1,490**	**(915)**	**1,686**

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 SFIL Group may obtain funding from the Banque de France, by giving certain of these assets in guarantee.

7.6 Currency risk

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	-	-	-	-	-

Classification by original currency	12/31/2021				
	EUR	Other EU currencies	USD	Other currencies	Total
Total assets	69,828	552	4,117	301	74,799
Total liabilities	69,828	552	4,117	301	74,799
NET BALANCE SHEET POSITION	-	-	-	-	-

7.7 Sensitivity to interest rate risk

Definition

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 the SFIL Group does not hold a trading portfolio, it is not affected by this last exception.

There are four types of interest rate risks, which are generally covered using derivatives as well as a risk related to any options:

Fixed interest rate risk	Results from the difference in volume and maturity between assets and liabilities with a fixed rate or an adjustable rate that has already been set. This risk can result in the case of yield curve parallel shifts, steepening, flattening or rotation.
Basis risk	Results from the gap that may exist in the matching of assets and liabilities which are indexed on variable rates of different types or index tenors.
Fixing risk	Results from the gap between the fixing dates applied to all the variable rate balance sheet and off-balance sheet items linked to the same index tenor.
Option risk	Arises from the triggering of implicit or explicit options due to a change in interest rates, or the possibility given to the institution or its customer to change the level and/or timing of cash flows of an operation.

The Group has defined a fixed-rate risk appetite for CAFFIL, which is reflected in a system of limits on directional and time bucket sensitivities of the Net Present Value. In order to manage this sensitivity within the limits set, the hedging strategy implemented is as follows:

- micro-hedging of interest rate risk on 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 swaps;
- macro-hedging of interest rate risk for 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 €str;
- this fixed-rate risk management is supplemented by monitoring of the fixings 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 €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. This process results in zero interest rate risk.

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

- the production of gaps (respectively fixed rate, index and fixing)

Fixed rate gap	Difference between balance sheet and off-balance sheet assets and liabilities for fixed-rate transactions or transactions for which the rate has been set. It is calculated every month until balance sheet run-off.
Index gap	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 run-off.
Fixing gap	For a given index tenor: difference between floating rate balance sheet and off-balance sheet assets and liabilities, by fixing.

- the monthly production of net present value (NPV) sensitivity indicators, calculated for a rate shock of 100 bps, which aim to regulate the fixed or set rate residual positions of Caisse Française de Financement Local (after setting up hedges). These indicators are calculated for four predefined time buckets (short-term, medium-term, long-term, very long-term) regulated by limits which are calibrated to avoid losing more than EUR 80 million with a 99% quantile calculated on a 10-year history:

Translation of the rate curve	Limit of EUR 25 million
Sloping/rotation of the yield curve at distant points of the curve	EUR 15 million limit over Short-term time buckets EUR 10 million limit over Medium-term time buckets EUR 10 million limit over Long-term time buckets EUR 9 million limit over Very long-term time buckets
Sloping/rotation of the interest rate curve inside a time bucket	EUR 30 million limit on the absolute value of the sensitivities inside each time bucket

Limiting directional risk

The measurement of sensitivity at the end of each quarter is presented below.

Directional risk

Total sensitivity *(EUR millions)*	Limit	3/31/2021	6/30/2021	9/30/2021	12/31/2021
Sensitivity	25/(25)	(10.1)	(5.3)	(3.3)	(8.0)

Slope/rotation risk measurement

Sensitivity measures at the end of the quarter are presented below.

Risk of slope between two distant points on the rate curve

Sum of sensitivities *(EUR millions)*	Limit	3/31/2021	6/30/2021	9/30/2021	12/31/2021
Short term	15/(15)	(4.4)	(5.8)	(3.0)	(6.0)
Medium term	10/(10)	(6.5)	1.0	4.9	(1.7)
Long term	10/(10)	0.7	(1.4)	(6.5)	(0.4)
Very long term	9/(9)	0.1	0.9	1.3	0.0

Risk of slope between two close points on the rate curve

Sum of sensitivities in absolute value *(EUR millions)*	Limit	3/31/2021	6/30/2021	9/30/2021	12/31/2021
Short term	30	12.4	7.7	13.3	12.7
Medium term	30	21.4	24.5	23.1	12.5
Long term	30	16.7	26.0	10.6	18.2
Very long term	30	8.3	5.7	15.0	13.0

For SFIL as parent company, the limit is expressed on the fixed rate gap. It is 0 given its perfect micro-hedging management strategy.

These indicators are calculated from a static viewpoint.

SFIL also measures the regulatory indicator of the sensitivity of the economic value to a change in interest rates. At Group level, the standard regulatory stress scenarios defined by the EBAGL-2018-02 guidelines have been applied since June 2019 in accordance with regulatory requirements.

The main assumptions used for this test are as follows:

- shocks applied taking into account the post-shock floor defined in paragraph 115 (k) of the EBA guidelines;
- exclusion of equity from liabilities;
- the treatment of commercial margins and other margin components in interest payments must be consistent with the institution's method of managing and measuring interest rate risk outside the trading portfolio: in the case of the SFIL Group, the measurement of shocks is based on interest rate flows excluding margins.

12/31/2021	Interest rate shock applied	Result *(EUR millions)*
"Supervisory outlier test" according to the uniform shock +/- 200 bp	+/-200 bp Post-shock floor starting with -100 bps	(197)/ 91
"Supervisory outlier test" according to the six differentiated shocks	+200 bp	(197)
	-200 bp	91
	Steepening	(51)
	Flattening	15
	Rise CT	(48)
	Drop CT	39

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

- exposure to a rapid normalization of rates;
- growth in the volume of 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 refinancing large export credits through the issuance of covered bonds, is relatively insensitive to the low interest rate. environment. In particular, because the Group does not take sight deposits, it is not impacted by a reduction in the transformation margin 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 – consolidated SFIL *(EUR millions)*	12/31/2021
Parallel increase in rates of 200 bps	(9)
Parallel decrease in rates of 200 bps	7

Note 8 Impacts of the Covid-19 health crisis on the financial statements *(EUR millions)*

The health crisis had a relatively limited impact on the Company's financial statements prepared in accordance with IFRS as of December 2021. This confirms SFIL's group resilience to macro-economic shocks.

8.1 Impacts on the adjustments to the value of financial assets and liabilities recognized at fair value

After a start of the year impacted by a resurgence of the epidemic and a new lockdown in April, the health context improved in particular thanks to the ramp-up of vaccinations until the autumn and then deteriorated again at the end of the year due in particular to the Omicron variant. In this context, the financial markets showed very strong resilience with loan spreads that improved in particular in the second half of the year, the equity market reached record highs and long-term rates, although they increased, remained at historically low levels (notably short-term rates). Inflation, in particular linked to the US and EUR stimulus plans and the growing demand for energy resources, increased over the year without having had a significant impact on the markets. In this context, the effects of the Covid-19 crisis on the value adjustments of financial instruments recognized at fair value were extremely limited and may be considered neutral for 2021.

8.2 Impacts on past due, breakdown of net book values by Stages and IFRS provisions

In the spring of 2020, SFIL's group decided to deploy two approaches to support borrowers faced with difficulties following the health crisis:

- the first was proactive, by proposing extensions to payment terms to all health institutions in recognition of their exceptional role 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. These payment extensions could be renewed at the request of customers. As of June 30, 2020, these payment extensions represented EUR 9 million. One and a half years later on December 31, 2021, all the payment extensions granted have been paid;
- 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, parking lots, thermal baths, etc.). As of June 30, 2020, these payment extensions maturities represented EUR 8 million. One and a half years later on December 31, 2021, a residual amount of EUR 0.2 million remains active.

	On-going payment terms as at December 31, 2021					
	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	-	-	-	-	-	-
Other local public sector customers	-	-	0	0	-	0
TOTAL	**-**	**-**	**0**	**0**	**-**	**0**

For the record, in 2020, the payment terms granted to SFIL's customers had resulted in a very slight increase in exposures classified in Stage 3 and a reduction in exposures classified in Stage 1 and 209/02/2022. In addition to the effects linked to the downgrading to Stage 3 exposures of certain customers, SFIL's Group had decided to increase its stock of provisions associated with public sector customers by EUR 3 million. In 2021, the continuation of certain payment deadlines with local public sector customers did not lead to a change in the distribution of exposure by stages. At the same time, the Group decided to reverse the provision of EUR 3 million set up in 2020 on customers in the healthcare sector, as the financial situation of these customers did not ultimately deteriorate.

	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 payment terms granted	192	23	23	(3)	(0)	(0)
Other local public sector customers benefiting from payment terms granted	244	2	33	(0)	(0)	(0)
SITUATION AS AT DECEMBER 31, 2020	**436**	**24**	**56**	**(3)**	**(0)**	**(1)**
Health sector customers benefiting from payment terms granted	137	55	28	(0)	(1)	(0)
Other local public sector customers benefiting from payment terms granted	238	0	31	(0)	(0)	(0)
SITUATION AS AT DECEMBER 31, 2021	**375**	**55**	**59**	**(0)**	**(1)**	**(1)**
Health sector customers benefiting from payment terms granted	(55)	32	5	3	(0)	0
Other local public sector customers benefiting from payment terms granted	(6)	(2)	(2)	(0)	0	(0)
CHANGE DURING THE YEAR NOTABLY DUE TO THE IMPACT OF THE COVID-19 HEALTH CRISIS	**(61)**	**31**	**3**	**3**	**(0)**	**(0)**
FOR THE REMINDER, VARIATION DURING THE 2020 FINANCIAL YEAR MAINLY RELATED TO THE IMPACTS OF THE COVID-19 HEALTH CRISIS	*(37)*	*(14)*	*31*	*(3)*	*0*	*(0)*

SFIL is present in all cruise ship financing transactions 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 2020, SFIL decided to put all exposures concerning the cruise sector on the watchlist and consequently to transfer them from Stage 1 to Stage 2. This resulted in the recognition of a provision for this business segment of EUR 15 million in 2020. This approach was retained in 2021 and the exposures remained allocated to Stage 2 in connection with the continuation of the pandemic which continued to affect the cruise sector, the provision recognized in 2020 was increased by EUR 1 million. In 2020, SFIL also decided to set up a provision for risks and charges of EUR 2.6 million associated with foreign exchange hedging instruments used in the refinancing of export credits in dollars in the cruise sector. This provision was supplemented by EUR 1.3 million in 2021 and therefore amounted to EUR 3.9 million at the end of the year. As a reminder, all export credits benefit from credit insurance issued by Bpifrance AE in the name, on behalf of 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		2,136			(5)	
Off balance sheet financing commitments – export credit cruise sector		3,664			(10)	
SITUATION AS AT DECEMBER 31, 2020	**-**	**5,800**	**-**	**-**	**(15)**	**-**
Financial assets on the balance sheet – export credit cruise sector		2,705			(8)	
Off balance sheet financing commitments – export credit cruise sector		2,957			(8)	
SITUATION AS AT DECEMBER 31, 2021	**-**	**5,661**	**-**	**-**	**(16)**	**-**
Financial assets on the balance sheet – export credit cruise sector	-	569	-	-	(3)	-
Off balance sheet financing commitments – export credit cruise sector	-	(707)	-	-	2	-
CHANGE DURING THE YEAR MAINLY DUE TO THE IMPACT OF THE COVID-19 HEALTH CRISIS	**-**	**(139)**	**-**	**-**	**(1)**	**-**
FOR THE REMINDER, VARIATION DURING THE 2020 FINANCIAL YEAR MAINLY RELATED TO THE IMPACTS OF THE COVID-19 HEALTH CRISIS	*(5,519)*	*5,800*	*-*	*1*	*(15)*	*-*

8.3 Summary of the impacts of the Covid-19 health crisis on the Company's results as at December 31, 2021

	(1)		(2)	=(1)-(2)
		of which impacts of the Covid-19 health crisis		
	Published accounting income	Change in provisions on public sector	Reinforcement of provisions on export credit – cruise sector	Accounting income restated for the impacts of Covid-19
Net banking income	235	-	-	235
General operating expenses	(115)	-	-	(115)
GROSS OPERATING INCOME	**119**	**-**	**-**	**119**
Cost of risk	3	3	(2)	2
INCOME BEFORE NON-RECURRING ITEMS AND TAXES	**122**	**3**	**(2)**	**122**
Income tax	(46)	(1)	1	(46)
NET INCOME	**76**	**2**	**(2)**	**76**

Note 9 Post-closing events

No significant event that influences the Company's financial situation has occurred since the closing on December 31, 2021.

The foreseeable impacts to date related to the war situation in Ukraine are limited for the SFIL Group. As a reminder, SFIL does not have any operations outside France. On the other hand, the Group does not have any exposure in Russia or Belarus and has only one exposure in Ukraine, which at December 31, 2021 represented a balance sheet outstanding of of EUR 51.1 million and an off-balance sheet financing commitment of EUR 17.4 million. This exposure was granted as part of the export credit activity and is 100% guaranteed by the French Republic. SFIL is not, therefore, directly exposed to credit risk on this file. SFIL has nevertheless decided, as of February 24, 2022, to place this asset on the watchlist and consequently to classify it in Stage 2. The increase in Expected Credit Losses (ECL) associated with this downgrade is very limited and represents approximately EUR 0.3 million.

Note 10 Statutory Auditor's fees *(EUR thousand)*

	Deloitte & Associés				Ernst & Young et Autres			
	Amount including VAT		%		Amount including VAT		%	
	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**
AUDIT SERVICES RENDERED								
Audit, certification, examination of company financial statements	81	-	49%	-	81	-	53%	-
of which SFIL	*27*	-			*27*	-		
Other audit tasks	84	-	51%	-	72	-	47%	-
of which SFIL	23	-			22	-		
TOTAL	**165**	**-**	**100%**	**-**	**153**	**-**	**100%**	**-**

	KPMG SA				PriceWaterhouseCoopers Audit			
	Amount including VAT		%		Amount including VAT		%	
	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**
AUDIT SERVICES RENDERED								
Audit, certification, examination of company financial statements	306	343	68%	66%	348	388	71%	72%
of which SFIL	*72*	*95*			*78*	*115*		
Other audit tasks	147	173	32%	34%	140	154	29%	28%
of which SFIL	*101*	*61*			*103*	*50*		
TOTAL	**453**	**517**	**100%**	**100%**	**488**	**542**	**100%**	**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.

Services other than the certification of financial statements mainly include the issuance of comfort letters for the updating of EMTN programs or for syndicated public issues. In 2020, they also included, at the request of the Statutory Auditors of Caisse des Dépôts, work on the certification of the opening balance sheet and the Purchase Price Allocation carried out in the context of the acquisition of SFIL by Caisse des Dépôts.

3.3 Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2021

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 consolidated financial statements of SFIL S.A. for the year ended December 31, 2021.

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, 2021 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, 2021 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, 2021, loans and advances to customers at amortized cost amounted to €50.9 billion (note 2.4 to the financial statements) and financing commitments granted to customers (off-balance sheet) amounted to €5.1 billion. 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 €28 million or impaired outstandings (stage 3) for €6 million (note 2.4). Provisions on liability side which are intended to cover expected losses on commitments amount to €11 million on outstandings in stages 1 and 2 (note 3.5). 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. In the wake of the Covid-19 pandemic, the methods of calculating impairments for expected credit losses have required a certain number of adjustments since 2020. Such adjustements were maintained durgin 2021. For contracts classified under stage 3, the expected credit losses are estimated either in accordance with the model described above with the application of a specific loss given default model (for local public sector) or through estimating the cash flows that the group expects to recover (for other types of counterparties). We considered the estimate of expected credit loss as of December 31, 2021 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.	Given the increased degree of uncertainty, we have maintained a strong level of audit work. In particular, we assessed the adequacy of the level of credit risk coverage and the overall level of the associated cost of risk as well as the relevance of the internal control system and in particular its adaptation to the context of the crisis. **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; • carrying out controls 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, 2021; • performing an independent valuation of the provision amounts on main customer loan portfolios; • carrying out controls 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 nonrecovery 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 also assessed the appropriateness of the disclosures provided in the notes to the financial statements in the context of the health and economic cirsis linked to Covid-19 pandameic and in particular the information required by IFRS 7 with regard to credit risk.

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, 2021, the financial instruments recognized at fair value through profit or loss (including hedging derivatives) represent respectively EUR 6,828 million in the assets (including EUR 3,514 million in loans recognized at fair value through profit or loss) and EUR 6,319 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:
	
	Derivatives measured at fair value:
	• We developed an independent expectation of the valuation for the entire population of vanilla swaps.
	• We tested and evaluated the entity's process for developing the fair value of structured derivatives:
	  • assesement of the governance set up by the Risk Department for the control of the valuation models;
	  • assesement of the model validation policy and testing of its implementation;
	  • analysis of the valuation models for certain categories of complex instruments and the relating value adjustments;
	  • test of operating effectiveness of controls on the integrity of data used in the valuation of derivatives;
	  • review of the results of the valuation verification process based on the valuations of external counterparties.
	• We developed an independent expectation of the valuation on a sample of structured derivatives.
	
	Assets classified at fair value through profit or loss – "non SPPI" loans
	• We tested and evaluated the entity's process for developing the fair value of "non SPPI" loans:
	  • assessment of the valuation model and the assumptions used;
	  • verification of the operating effectiveness of key controls relating to the assumptions used in the valuation model;
	  • verification of the operating effectiveness of key controls on the integrity of the data used in the valuation;
	  • Test of the data used in the determination of credit spreads as of December 31, 2021.
	• We developed an independent expectation of the valuation on a sample of "non SPPI" loans.
	
	We have also assessed the criterias used to determine the fair value hierarchy using a sample of financial instruments. Finally, we have 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 under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation N° 2019/815 of December 17, 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, 2021, we were in our 2nd 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, 2022

Neuilly-sur-Seine, March 30, 2022

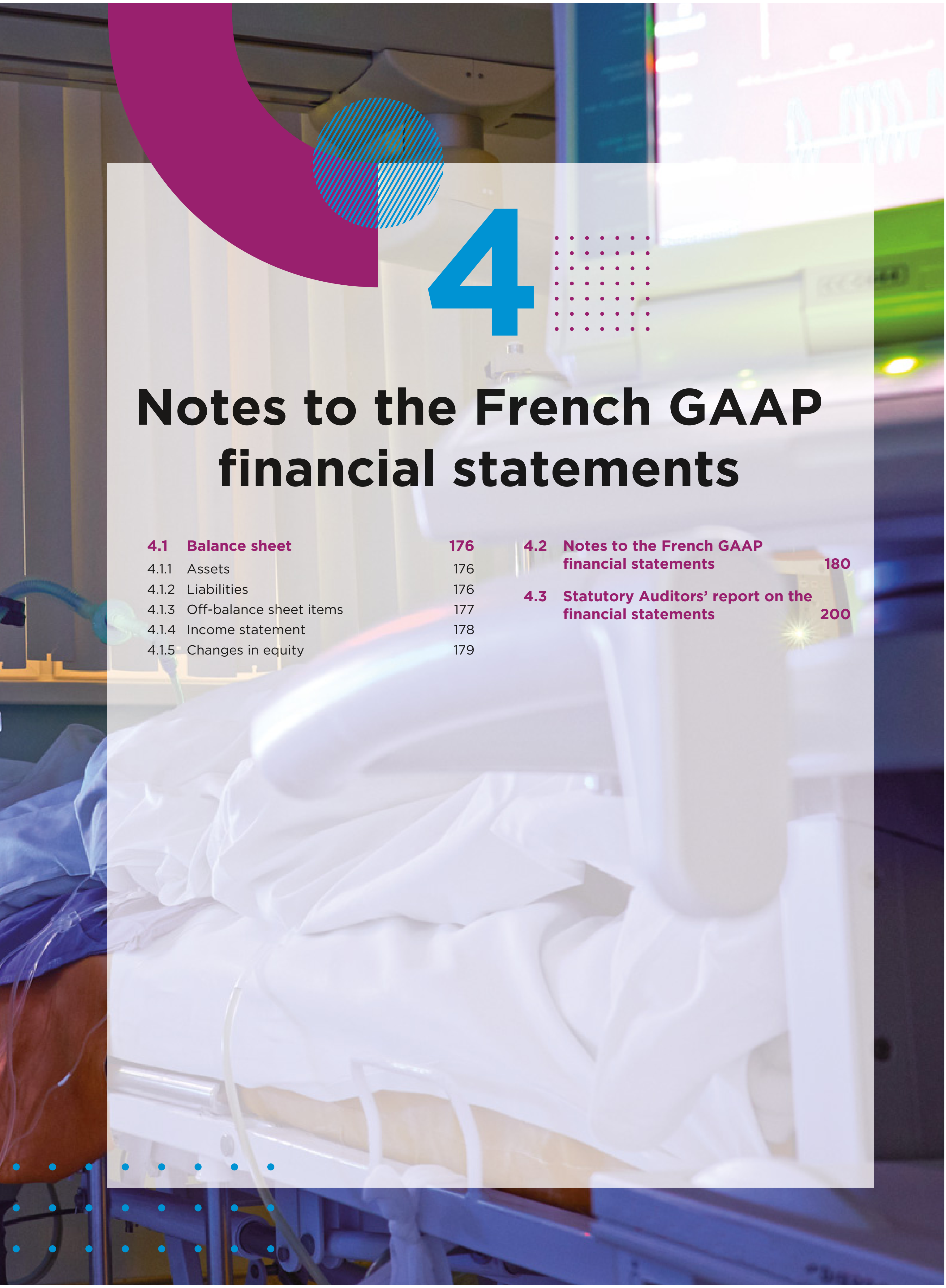
The statutory auditors
French original signed by

KPMG S.A.
Jean-François Dandé
Partner

PricewaterhouseCoopers Audit
Ridha Ben Chamek
Partner

#Objectif 2026

Participating in the renewal of our healthcare system



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Notes to the French GAAP financial statements

4.1 Balance sheet

4.1.1 Assets

(EUR millions)	*Note*	12/31/2020	12/31/2021
Central banks	*2.1*	134	165
Government and public securities	*2.2*	122	22
Loans and advances to banks	*2.3*	6,715	7,778
Loans and advances to customers	*2.4*	3,278	4,680
Bonds and other fixed income securities	*2.5*	1,005	840
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*	26	23
Tangible assets	*2.8*	6	4
Other assets	*2.9*	2,602	2,261
Accruals and other assets	*2.10*	635	644
TOTAL ASSETS	***2.11***	**14,558**	**16,452**

4.1.2 Liabilities

(EUR millions)	*Note*	12/31/2020	12/31/2021
Central banks		-	-
Due to banks	*3.1*	3,539	4,962
Customer borrowings and deposits		-	-
Debt securities	*3.2*	9,171	10,103
Other liabilities	*3.3*	885	663
Accruals and other liabilities	*3.4*	676	416
Provisions	*3.5*	22	24
EQUITY	**3.6**	**266**	**284**
Subscribed capital		130	130
Additional paid-in capital		-	-
Reserves and retained earnings		99	103
Net income		37	52
TOTAL LIABILITIES	***3.7***	**14,558**	**16,452**

4.1.3 Off-balance sheet items

(EUR millions)	*Note*	12/31/2020	12/31/2021
COMMITMENTS GRANTED	***4.1***	**13,149**	**15,208**
Financing commitments		4,753	5,145
Guarantees granted		8,243	10,059
Other commitments granted		153	4
COMMITMENTS RECEIVED	***4.2***	**18,453**	**20,168**
Financing commitments		10,203	10,097
Guarantees received		8,250	10,071
Forward commitments		-	-
Other commitments received		-	-
OTHER COMMITMENTS	***4.3***	**47,029**	**45,499**
Foreign currency transactions		9,053	8,583
Interest rate derivatives		37,976	36,916
Commitments related to securities transactions		-	-

4.1.4 Income statement

(EUR millions)	*Note*	2020	2021
Interest income	*5.1*	58	49
Interest expense	*5.1*	(44)	(38)
Income from variable income securities		45	49
Commission income	*5.2*	4	4
Commission expense	*5.2*	(4)	(0)
Net gains (losses) on held for trading portfolio	*5.3*	3	3
Net gains (losses) on placement portfolio	*5.4*	1	0
Other income	*5.5*	96	97
Other expense	*5.5*	(0)	(0)
NET BANKING INCOME		**160**	**164**
General operating expense	*5.6*	(88)	(93)
Depreciation and amortization		(15)	(15)
GROSS OPERATING INCOME		**57**	**56**
Cost of risk	*5.7*	(14)	(1)
INCOME FROM OPERATIONS		**42**	**55**
Gains or losses on fixed assets		-	-
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		**42**	**55**
Non-recurring items		-	-
Income tax	*5.8*	(5)	(3)
NET INCOME		**37**	**52**
Basic earnings per share		3.99	5.60
Diluted earnings per share		3.99	5.60

4.1.5 Changes in equity

(EUR millions)	**Amount**
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 year	37
Interim dividends	-
EQUITY AS OF 12/31/2020	**266**
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	37
Dividends paid (-)	(33)
Changes in Net income for the period	15
Other movements	-
AS OF 12/31/2021	
Share capital	130
Additional paid-in capital	-
Commitments to increase share capital and additional paid-in capital	-
Reserves and retained earnings	103
Net income for the period	52
EQUITY AS OF 12/31/2021	**284**

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 financial statements for the reporting entities of the banking sector, and in particular credit institutions. As stated in its 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, 2021, were prepared using the same accounting policies as those used in the financial statements as of December 31, 2020. 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 the ANC aims at accompanying companies so as for them to communicate efficiently about the economic consequences of Covid-19 pandemic. Subsequently, The ANC has regularly updated its recommendations and observations: on July 3, 2020, July 24, 2020, January 15, 2021, June 7, 2021 and July 9, 2021.

  This communication and its subsequent updates were taken into account by the SFIL in the preparation of its 2020 and 2021 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.
- **Update of the documentation on the *Plan de Comptes des Établissements de Crédit* (PCEC – Chart of Accounts of Credit Institutions) on October 15, 2021:** this update has been performed under the guidance of the French Banking Federation (FBF) and approved by the federation's Accounting Committee. As a reminder, PCEC is not a binding chart of accounts for credit institutions' accounting records. It is however a reference used by numerous stakeholders (credit institutions, external controllers…). Besides changes without novelty (updated references and terminologies), FBF's Accounting Committee approved the following evolutions:
  - integrating CRC Regulation No. 2009-03 (art. 2111 to 2171 of ANC Regulation No. 2014-07): joining business providers fees to the outstanding amounts of the related instruments in the balance sheet and joining the related expenses into the Effective Interest Rate (EIR) in the income statement;
  - revising comments on the apparent choice to amortize discounts/premiums on placement and investment securities, whereas this amortization is mandatory.

  These updates had no impact on SFIL's individual financial statements, as the company already applied these requirements.

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. They include in particular loans granted to SFIL refinancing export credit transactions.

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.

In the absence of definition of restructured loans under the French accounting regulation, the company assimilates restructured loans to forbearance in the purpose of enhancing operational simplicity as well as comparability between the various standards frameworks.

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.

For the sake of operational simplicity and conservatism, SFIL has aligned the notion of non-performing loan with the prudential notion of actual default, *i.e.* a default due to arrears in payment and/or due to the risk of non-payment of the totality of outstanding due by the borrower (notion of "Unlikely To Pay (UTP")) with reference to the default policy of the Company. Counterparties on probation prior a potential reclassification out of the default category are thus out of the scope of non-performing loans from an accounting perspective.

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 its 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 not fit into the category 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 following three 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 loans, bonds and loan commitments not yet covered by any specific loss allowance at closing date. Among this group, 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: outstandings on these counterparties form 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 generally recognized in the income statement at the termination date. In the framework of a restructuring, they are by way of exception amortized when they constitute an expense in compliance with the tax rule.

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 BPI France 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).

Remeasurements 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

In application of article L.511-45 of the Monetary and Financial Code, it should be noted that 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 most, SFIL receives interest flows from borrowers located in these countries in the context of its export refinancing activities, taking into account the specific nature of their activities. This income is taxed in France at the full corporate tax rate.

1.2.16 Identity of the parent company consolidating the accounts of SFIL as of December 31, 2021

Groupe Caisse des Dépôts

56, rue de Lille

75007 Paris

Note 2 Notes to the assets *(EUR millions)*

2.1 Central banks

	12/31/2020	12/31/2021
Mandatory reserve	-	-
Other deposits	134	165
TOTAL	**134**	**165**

2.2 Government and public entity securities

2.2.1 Accrued interest included in this item: 0

2.2.2 Analysis by residual maturity excluding accrued interest

Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Total
-	-	22	-	-	-	22

2.2.3 Analysis by listed securities and other securities excluding accrued interest

	Net amount as of 12/31/2020	Gross amount as of 12/31/2021	Impairment as of 12/31/20121	Net amount as of 12/31/2021	Unrealized capital gain or loss as of 12/31/2021[2]
Listed securities[1]	122	22	-	22	0
Other securities	-	-	-	-	-
TOTAL	**122**	**22**	**-**	**22**	**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 12/31/2020	Gross amount as of 12/31/2021	Acquisitions	Amortization, redemption or disposals	Others	Conversion differences	Impairment as of 12/31/2021	Net amount as of 12/31/2021[1]	Unrealized capital gain or loss as of 12/31/2021[2]
Trading	-	-	-	-	-	-	-	-	-
Placement	122	122	2	(102)	-	-	-	22	0
Investment	-	-	-	-	-	-	-	-	-
TOTAL	**122**	**122**	**2**	**(102)**	**-**	**-**	**-**	**22**	**0**

(1) This amount includes a discount/surplus of EUR 0.1 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

	12/31/2020	12/31/2021
Sight accounts	4	10
Unallocated sums	-	0
TOTAL	**4**	**10**

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 7,682 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 92 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 Republic.

2.3.2.1 Accrued interest included in this item: (5)

2.3.2.2 Analysis by residual maturity excluding accrued interest

Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Total
684	-	4,035	2,564	500	-	7,783

2.3.2.3 Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2020	Gross amount as of 12/31/2021	Impairment as of 12/31/2021	Net amount as of 12/31/2021
Loans of less than 1 year	979	2,687	-	2,687
Loans of more than 1 year	5,737	5,087	-	5,087
TOTAL	**6,716**	**7,773**	**-**	**7,773**

2.3.2.4 Breakdown by counterparty

	12/31/2020	12/31/2021
Export credits loans(1)	106	92
Loans to Caisse Française de Financement Local	6,610	7,682
TOTAL	**6,716**	**7,773**

(1) Loans benefitting from a guarantee issued by BPI AE in the name, on behalf and under the control of the French Republic

2.4 Loans and advances to customers

2.4.1 Accrued interest included in this item: 10

2.4.2 Analysis by residual maturity excluding accrued interest

Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Total
(196)	37	307	2,321	2,202	-	4,670

2.4.3 Analysis of commitments by the counterparty's economic sector excluding accrued interest

	12/31/2020	12/31/2021
Export credits loans(1)	3,271	4,670
Other sectors	-	-
TOTAL	**3,271**	**4,670**

(1) Loans benefitting from a guarantee issued by BPI AE in the name, on behalf and under the control of the French Republic.

2.4.4 Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2020	Gross amount as of 12/31/2021	Impairment as of 12/31/2021	Net amount as of 12/31/2021
Loans of less than 1 year	-	-	-	-
Loans of more than 1 year	3,271	4,670	-	4,670
TOTAL	**3,271**	**4,670**	**-**	**4,670**

2.4.5 Analysis of loans by category of outstanding commitments excluding accrued interest

	Net amount as of 12/31/2020	Gross amount as of 12/31/2021	Impairment as of 12/31/2021	Net amount as of 12/31/2021
Performing commitments	3,271	4,670	-	4,670
Non-performing loans	-	-	-	-
Compromised non-performing loans	-	-	-	-
TOTAL	**3,271**	**4,670**	**-**	**4,670**

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 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Total
12	48	361	417	-	-	838

2.5.3 Analysis by the issuer's economic sector excluding accrued interest

	12/31/2020	12/31/2021	Unrealized capital gain or loss as of 12/31/2020[1]
Credit institutions	1,002	838	2
TOTAL	**1,002**	**838**	**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

	12/31/2020	12/31/2021	Unrealized capital gain or loss as of 12/31/2020[2]
Listed securities[1]	1,002	838	2
Other securities	-	-	-
TOTAL	**1,002**	**838**	**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 12/31/2020	Gross amount as of 12/31/2021	Increases	Decreases	Others	Impairment as of 12/31/2021	Net amount as of 12/31/2021(1)	Unrealized capital gain or loss as of 12/31/2021(2)
Trading	-	-	-	-	-	-	-	-
Placement	495	495	2	(119)	-	-	378	1
Investment	507	507	14	(61)	-	-	459	1
TOTAL	**1,002**	**1,002**	**16**	**(180)**	**-**	**-**	**838**	**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 12/31/2020	**2**	**19**	**4**	**26**
Acquisitions	0	7	6	14
Cancellations	-	-	(0)	(0)
Transfers	-	-	(4)	(4)
Sales	-	-	-	-
Depreciations and impairments	-	-	-	-
Amortizations	(1)	(12)	-	(13)
NET CARRYING AMOUNT AS OF 12/31/2021	**2**	**15**	**6**	**23**

2.8 Tangible assets

	Property & equipment	Construction work in progress	Total
NET CARRYING AMOUNT AS OF 12/31/2020	**5**	**1**	**6**
Acquisitions	1	0	1
Cancellations	-	(0)	(0)
Transfers	-	(1)	(1)
Sales	(0)	-	(0)
Depreciations and impairments	-	-	-
Amortizations	(2)	-	(2)
NET CARRYING AMOUNT AS OF 12/31/2021	**4**	**0**	**4**

2.9 Other assets

	12/31/2020	12/31/2021
Cash collateral paid	2,575	2,219
Other receivables	28	41
TOTAL	**2,603**	**2,261**

2.10 Accruals and other assets

	12/31/2020	12/31/2021
Deffered charges on hedging transactions	299	335
Other prepaid charges	4	5
Accrued interest not yet due on hedging transactions	321	287
Other accounts receivable on hedging transactions	-	3
Other deferred income	11	14
TOTAL	**635**	**644**

2.11 Breakdown of assets by currency

	Amount in currency as of 12/31/2020	Amount in euros as of 12/31/2020	Amount in currency as of 12/31/2021	Amount in euros as of 12/31/2021
EUR	11,044	11,044	12,474	12,474
CHF	6	6	6	6
GBP	24	26	87	104
NOK	39	4	-	-
SEK	0	0	0	0
USD	4,256	3,478	4,398	3,867
CAD	1	1	1	1
TOTAL		**14,558**		**16,452**

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

	12/31/2020	12/31/2021
Sight accounts	-	-
Current account	-	-
Term borrowing	3,538	4,960
Unallocated sums	-	-
TOTAL	**3,538**	**4,960**

3.1.3 Analysis by residual maturity excluding accrued interest

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	12/31/2021
Sight	-	-	-	-	-	-	-
Term	-	36	336	2,388	2,200	-	4,960
TOTAL	**-**	**36**	**336**	**2,388**	**2,200**	**-**	**4,924**

3.1.4 Analysis of term borrowing by counterparty excluding accrued interest

	12/31/2020	12/31/2021
Caisse des Dépôts et Consignations	-	-
Caisse Française de Financement Local[(1)]	3,538	4,960
La Banque Postale	-	-
TOTAL	**3,538**	**4,960**

(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: 36

3.2.2 Analysis by residual maturity excluding accrued interest

Type of securities	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Total
Certificates of deposit	-	380	417	-	-	-	797
EMTN	-	-	2,299	4,968	2,003	-	9,269
TOTAL	**-**	**380**	**2,716**	**4,968**	**2,003**	**-**	**10,066**
Of which issue premiums	-	*(0)*	*(0)*	*(10)*	*3*	-	*(8)*

3.2.3 Changes during the year excluding accrued interest

	12/31/2020	Increases	Decreases	Translation adjustments	12/31/2021
Certificates of deposit	1,569	797	(1,569)	-	797
EMTN	7,559	2,386	(830)	155	9,269
TOTAL	**9,128**	**3,183**	**(2,399)**	**155**	**10,066**

3.3 Other liabilities

	12/31/2020	12/31/2021
Cash collateral received	860	623
Taxes	4	2
Other payables	21	39
TOTAL	**885**	**663**

3.4 Accruals and other liabilities

	12/31/2020	12/31/2021
Deferred income on hedging transactions	144	140
Accrued interest not yet due on hedging transactions	271	239
Other accounts payable on hedging transactions	229	-
Other accrued charges	32	38
TOTAL	**676**	**416**

3.5 Provisions for risks and charges

	12/31/2020	Increases	Decreases	Conversion differences	12/31/2021
Provisions on pensions on credit and engagement[1]	16	1	-	-	17
Provisions on financial instruments	0		(0)	-	0
Provisions on pensions	7	1	(0)	-	7
TOTAL	**22**	**2**	**(0)**	**-**	**24**

(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. This position has been maintained throughout 2021 and SFIL has also decided to strengthen these collective provisions by EUR 1 million (see note 8).

3.6 Equity

	12/31/2020	12/31/2021
Share capital	130	130
Legal reserve	5	7
Retained earnings (+/-)	94	96
Net income (+/-)	37	52
TOTAL	**266**	**284**

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

	Amount in currency as of 12/31/2020	Amount in euros as of 12/31/2020	Amount in currency as of 12/31/2021	Amount in euros as of 12/31/2021
EUR	11,044	11,044	12,474	12,474
CHF	6	6	6	6
GBP	24	26	87	104
NOK	39	4	-	-
SEK	0	0	0	0
USD	4,256	3,478	4,398	3,867
CAD	1	1	1	1
TOTAL		**14,558**		**16,452**

3.8 Transactions with related parties

Breakdown by nature	Consolidated entity CAFFIL[1]		Parent Company[2]		Other related parties[3]	
	12/31/2020	12/31/2021	12/31/2020	12/31/2021	12/31/2020	12/31/2021
ASSETS						
Loans and advances to banks	6,606	7,677	-	-		
Bonds and other fixed income securities	-	-	114	114	94	65
Other assets	19	28	-	-	3	1
Accruals and other assets	250	224	1	1	2	0
LIABILITIES						
Due to banks	3,539	4,962	-	-		
Debt securities	-	-	-	-	12	12
Other liabilities	17	34	-	-	3	0
Accruals and other liabilities	141	118	-	-	1	
INCOME STATEMENT						
Interest income		-		-	0	
Interest expense	(20)	(25)	(2)	(2)	(6)	(0)
Commission income			-	-	4	4
Commission expense	(3)	-	-	-	(0)	(0)
Net gains (losses) on held for trading portfolio	(177)	49	5	-		
Net gains (losses) on placement portfolio			0	-		
Other banking income	95	96	1	-		0
Other banking expense				-		
General operating expenses				-		
OFF-BALANCE SHEET						
Interest rate derivatives	15,370	14,598	-	-	245	
Foreign exchange derivatives	618	519	-	-	-	
Financing commitments received	4,703	5,097	4,000	4,000	1,500	1,000
Financing commitments given	50	50	-	-	-	

(1) Caisse Française de Financement Local.
(2) This item includes transactions with Caisse des Dépôts.
(3) Other related parties concern La Banque Postale and Bpifrance, subsidiaries of Caisse des Dépôts.

Note 4 Notes to the off-balance sheet items *(EUR millions)*

4.1 Commitments granted

	12/31/2020	12/31/2021
Financing commitments granted to credit institutions(1)	263	59
Financing commitments granted to customers(1)	4,490	5,087
Other guarantees given to banks(2)	8,243	10,059
Other commitments given, assets assigned in guarantee(3)	153	4
TOTAL	**13,149**	**15,208**

(1) These amounts correspond to commitments given by SFIL in connection with its export credit activity.
(2) This amount corresponds to the sell-back, to the benefit of Caisse Française de Financement Local, of guarantees received from export credit activity.
(3) In 2020, this mainly concerns a portfolio of securities pledged as collateral with the Banque de France. In 2021, this amount corresponds entirely to irrevocable payment commitments given to the Single Resolution Fund.

4.2 Commitments received

	12/31/2020	12/31/2021
Financing commitments received from credit institutions(1)	10,203	10,097
Guarantees received from banks(2)	8,250	10,071
Other commitments received	-	-
TOTAL	**18,453**	**20,168**

(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 1,000 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 Republic in the framework of large export credit activity.

4.3 Foreing 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.

	12/31/2020	12/31/2021	Fair value as of 12/31/2021
Currencies to receive	4,298	4,295	123
Currencies to deliver	4,526	4,292	(116)
TOTAL	**8,824**	**8,587**	**7**

4.3.2 Commitments on interest rate derivatives

Commitments on interest rate derivatives are recorded in accordance with CRB standards 88-02 and 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 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Amount as of 12/31/2021
Unconditional transactions	336	745	3,323	10,859	21,653	-	36,916
of which deferred start	-	-	-	-	*80*	-	*80*

4.3.2.2 Analysis of interest rate transactions by product type

	12/31/2020	12/31/2021
Interest rate swaps	37,977	36,916
Term contracts	-	-
Interest rate options	-	-
TOTAL	**37,977**	**36,916**

4.3.2.3 Analysis of interest rate transactions by counterparty

	12/31/2020	12/31/2021
Caisse Française de Financement Local	15,370	14,598
Other related parties	245	-
Other counterparties	22,362	22,318
TOTAL	**37,977**	**36,916**

4.3.3 Analysis of interest rate and foreign currency transactions by type of transaction

Type of transaction	12/31/2020	Micro-hedge	Isolated open position	12/31/2021	Fair value as of 12/31/2021
Foreign currency transactions – to receive	4,298	3,596	699	4,295	123
Foreign currency transactions – to deliver	4,526	3,773	519	4,292	(116)
Interest rate swaps	37,977	22,318	14,598	36,916	(2)
TOTAL	**46,801**	**29,688**	**15,815**	**45,503**	**5**

Note 5 Notes to the income statement *(EUR millions)*

5.1 Interets and related income/expense

	2020	2021
INTEREST AND RELATED INCOME	**58**	**49**
Loans and advances to banks	9	(1)
Loans and advances to customers	46	48
Bonds and other fixed income securities	4	3
Macro-hedge transactions	-	-
Other commitments	-	-
INTEREST AND RELATED EXPENSE	**(44)**	**(38)**
Due to banks	(51)	(45)
Due to clients	(12)	(18)
Bonds and other fixed income securities	19	26
Macro-hedge transactions	-	-
Other commitments	-	-
INTEREST MARGIN	**14**	**12**

5.2 Commissions received and paid

	2020	2021
Billing commissions received from/paid to Caisse Française de Financement Local(1)	(3)	-
Other commissions(2)	4	4
TOTAL	**0**	**4**

(1) In 2021, SFIL and CAFFIL decided to end rebilling of commissions on margin calls and to process this service through the global rebilling of financial services provided by SFIL and CAFFIL (see section 5.5).
(2) This concerns mainly servicing commission received from La Banque Postale.

5.3 Net gains or losses on trading portfolio

	2020	2021
Provision on financial instruments(1)	3	3
Foreign exchange income	(0)	0
TOTAL	**3**	**3**

(1) These are the amounts of cash compensation paid/received within the framework of the change of index adopted (Eonia to €ster) for the valuation of certain derivatives; this change in the discounting curve having given rise to the receipt/payment of additional cash collateral compared to the situation before the changeover.

5.4 Gains or losses on portfolio transactions

	2020	2021
Losses on placement portfolio	-	-
Gains on placement portfolio	1	0
TOTAL	**1**	**0**

5.5 Other income and expense

	2020	2021
Other income	1	0
Rebilled expense(1)	95	96
Other expense	(0)	(0)
TOTAL	**96**	**97**

(1) This item includes expenses billed to Caisse Française de Financement Local for the provision of financial services.

5.6 General operating expenses

	2020	2021
Payroll expense	(31)	(33)
Social security taxes	(18)	(18)
Taxes	(7)	(8)
Other general operating expense	(32)	(34)
TOTAL	**(88)**	**(93)**

5.7 Cost of risk

	2020	2021
Collective and specific impairments[1]	(14)	(1)
TOTAL	**(14)**	**(1)**

(1) As a reminder, in the context of the Covid-19 health crisis, SFIL decided in 2020 to put all export credit exposures related to the cruise sector on the watchlist which resulted in an increase in collective provisions of EUR 15 million. This position was maintained throughout 2021 and SFIL also decided to strengthen these collective provisions by EUR 1 million (see note 8).

5.8 Income tax

	2020	2021
Current income tax	(5)	(3)
TOTAL	**(5)**	**(3)**

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	2020	2021
Executive Committe	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	2020	2021
Executive Committe	-	-
Board of directors	-	-
TOTAL	**-**	**-**

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	-	206	81	100%	35	49	7,682	-	*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 *(EUR millions)*

As of December 31, 2021, the health crisis had an impact close to zero on the Company's financial statements prepared according to French accounting standards. This confirms SFIL's resilience to macroeconomic shocks.

8.1 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. At the same time, as a reminder, SFIL decided in 2020 to put all exposures concerning the cruise sector on the watchlist. This resulted in the recognition of a collective provision for this business segment of EUR 15 million in 2020. This approach was maintained in 2021 and the exposures remained on the watchlist in line with the continuation of the pandemic which continued to affect the cruise sector. At the same time, the provision recognized in 2020 was increased by EUR 1 million. As a reminder, all export credits benefit from credit insurance issued by BPI AE in the name, on behalf of and under the control of the French State.

8.2 Summary of the impacts of the Covid-19 health crisis on results as at December 31, 2021

	(1)	(2)	=(1)-(2)
		Of which impacts of the Covid-19 health crisis	
	Published accounting income	Reinforcement of provisions for the export credit – cruise sector	**Accounting income restated for Covid-19 impacts**
Net banking income	164	-	164
General operating expenses	(108)	-	(108)
GROSS OPERATING INCOME	**56**	**-**	**56**
Cost of risk	(1)	(1)	(0)
OPERATING INCOME BEFORE TAX	**55**	**(1)**	**56**
Income tax	(3)	-	(3)
NET INCOME	**52**	**(1)**	**53**

Note 9 Post-closing events

No significant event that influences the Company's financial situation has occurred since the December 31, 2021 closing date.

The foreseeable impacts to date related to the war situation in Ukraine are limited for SFIL. As a reminder, the SFIL Group does not have any operations outside France. On the other hand, the Group does not have any exposure in Russia or Belarus and has only one exposure in Ukraine, which at December 31, 2021 represented an outstanding balance sheet amount of EUR 51.1 million and an off-balance sheet financing commitment of EUR 17.4 million. This exposure was granted as part of the export credit activity and is 100% guaranteed by the French Republic. SFIL is not, therefore, directly exposed to credit risk on this file. SFIL has nevertheless decided, as of February 24, 2022, to place this asset on the watchlist. A provision for liabilities and charges of EUR 0.4 million is associated with this entry.

4.3 Statutory Auditors' report on the financial statements

For the year ended December 31, 2021

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 S.A. for the year ended December 31, 2021.

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, 2021 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, 2021 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, in particular with its refinancing of credit export. At 31 December 2021, loans and advances to customers amounted to €4.7 billion and financing commitments granted to customers (off-balance sheet) amounted to €5.1 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 amount of collective provisions stands at €16.6 million as at December 31, 2021. The Covid-19 pandemic has caused a health crisis affecting the repayment ability of borrowers, in particular borrowers in the cruise sector. In this environment of great uncertainty owing to the complex and evolving context of the pandemic and the absence of comparable historical situation, SFIL decided to add to watchlist monitoring all credit exposures in the cruise sector (note 8 to the financial statements). This decision was maintained during 2021. Given the significant judgement required in determining these collective provisions, we considered that their assessment at 31 December 2021 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. Loans and advances to customers, financing commitments granted to customers, collective provisions and cost of risk are presented in notes 2.4, 4.1 and 5.7 respectively to the financial statements of SFIL.	Given the increased degree of uncertainty, we have maintained a strong level of audit work. 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 the bank's exposures; • 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 controls 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 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 under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation N° 2019/815 of December 17, 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.

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, 2021, we were in our 2nd 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, 2022

Neuilly-sur-Seine, March 30, 2022

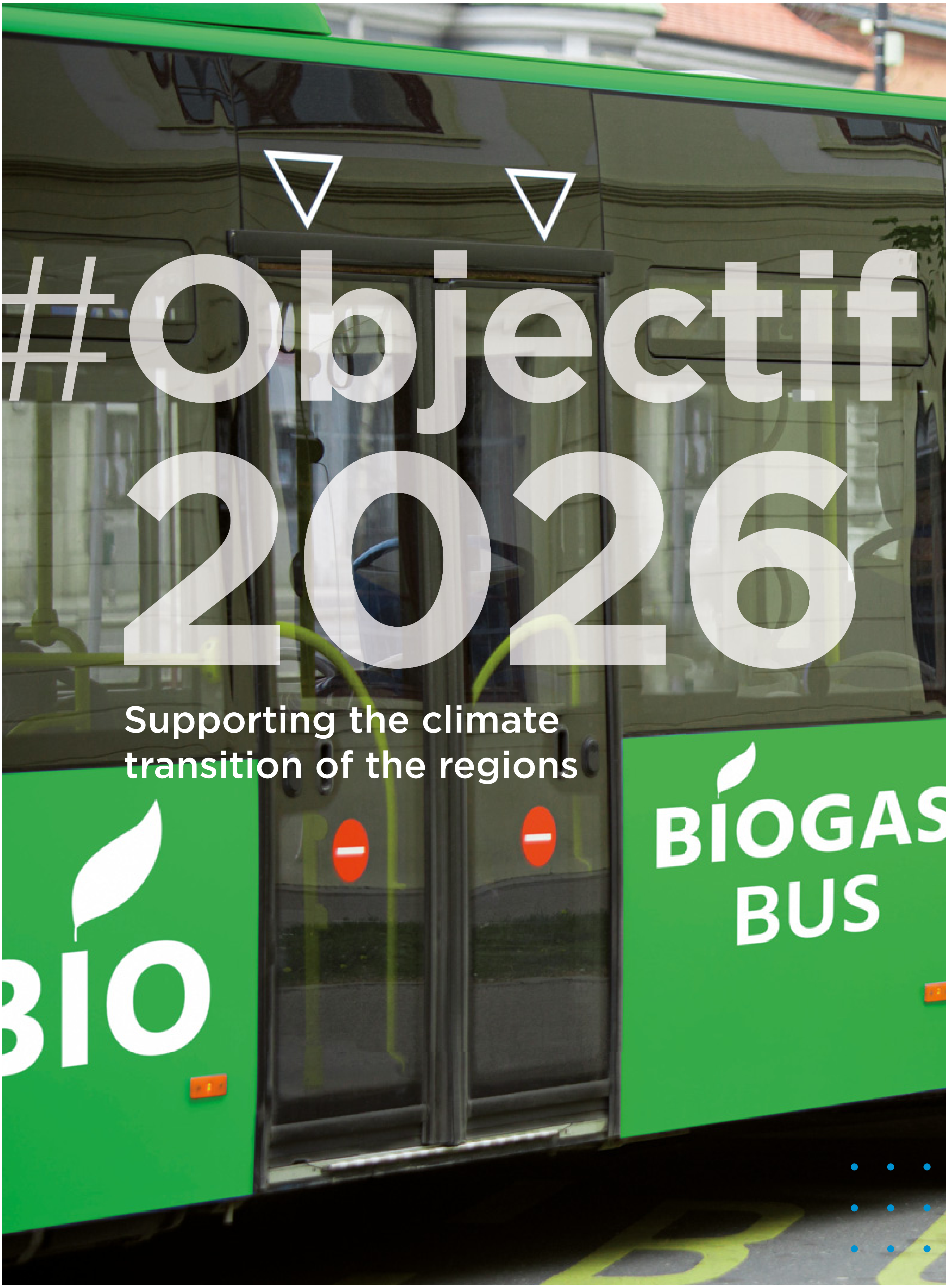
The statutory auditors
French original signed by

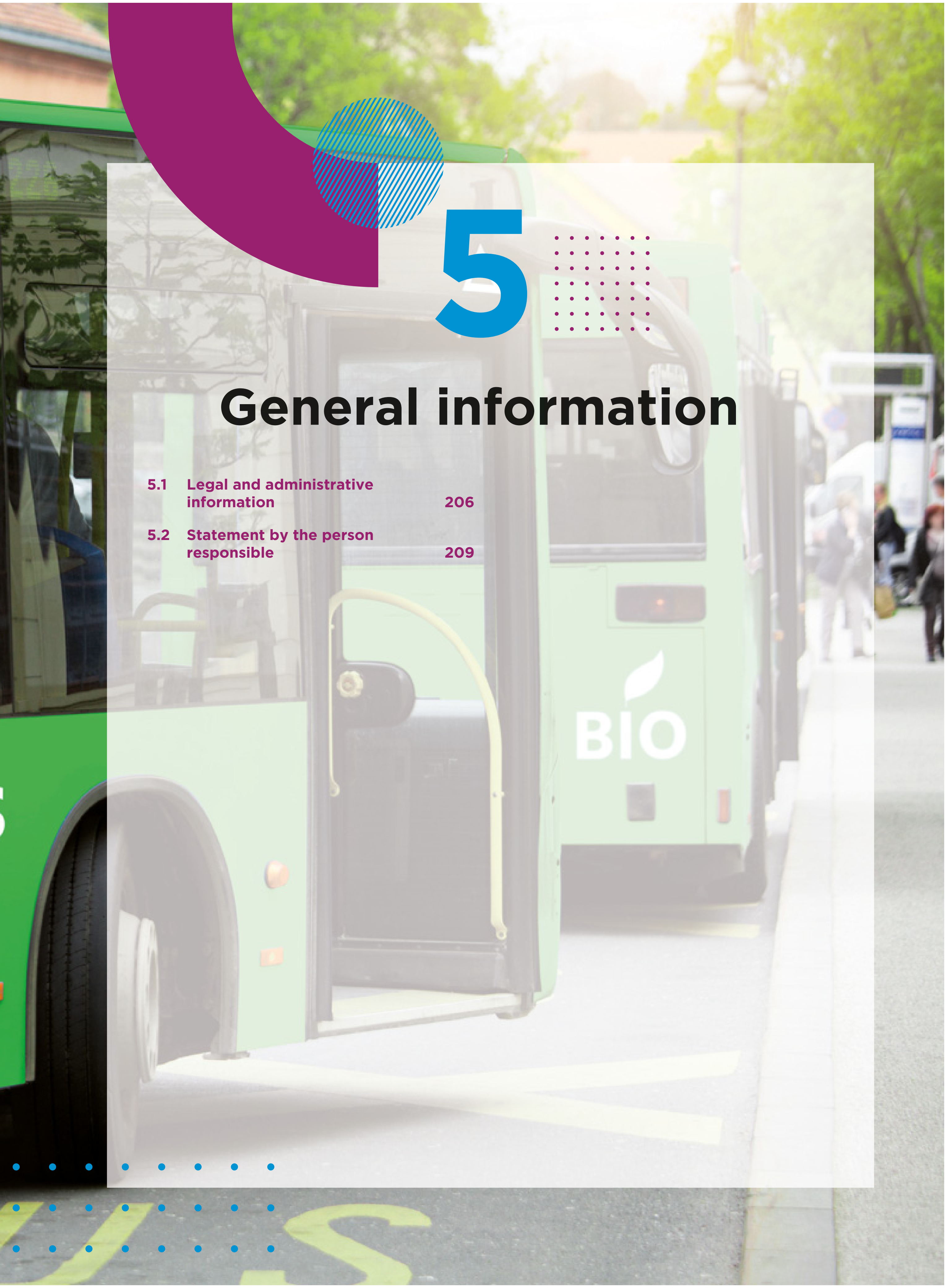
KPMG S.A.
Jean-François Dandé
Partner

PricewaterhouseCoopers Audit
Ridha Ben Chamek
Partner

#Objectif 2026

Supporting the climate transition of the regions





5

General information

5.1 Legal and administrative information

Corporate 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.

Date of incorporation 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.

Company registration and APE business identification 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.

Availability of information

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.

Exceptional events and lawsuits

See the section on litigation in part 1.7.2.7 of the management report of this annual financial report on legal and tax risks.

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 Shareholders' 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 EUR 20 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").

Shareholders' Meetings

Calling of meetings (article 24 of the by-laws)

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). Shareholders' 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 use of electronic telecommunications for the convening of shareholders assumes that the Company has submitted a proposal to this effect, and obtained their agreement.

Right to attend Shareholders' Meetings (article 26 of the by-laws)

Each shareholder has the right to participate in Shareholders' 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 Shareholders' 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 the 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, 2022

Philippe Mills
Chief Executive Officer

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SFIL

Société anonyme capital of EUR 130,000,150
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