Annual financial report 2022

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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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Supporting local investment and exports

Annual financial report **2022**

Interview with the Chief Executive Officer

Philippe Mills
Chief Executive Officer of SFIL

Sfil celebrates its 10th anniversary. What is your assessment of this first decade?

Philippe Mills. Undoubtedly, this is more than just a successful record, it is an exceptional record!

In ten years, Sfil has become a major player in the financing of the French economy in three key areas.

Driven by an exceptional financing capacity in terms of amount, duration and cost, our business model is powerful and efficient.

We are the leading financer of local authorities, the leading financer of public hospitals and the leading liquidity provider for large export contracts. Today, Sfil is clearly recognized as a key development bank and a leading bond issuer.

When we were created, we were an unusual financial institution in the French banking landscape. Our signature was unknown to the financial markets. Our partnership with La Banque Postale had to be explained and brought to life. Our balance sheet was also burdened by a legacy sensitive loans portfolio. Lastly, we were a bank dedicated to financing a single market, that of local authorities, with a single channel of access to investors.

With support from our shareholders, and first and foremost the French State, we have become – as Éric Lombard reminded the National Assembly's Finance Committee – a major public development bank. Backed by the excellence of our financial and extra-financial ratings, Sfil has exceptional and ever more diversified access to the markets. Our ever-expanding investor base includes 683 names. Sfil is also characterized by the very high robustness of its risk management, recognized by the supervisor as one of the very best, comparable today to that of institutions as established as the EIB on major financial ratios.

Without the constant commitment of Sfil's employees throughout this decade, this resounding success would have only been potential. I would also like to warmly thank all those who have supported us during this decade: our shareholders, the Caisse des Dépôts and the French State, our partners La Banque Postale, Banque des Territoires and all the banks that help us with our issues and with which we cooperate on exports. Without their constant and determined support, this success would not have been possible.

What shall we remember from 2022?

P.M. It was to be the year of the strong post-Covid recovery... And it was hit hard by the war in Ukraine.

In this particularly uncertain context, we maintained our growth trajectory and achieved significant milestones in the implementation of our second strategic plan.

We maintained our strong and exceptional financing capacity with an issuance program executed under slightly better than budgeted conditions, crowned at the end of 2022 by achieving an equal rating with that of the French State, from Moody's.

> "In ten years, Sfil has become a major player in the financing of the French economy, in three key areas."

> *“In this particularly uncertain context, we have maintained our growth trajectory.”*

How do you analyze Sfil’s activity in the local public sector?

P.M. Despite a context marked by high volatility in interest rates and strict constraints related to the methods used to determine the usury threshold, our activity was relatively dynamic. Financing to the local public sector reached **EUR 4.1 billion** of which **EUR 3.5 billion** to local authorities and their associations and **EUR 0.6 billion** to public hospitals.

Since November 2022, Sfil has also supported Banque des Territoires in the financing of local authorities thanks to very long-term fixed-rate loans (between 25 and 40 years). This new partnership has already enabled the first contracts to be marketed in 2022.

Sfil also launched a new range of social loans with La Banque Postale to support investments by local authorities in areas of social value such as health, education, sport, culture, development and regional cohesion.

This expansion of our loan offer makes it possible to support the investment efforts of the local public sector serving ecological and social transitions. The share of thematic loans represented **37% of our production** in 2022 compared to 27% in 2021.

2022 also represents our first and very successful participation in the Mayors' Show (Salon des Maires), with multiple customer meetings and the signing of green and social contracts.

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

P.M. It was a year of transition, marked by a limited number of contracts signed, with the completion of certain important projects postponed to 2023.

The business outlook is nevertheless very positive, driven by the importance of the challenges related to the energy transition and sovereignty. The volume of projects under review increased during 2022 and now stands at **165** projects for an amount of **EUR 62 billion**, against **135** projects and **EUR 46 billion** a year ago.

Sfil is also working to extend its export intervention methods to the refinancing of sustainable projects benefiting from credit insurance provided by European Union Member States or multilateral institutions.

How does this translate into results and risk?

P.M. Sfil recorded very solid 2022 results in line with the record results of 2021, and perfectly in line with the objectives of our strategic plan. This good performance, in a less favorable and volatile economic context, confirms the very high robustness of our model.

In terms of risk, the metrics, in continuous improvement, once again reached an all-time low since our creation and demonstrate the excellent quality of our asset portfolio.

In terms of solvency, Sfil’s CET1 ratio reached **40.3%** at the end of 2022, an improvement of **5.7 points** compared to the observed level of **34.6%** at the end of 2021. It is, therefore, significantly higher than the minimum requirement of **7.42%** set by the European supervisor as part of the supervisory review and evaluation process (SREP).

> *“Sfil recorded very solid results in 2022, in line with the record results of 2021.”*

What can we wish for Sfil for the next decade?

P.M. To continue our momentum with pride, confidence and audacity, demonstrating the same capacity for adaptation and collective agility that we have demonstrated throughout this first decade.

Our bank will continue and intensify its growth within a powerful Group, Caisse des Dépôts, in order to always better respond to the needs of the regions and the French economy and to the challenges of sovereignty, while respecting our planet.

In a world where the various forms of public intervention are becoming ever more useful, a public system as effective as Sfil is more necessary than ever. We look forward to tomorrow!

Already 10 years serving territories development

On February 1, 2013, Sfil, a 100% public, 100% French bank, 100% dedicated to the local public sector, was born. Its aim is not profit, but the sustainable financial support of our country, its infrastructures and its economy. Two years later, it opened up to the refinancing of large export projects.

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Today, Sfil, along with its partners La Banque Postale and Banque des Territoires, has become the leading financer of local public sector investments and the leading export liquidity provider. These results herald a new decade dedicated to supporting the transition of the territories and financing new development projects in our economy.

2013

The successful launch

- Creation of Sfil
- Launch of the LBP partnership
- 1st Caffil issue

2014

The ambitious transition

- 1st results of the sensitivity reduction
- Start of ECB supervision
- Membership of the European Association of Public Banks (EAPB)
- Move to Issy-les-Moulineaux

2015

New horizons

- Start of digital transformation
- Authorization of the export activity
- Creation of the Sfil Sustainable Development committee
- 50% decrease in sensitive outstandings
- Leadership in the local public sector market

2016

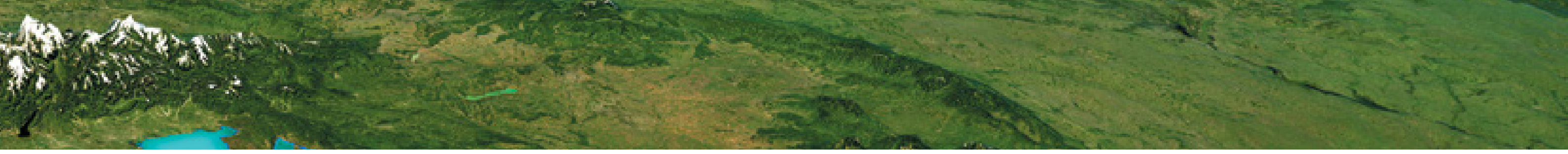
The realization

- 1st strategic plan #Horizon2021
- Gender equality policy
- 1st positive financial result
- 1st export financing operation (in the cruise and energy sectors)
- 1st Sfil issue in EUR
- Election of Ph. Mills as Chairman of the EAPB
- Creation of AVEC'L, Sfil's gender diversity network

2017

The change of scale

- End of the intense sensitivity reduction phase
- 1st Sfil issue in USD
- Sfil-Collège de France agreement
- 100,000th back-office customer contact
- 1st "Living well at work" agreement



> In 2021, the Court of Auditors' report underlines the positive results of Sfil.

2018 – The affirmation

- The export credit is equivalent to the SPL in production
- Overhaul of the IT system
- Membership of the United Nations Global Compact
- 1st carbon footprint assessment
- 1st publication of the Pro Equality Index: 87/100

2019 – Agility

- Adoption of the "Financing a sustainable future" purpose
- 1st green loan to local authorities
- Sfil adopts a social and environmental strategy
- 1st CSR report
- 1st green issue and 1st social issue
- IFR Awards: Best Social Bond
- The milestone of 500 investors in Sfil/Caffil bonds is crossed

2020 – The adaptation

- Lockdown and full switch to remote mode
- Launch of the «Demain@Sfil» (Tomorrow@Sfil) project
- Change of control, Sfil joins the Caisse des Dépôts Group
- Integration of CSR criteria in the profit-sharing formula
- The PRESAGE project (automation of credit analysis) receives a special mention from the jury at the Innovation Makers Trophies

2021 – Resilience serving the recovery

- 2nd strategic plan #Objectif2026
- Cumulative export production reaches EUR 10 billion
- First benchmark issue with 25 year-maturity
- A Court of Auditors' report underlines the positive results of Sfil

2022 – On the rise

- New sustainable bond framework
- 1st social loan to local authorities
- Launch of the partnership with Banque des Territoires
- Extinction of the last sensitive dispute concerning local authorities
- 1,000th borrower authorized for Digisfil
- 1st participation in the Mayor and Local Authorities' Trade Show (Salon des Maires et des Collectivités Locales)
- 4th publication of the Pro Equality index: 93/100 (+6 pts in 4 years)
- Sfil and employees' support campaign for Ukraine

2023 – The audacious future

- New visual identity
- Celebration of ten years
- Move to Biome (Paris XVth)

2022 once again illustrates the strength and relevance of Sfil's business model, in a disrupted global context

In 2022, despite a macroeconomic context heavily impacted by the various crises, Sfil fully carried out all of its missions in accordance with its strategic objectives. Sfil has once again demonstrated the strength and relevance of its public development bank model, serving the ecological transitions of the regions, in line with its purpose: to finance a sustainable future. In a context of high volatility, Sfil maintained its long-term financing capacity to serve the ecological and social transitions of the regions, by relying on diversified sources of financing.

Sustained activity and very solid results driven by a relevant business model

Sustained activity in the local public sector

The local public sector financing activity has demonstrated its resilience despite the constraints resulting from the evolution of the usury rate. Green and social thematic loans are up sharply and represent 37% of production in 2022 (+10 points compared to 2021). The new partnership with Banque des Territoires has been operational since November 2022 and enabled the first contracts to be marketed in 2022.

A sharp increase in export requests

The production of export credit loans stood at a relatively modest level of EUR 0.7 billion, the signing of certain major projects having been postponed until 2023. The business outlook is nevertheless very strong for the next two years.

An exceptional refinancing capacity

In 2022, Sfil maintained its strong long-term financing capacity with an issuance program carried out under slightly better than budgeted conditions, crowned at the end of 2022 by achieving an equal rating with that of the French State, from Moody's.

Very solid results

Sfil recorded very solid results in 2022, in line with the results of 2021. Accounting income stood at a record level of EUR 86 million (up EUR 10 million compared to 2021). Income restated for non-recurring items came to EUR 62 million, consistent with the public development bank model.

Sfil intensifies its development to serve the territories

- Since its creation 10 years ago, Sfil has continued and intensified its growth to better meet the needs of the regions and the French economy.
- Within a powerful group, Caisse des Dépôts, and in a changing world, Sfil's dynamic trajectory is based on the three focuses of its 2nd strategic plan #Objectif2026:

→ fully exploiting the strengths of its public development bank model,

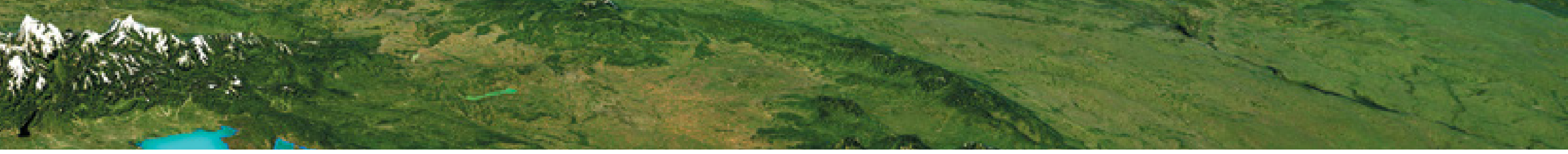
→ broadening its intervention horizons in response to the challenges of the recovery plans and the climate transition,

→ engaging in a new phase of internal transformation with, in particular, the adaptation of its operating methods to hybrid mode.

EUR 63 billion
in long-term financing raised from 2013 to December 31, 2022, of which EUR 5.8 billion in sustainable financing

EUR 44 billion
in loans granted to local authorities and public hospitals since 2013

EUR 11 billion
of export refinancing allowing the conclusion of EUR 21 billion of export credits since the first transactions in 2016



Key figures in 2022

Success driven by our close-knit, engaged teams

Permanent staff 335
Present as of 12/31/2022

87%*
of employees are proud to work at Sfil

Engagement score
35%

* Source: Sfil social survey conducted by Opinionway in 2022.

Balance sheet and results

EUR 66.6 billion
of consolidated balance sheet

EUR 86 million
Net income
for the 2022 financial year

Solid ratios

Operating ratio(1)	54%
ROE	5.0%
CET1 ratio	40.3%
LCR*	161%
NSFR*	119%

** Calculated on a consolidated basis*

(1) The cost/income ratio is calculated on the basis of general operating expenses restated for the contribution to the Single Resolution Fund and recurring NBI.

A sustainable development strategy recognized by excellent extra-financial ratings

SUSTAINALYTICS – ESG GLOBAL 50 TOP RATED 2022

SUSTAINALYTICS – ESG INDUSTRY TOP RATED 2022

SUSTAINALYTICS – ESG REGIONAL TOP RATED 2022

Caffil rating: Corporate ESG Performance – Rated by ISS ESG – Prime C+

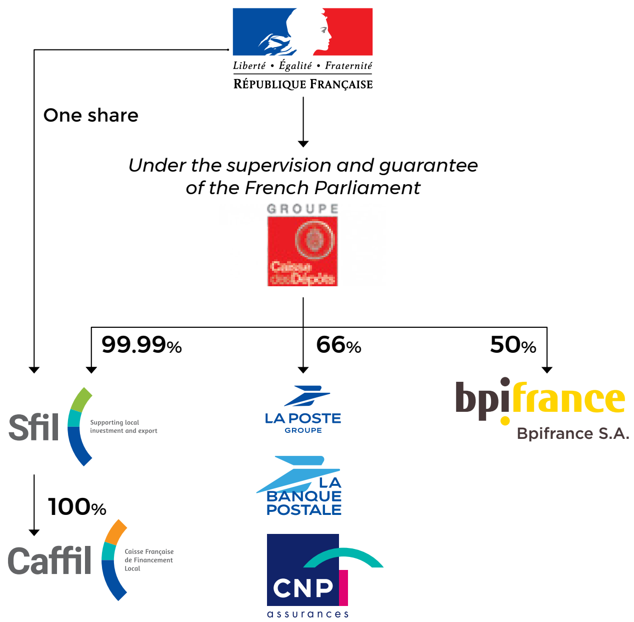
This ranks Sfil among the top 10% in the sector.

High ratings aligned with those of the French State

Sfil's excellent credit ratings, now all aligned with sovereign ratings, reflect the strategic importance of its public policy mission and its proximity to the French State..

	Moody's	S&P	DBRS
Sfil	Aa2	AA	AA (high)
French Republic	Aa2	AA	AA (high)

Effective and operational cooperation within 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.

One of the emblematic examples of this approach was the launch, in 2022, of its partnership with Banque des Territoires for the refinancing of fixed-rate long-term loans.

Governance committed to serving the territories and the general interest

Board of Directors

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

15 directors

4 INDEPENDENT DIRECTORS:

Brigitte Daurelle
Cathy Kopp
Eckhard Forst

3 EMPLOYEE DIRECTORS:

Sandrine Barbosa
Cécile Latil-Bouculat
Frédéric Guillemin

7 DIRECTORS:

Serge Bayard
Virginie Chapron du Jeu
Quentin de Nantes
Laetitia Dordain

CAISSE DES DÉPÔTS
represented by Alexandre Thorel

Pierre Laurent
Fabienne Moreau

1 NON-VOTING DIRECTOR

Paul Teboul

1 SECRETARY OF THE SOCIAL AND ECONOMIC COMMITTEE

Thomas Perdriau

Executive Committee

General management
Philippe Mills
(Chief Executive Officer)

François Laugier
(Deputy Chief Executive Officer)

Export Credit Division
Pierre-Marie Debreuille

Risks division
Nathalie Derue

Local Public Sector, Operations and CSR division
Stéphane Costa de Beauregard

Finance and Financial Markets division
Florent Lecinq

Caffil Coordination division
Gilles Gallerne

Human Resources division
Frédéric Meyer

General Secretariat
Béatrice Gosserez

General Auditor (permanent guest)
Donia Mansouri

Financing of the local public sector: sustained activity in 2022 despite the constraints that weighed on the market

- **In 2022, financing to the local public sector reached EUR 4.1 billion** of which EUR 3.5 billion to local authorities and their associations and EUR 0.6 billion to public hospitals. Activity was strongly impacted by the methods for setting the usury rate, which limited the offer of fixed-rate loans, the main financing tool for the local public sector.
- Since the start of the activity, in 2013, total production has amounted to EUR 44 billion.
- Since 2022, Sfil has relied on the distribution network of a new strategic partner: Banque des Territoires for the refinancing of long-term fixed-rate loans of 25 to 40 years.

In 2022, Sfil and La Banque Postale launched a new social loan offer for local authorities enabling them to finance projects with social value.

- These changes in the loan offer will make it possible to support the investment efforts of the local public sector serving ecological and social transitions. This trend is reflected in the growing weight of thematic loans, which accounted for 37% of production in 2022 compared to 27% in 2021.

Overview of the local public sector activity

Long loans with maturities of up to 40 years
and an average maturity of 20 years

From EUR 15,000 and up to EUR 200 million
serve the needs of all our customers

Local authorities

11,514 borrowers

EUR 38.5 billion in outstandings

Public hospitals & medico-social sector

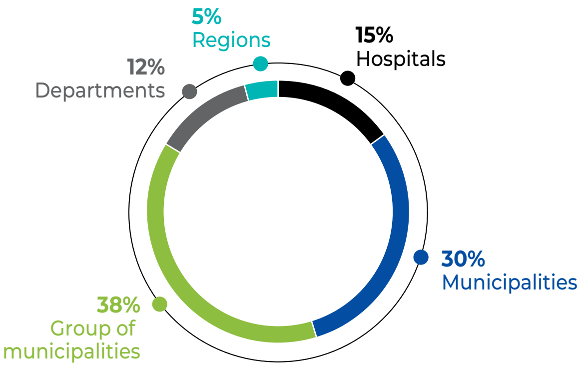
865 borrowers

EUR 6.4 billion in outstandings

From 20 to 25% of market share

Breakdown of loans granted in 2022 **by customer type**

Total amount: EUR 4.1 billion



More than half of customers
are municipalities with fewer than 5,000 inhabitants

Export credit: a year of transition towards the signing of major contracts in 2023

2022 is marked by a limited number of contracts signed, with the completion of certain important projects having been postponed to 2023.

However, the business outlook remains very positive in a context of tightening central bank financing conditions. The volume of projects under review increased in 2022, to around 160 projects for an amount of EUR 61 billion, which is the highest since the launch of the export contract refinancing activity in 2015.

Sfil is working to extend its export intervention methods to the refinancing of sustainable projects benefiting from credit insurance provided by European Union Member States or multilateral institutions. This change is subject to prior authorization from the European Commission.

Overview of the export credit activity

Loans

Long loans with maturities of up to 20 years

and an average maturity of 15 years

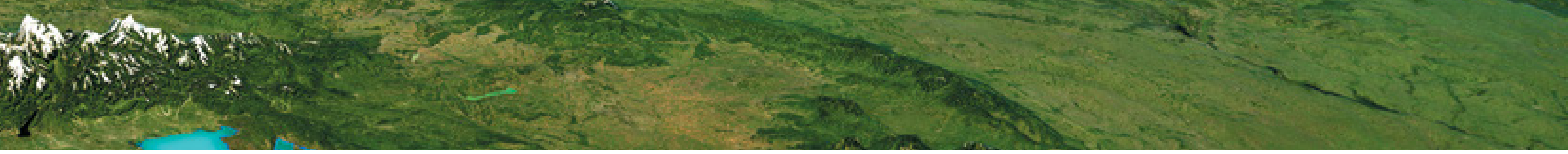
From EUR 70 million and up to several billion euros

22 transactions totaling EUR 21 billion

11 exporters

supported on 4 continents

40% market share

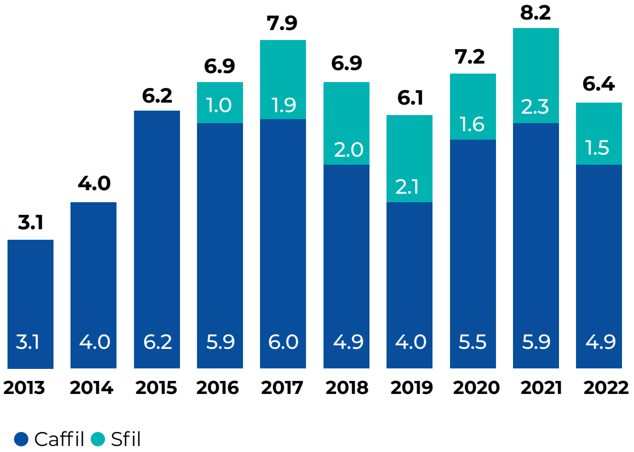


Powerful financing capacity to support the ecological and social transitions of the territories

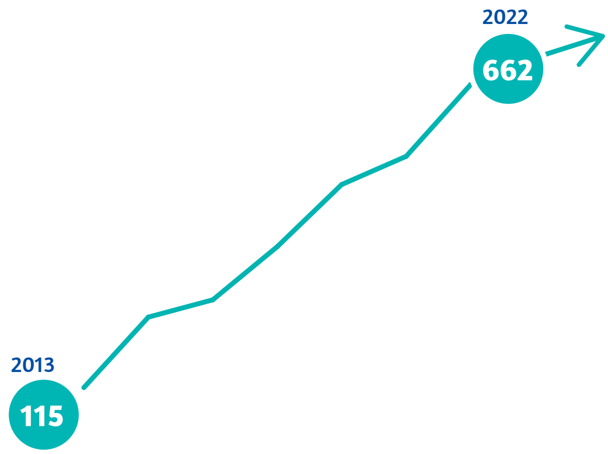
An exceptional funding capacity

Volume of the Group's bond issues

EUR 6.4 billion of Sfil Group bond issues



Sustained growth in the number of investors*



* Number of investors that have participated in Sfil Group's issues since 2013.

Regular and gradual diversification of our funding sources

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

- **07/2013** – Caffil Covered bonds
- **08/2015** – Sfil Certificates of deposit
- **10/2016** – Sfil bonds in EUR
- **06/2017** – Sfil bonds in USD
- **2019** – Caffil Social Bond; Caffil Green Bond
- **2020** – Sfil Green Bond
- **2021** – Caffil 25Y Bond
- **2022** – Green, Social and Sustainability Bond Framework

Issues awarded internationally

Awards cmdportal

Best Covered Bond Issuer

CMD Portal Awards

2022

Environmental Finance Bond Awards 2022 Winner Asset-backed/asset-based/covered social bond of the year

Best Social Bond - Asset Based & Covered Bonds

Environmental Finance

2022

A bank committed to a sustainable future

As a signatory of the United Nations Global Compact, Sfil places sustainable development at the heart of its business model and strategy, making a significant contribution to 11 Sustainable Development Goals (SDGs):

- 3 GOOD HEALTH AND WELL-BEING — Supporting investments in the public hospital sector and contributing to the well-being of our employees
- 5 GENDER EQUALITY — Advancing professional equality and promoting gender parity
- 7 AFFORDABLE AND CLEAN ENERGY — Contributing to increasing the share of renewable and carbon-free energies
- 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Supporting investment in the energy efficiency of buildings and the deployment of digital infrastructure
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Supporting investment in household waste treatment and promoting the circular economy
- 17 PARTNERSHIPS FOR THE GOALS — Leveraging our partnerships to support our customers towards a sustainable world
- 4 QUALITY EDUCATION — Supporting investment in the education system and promoting training, diversity and equal opportunities
- 6 CLEAN WATER AND SANITATION — Supporting investment in public drinking water and sanitation services
- 8 DECENT WORK AND ECONOMIC GROWTH — Supporting industrial employment in France and abroad by financing major French export contracts
- 11 SUSTAINABLE CITIES AND COMMUNITIES — Supporting investment in soft mobility and clean transport
- 13 CLIMATE ACTION — Reducing our carbon footprint and that of our financing

Main achievements in 2022

➜ Supporting the ecological transition of the local public sector and large companies

- EUR 774 million in green loans to local authorities around five themes (energy efficiency, renewable energies, water and sanitation, soft mobility and clean transport, waste management and recovery)
- A new offer to finance local authority investments with a social purpose
- A new partnership with Banque des Territoires to finance the local public sector over long or even very long maturities
- EUR 1.25 billion in thematic issues (green and social)
- EUR 1.4 billion injected into the French economy through export credit transactions
- In-depth knowledge of climate risks and their impact on our business, in particular via the I4CE study on the need for additional sustainable investments

➜ Integration of sustainability issues into our internal policies and management of our environmental impact

- Integration of ESG issues into risk management
- Adoption of a responsible purchasing charter
- Work to extend the measurement of the carbon footprint to the loan portfolio (local public sector and export credit) in order to define a decarbonization trajectory compatible with the National Low Carbon Strategy and the Paris Agreement

➜ Awareness-raising and commitment of our employees

- 87% of employees followed the e-learning course on sustainable development and corporate social responsibility
- Sponsorship on the themes of diversity in the professional world and equal opportunities

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

Sfil's commitment and offer to serve territorial transitions is fully integrated into the **France Relance recovery plan** and more specifically related to the ecological and energy transition and the implementation of **Green Fund**.

New Green, Social and Sustainability Bonds Framework

Green loans

Investments by French local authorities and French export contracts promoting the ecological transition:

- Energy efficiency
- Renewable energies
- Water and sanitation
- Soft mobility and clean transport
- Waste management and recovery

Social loans

Investments by French local authorities and French export contracts promoting social objectives:

- Territorial cohesion
- Access to essential services
- Affordable basic infrastructure, particularly in low- and middle-income countries

Green bonds | Sustainability bonds | Social bonds

Social Note Framework

Healthcare portfolio

Investments by the French public hospital sector to carry out its missions:

- Provision of care to the entire population, in particular vulnerable people
- Research and development of new care and treatments
- Training of healthcare workers

Social Notes - Healthcare portfolio

Consolidation of Sfil's place as a sustainable issuer in 2022:

- 4th Group social bond transaction issued by Caffil in May 2022 with a maturity of 12 years and a volume of EUR 500 million.
- 4th Group green bond transaction issued by Caffil in November 2022 with a maturity of 5 years and a volume of EUR 750 million.

Focus on the two allocation reports in 2022

- Publication of the impact and allocation report of the Group's third green issue issued by Sfil in 2021 with a volume of EUR 500 million and a maturity of 10 years.
- 50,382 metric tons of CO_2 avoided thanks to projects financed by this issue.
- 1,815,653 metric tons of household waste managed by entities financed via this green issue.
- Creation or modernization of 164 km of water networks.
- Publication of the impact and allocation report of the Group's third social issue with a volume of EUR 750 million and a maturity of 8 years.
- 302 hospitals benefited from loans financed through the social issues program. In total, these hospitals have a capacity of 192,000 beds with more than 8.5 million stays per year.

Support for projects with social value

In 2022, with La Banque Postale, Sfil launched a social loan offer for local authorities, broken down into five categories. The purpose of these new loans is to finance and support socially useful investments for access to essential services as well as for the development and cohesion of the territories.

Fire and Rescue Service

Health, social and family action

Education and vocational training

Sport, culture and community life

Territorial development and cohesion

Upgrading of the everyday equipment of a university hospital

Beneficiary
Montpellier University Hospital (CHU)

Region
Occitanie

A project refinanced by Sfil

Management report

01

Management report

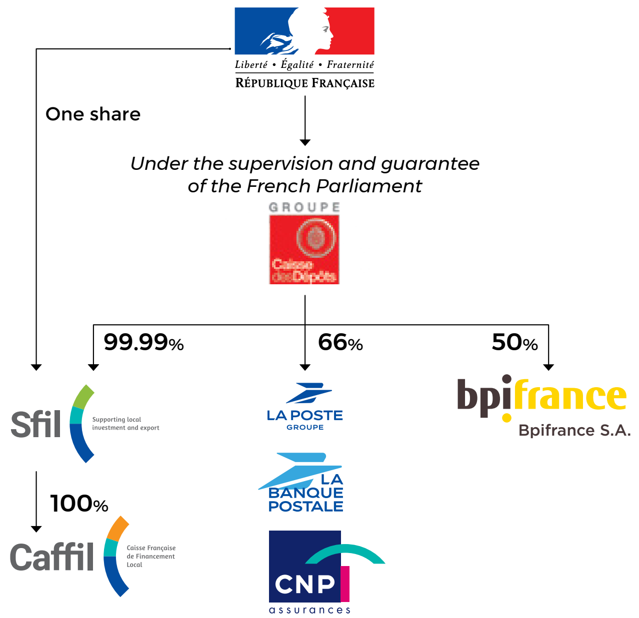
Sfil was authorized as a bank by the *Autorité de Contrôle Prudentiel et de Résolution* on January 16, 2013. Since September 30, 2020, the date on which the French State, with the exception of one share, and La Banque Postale sold their stakes to Caisse des Dépôts, the latter has become Sfil's reference shareholder. The French State continues to be present on Sfil's Board of Directors through a non-voting board member, 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 regional authorities 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



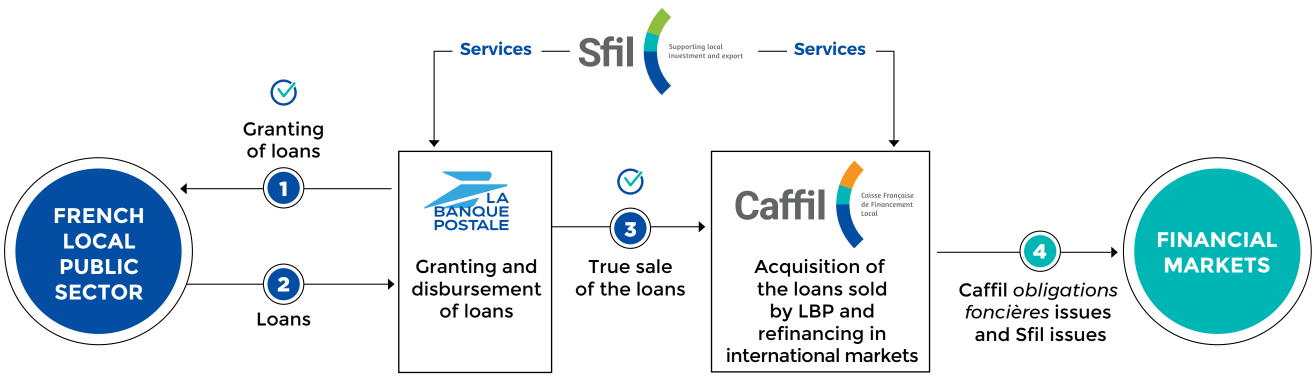
1.1 General business environment

1.1.1 Sfil Group's financing of public sector investments

The Sfil - La Banque Postale system

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

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



Caisse Française de Financement Local's credit decision 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 15,000 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 10.5 years.

This loan offer is intended for all types of local authorities 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. 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 Sfil Group. This financing offer enables Sfil Group's commitment to sustainable finance and its role as a public development bank serving the regions to be synergized.

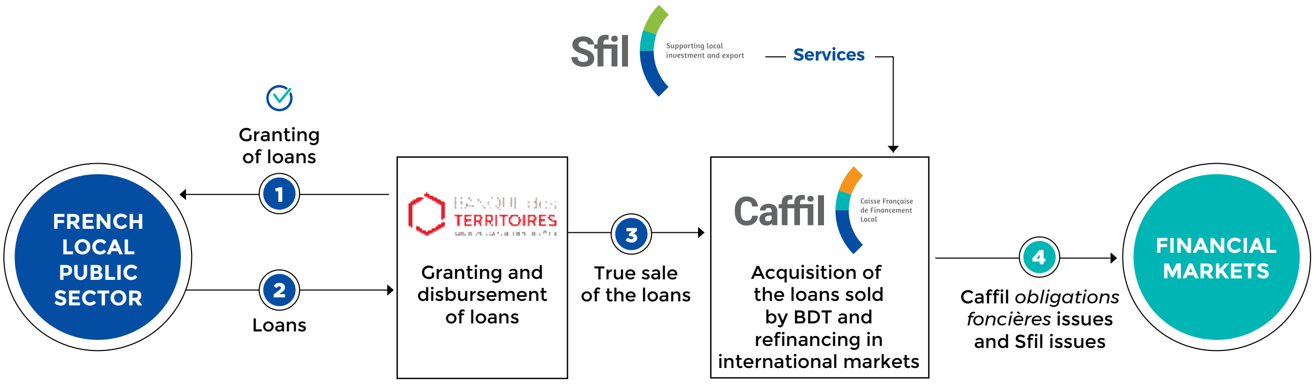
In order to support investments with a positive social impact, a range of social loans was launched in October 2022, dedicated to the financing of projects with social value led by local authorities in the fields of education, medico-social or regional cohesion.

The public hospital financing activity is also carried out through the acquisition by Caffil of loans marketed by La Banque Postale. Since 2019, these loans are exclusively refinanced by Sfil Group's social issues as part of an issuance program dedicated to financing French public hospitals in accordance with the best market standards.

The new Sfil - Banque des Territoires system

In November 2022, Sfil Group finalized a partnership with Banque des Territoires to finance local authorities and public health institutions at fixed rates for long periods of up to 40 years. These loans will mainly be intended for the financing of sustainable investments and will form part of an environmental or social financing offer.

The operating procedures of this system are comparable to that existing with La Banque Postale.



Caisse Française de Financement Local's credit decision process.

The local public sector financing activity involves Sfil's subsidiary, Caffil, acquiring from Banque des Territoires loans that it has marketed.

1.1.2 Export credit refinancing

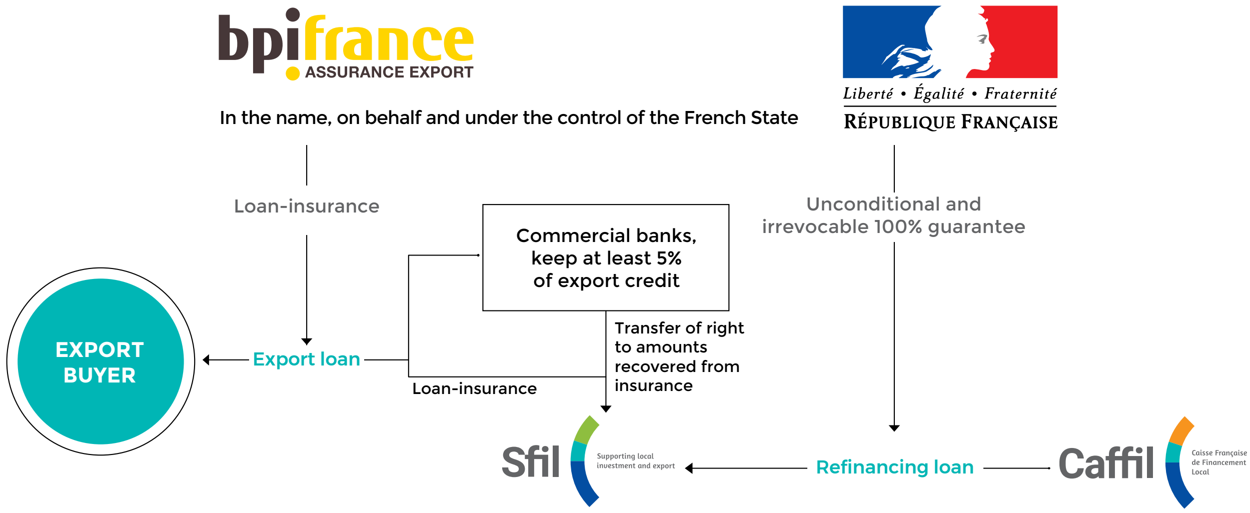
Since 2015, the French State has entrusted Sfil with a second public interest mission, according to a public refinancing scheme that already exists in several OECD countries. This consists of refinancing the export credit contracts insured by Bpifrance Assurance Export in the name and on behalf of the State, thus contributing to improving the competitiveness of the major export contracts of French companies. The objective is to provide market financing in volumes and durations adapted to export credits of large amounts, by relying on the excellent issuing capacities of Sfil and its subsidiary Caffil. This system is open to all partner banks of French exporters for their loans insured by Bpifrance Assurance Export, in the name and on behalf of the French State.

Within this framework, Sfil organized its relationship with almost all banks active in the French export credit market through bilateral agreements. Sfil may acquire all or a part of the loan of each of these banks in an export credit (maximum 95% of this loan). At the end of 2022, 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.

Sfil's operating procedure is as follows:

- in accordance with the principle of equal treatment, Sfil offers to take the place of commercial banks as lender of 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 French Republic;
- 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.



Scheme applicable to export credit refinancing operations excluding civil aviation that benefit from a Pure and Unconditional Guarantee in replacement of 95% credit insurance and the enhanced guarantee.

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 32 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 authorities 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.

The indicators in place to measure the quality of the services that Sfil provided in 2022 were satisfied at 95%.

After being awarded the PROVIGIS Responsible Supplier gold medal for the 2021 in respect of the services it provides to La Banque Postale, Sfil adopted a Responsible Purchasing Charter in 2022, in which it asks its suppliers to commit to a sustainable approach that respects the main principles of the United Nations Global Compact.

1.1.4 Financing of Sfil Group

In order to refinance its two activities, 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 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, Sfil Group implements a voluntary ESG financing policy that takes the form of regular "Social" and "Green"-themed issues.

1.2 Highlights of 2022

The year 2022 was characterized by a geopolitical context disrupted by the consequences of the management of the health crisis, particularly in China, and by the outbreak of the war in Ukraine. The macroeconomic consequences of these events were an increase in inflation, significant volatility on the financial markets and a significant increase in short- and long-term interest rates. However, the impacts of this delicate context remained limited for Sfil Group.

1.2.1 Geopolitical context and impact on activity levels and financial result

In a highly disrupted international macroeconomic context, central banks began a clear increase in their key rates in the first half of 2022, which continued in the second half of the year to fight against the new regime of record inflation. Financial markets remained highly volatile throughout the year. Faced with these changes, Sfil Group has fully carried out all of its missions in accordance with its objectives.

With regard to business objectives, Sfil was able to:

- limit the decline in local public sector funding in France in the context of the usury threshold mechanism;
- finalize two export credit projects, a lower number than in previous years, in particular because the conclusion of several projects initially planned for 2022 was postponed to 2023. The files under review point to strong activity in 2023 and the years to come.

This was made possible by the successful completion of the financing program.

The net income of Sfil Group, prepared in accordance with IFRS as adopted by the European Union, is EUR 86 million. Net income restated for non-recurring items [1] of Sfil Group is very solid and represents EUR 62 million. The impacts related to the war situation in Ukraine were very limited for Sfil group, which has no exposure in Russia or Belarus. Sfil has only one exposure in Ukraine which represented, at December 31, 2022, an outstanding amount of EUR 59 million (almost fully drawn). This export credit is 100% guaranteed by the French Republic and Sfil is not, therefore, directly exposed to credit risk on this issue.

The increase in interest rates had no impact on the results of Sfil Group, which manages its interest rate risk within narrow limits in accordance with its very limited risk appetite. In addition, the effects of the increase in inflation weighed, as for other financial institutions, on the level of general operating expenses but did not significantly affect the profitability of the Group.

Thus, once again in 2022, Sfil's economic results reflect the power of its business model as a public development bank.

1.2.2 Sfil Group's strategy

The year 2022 enabled Sfil to initiate the implementation of its second strategic plan: #Objectif2026. Within a powerful Group, Caisse des Dépôts, Sfil aims to reinforce its success around 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;
- engaging in a new phase of internal transformation with, in particular, the adaptation of its operating methods to hybrid mode. This is one of the actions carried out as part of the University of Agile practices.

Sfil's commitment to sustainable development, materialized by joining the United Nations Global Compact in 2018, reflects its role as a public development bank. Sustainable development is an integral part of its strategy and the conduct of its public service missions. The launch by Sfil/La Banque Postale, in October 2022, of a social loan offer for local authorities as well as a new partnership with Banque des Territoires, in addition to the one that has existed with La Banque Postale since the creation of Sfil to finance the local public sector, are also part of the desire to develop green and social financing for local authorities and public hospitals.

Among the other objectives of Sfil Group are:

- increased support for hospitals *via* the financing of investments under the *Ségur de la santé*;
- changes in the way in which export credit is used for sustainable projects;
- the acceleration of thematic emissions linked to the new reference framework for green, social and sustainability bonds (so-called sustainable framework);
- actions to promote sustainable investments by the local public sector;
- affirmation and sharing of Sfil's expertise on local public sector climate issues.

1) The 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 IFRS 9 although destined to be kept) linked to the variation of its credit spread; • accounting capital gains associated with exceptional early repayments of historical assets carried at amortized cost. These assets were managed in run-off because they did not correspond to exposures to local public sector customers in France or export credit.

1.2.3 Financing activity of Sfil Group

1.2.3.1 Financing loans to the local public sector

In 2022, the financing activity of local authorities and public health slowed down with EUR 4.1 billion in financing granted during the year through the Sfil/La Banque Postale scheme and the first two loans granted under the new Sfil/Banque des Territoires system.

At the same time, Caffil acquired EUR 4.8 billion in loans initiated by La Banque Postale. Since the partnership began, the total volume of loans acquired stands at EUR 33.7 billion.

As regards local authorities, the year was marked by a complex macroeconomic context in which they adopted a relative wait-and-see behavior with regard to their recourse to borrowing, in particular due to the combination of several factors: a rapid rise in interest rates coupled with an inflationary crisis that has impacted their operating and investment expenses as well as uncertainty about the evolution of their revenues.

Similarly, in the public health sector, 2022 proved to be a year of uncertainties during which the financing activity decreased slightly 6% compared to 2021 with EUR 622 million in loans granted.

Lastly, and above all, activity in 2022 was strongly impacted by the methods for setting the usury rate, which limited the offer of fixed-rate loans, the main financing tool for the local public sector and hospitals in France.

Supporting the Environmental Transition of the territories

Due to their competencies, local authorities have a major role to play in achieving the carbon neutrality objective, set out in the National Low Carbon Strategy (SNBC), that France has set for itself for 2050. To do this, they will have to make at least EUR 12 billion in climate investments each year, corresponding to approximately 20% of their investment budget, as highlighted by the I4CE institute [1].

As the leading local public sector lender, Sfil Group continued its support for local authorities' climate investments throughout the year, *via* the range of green loans designed and distributed in partnership with La Banque Postale. The projects financed by Sfil Group concern the fields of renewable energies, waste management and recovery, territorial mobility and soft transport, sustainable management of water and sanitation, and energy efficiency in construction and urban planning.

In 2022, EUR 774 million in green loans for local authorities were produced by the Sfil/LBP system, up sharply (+14%) compared to the previous year. This change is due, in particular, to the French national recovery plan, and more specifically the section relating to the Environmental and energy transition, as well as the setting up of the French State's Green fund in which Sfil Group's green loan offer is fully integrated.

Launch of a new range of social loans

Sfil has also launched a new range of social loans with La Banque Postale, its long-standing partner. It aims to support investments by local authorities in areas such as health, education, sport, culture, development and territorial cohesion. From its launch, this new offer met strong demand, resulting in EUR 140 million in social loans granted between October 2022 and December 2022, *i.e.* 9% of the production carried out over the same period.

Consolidation of the customer relationship

In response to certain areas for improvement identified following the customer satisfaction survey conducted in 2021 with the specialized firm KANTAR, Sfil has developed a brochure that it has sent to its borrowers, local authorities and public health institutions. It is intended to make them better aware of its activities and its role in the Sfil/La Banque Postale system. For the first time, Sfil also took part in the *Salon des Maires et des Collectivités Locales* in November 2022, which enabled its teams to discuss with representatives of local authorities, players involved in the transition of their regions, and to present all of its activities, in particular its range of thematic loans.

During the year, 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 2022, DIGISfil covered 58% of outstandings compared to 44% in 2021.

1.2.3.2 Refinancing of large export contracts

2022 was marked by a limited number of contracts refinanced by the Sfil scheme, with two transactions for a total amount of EUR 0.7 billion, in line with a limited number of French export credits. Several transactions, the conclusion of which was envisaged in 2022, have been delayed but could be completed from the beginning of 2023.

The number of requests for quotes in 2022 remained at a very high level, comparable to those of 2020 and 2021, these three years seeing an average increase of around 40% compared to the period 2017-2019. This confirms the key role of export credit in export financing, particularly in a context of geopolitical crisis and rising interest rates.

Sfil also continued to prepare for the expansion of the export credit activity for projects with a strategic interest for French exports or a favorable impact in terms of sustainable development and/or benefiting from credit insurance from a European or multilateral export credit agency. The next step in this new development will be to obtain approval from the European Commission.

1) *in its latest study published in October 2022.*

1.2.4 Sfil Group issues

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

CERTIFICATES OF DEPOSIT PROGRAM

Diversification of short-term financing

•••

Average outstanding volume for Sfil 2022 approximately EUR 1 billion

Sfil ISSUES

Issue program planned for 2023 of between EUR 2 and 3 billion

•••

Benchmark issues in EUR and/or USD

•••

Outstanding volume at 12/31/2022 of EUR 9 billion

Caffil *OBLIGATIONS FONCIÈRES*

Issue program planned for 2023 of between EUR 5 and 7 billion

•••

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

•••

Outstanding volume at 12/31/2022 approximately EUR 50 billion

THEMATIC ISSUES

Regular benchmark issues by Sfil and Caffil in the ESG market

•••

Inaugural Social and Green Programs in 2019

•••

Green, Social and Sustainability Bond new Framework published in October 2022

1.2.4.1 Issues of covered bonds *via* Caffil

In 2022, Caffil raised a total of EUR 4.9 billion 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 4.5 billion by enriching its benchmark curve on maturities of five years (EUR 500 million), six years twice (EUR 2 billion), ten years (EUR 750 billion), twelve years (EUR 750 million) and twenty years (EUR 500 million).

2022 was marked by the implementation of the European Covered Bonds Directive, which came into force on July 8. This confirmed that Caffil's bonds benefit from the new "European Covered Bond (Premium)" label.

In addition to these public transactions, Caisse Française de Financement Local strengthened its presence in the private placements segment in the EMTN and RCB formats, thus making it possible to meet the specific requests of investors by raising EUR 430 million compared to EUR 50 million in 2021.

Outstanding *obligations foncières* stood at EUR 52.9 billion as of December 31, 2022.

1.2.4.2 Sfil bond issues

In 2022, Sfil maintained its presence in the French agency market segment by issuing two new 10-year euro issues. Sfil did not carry out any issue in dollars during a year 2022 marked by significant volatility in market parameters. Sfil thus solicited the public primary market twice for a total amount of EUR 1.5 billion with two 10-year euro issues (EUR 1 billion and EUR 500 million) in April and September. These two transactions strengthened Sfil's reputation in the French agency category and extended its benchmark curve in euros. Sfil's total bond outstandings came to EUR 8.5 billion as of December 31, 2022.

1.2.4.3 Thematic issues

In 2022, Sfil Group raised a total of EUR 6.4 billion, notably with the implementation of the objectives set as part of the #Objectif2026 strategic plan in terms of sustainability. Thus, the Group strengthened the deployment of its social and environmental policy with the successful launches of:

- Caffil's fourth social issue for an amount of EUR 500 million in May 2022, which aims to provide financing to French public hospitals;
- the fourth green issue for EUR 750 million launched a second time by Caffil in November 2022. This issue aims to finance investments by the French local public sector in areas such as soft mobility, waste management and recovery, and renewable energies.

Sustainable financing thus represents 19% of the financing raised in 2022 by Sfil Group and is in line with the strategic objective of reaching 25% by 2024. With this in mind, a new framework for green, social and sustainability bonds for Sfil Group was finalized at the end of October; it aims to expand the sustainable refinancing capacities of Sfil Group to enable Sfil to refinance:

- social loans to French local authorities;
- green or social export credits guaranteed by the French Republic.

For 2023, Sfil Group plans a long-term issuance program on the markets of between EUR 7 billion and EUR 9 billion *via* Sfil and Caffil. The renewed success of its thematic issues confirm Sfil Group's strategy to increase the use of these formats in its future issue programs.

1.2.4.4 Sfil's short-term debt issues

During the year 2022, 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. As of December 31, 2022, Sfil's total discounted bonds outstanding amounted to EUR 0,8 billion.

1.2.5 Financial and non-financial ratings

Sfil is now rated Aa2 by Moody's. Sfil's other financial ratings remain unchanged as of December 31, 2022, namely AA at Standard & Poor's and AA (high) at DBRS. Sfil's rating is now equivalent to that of the French Republic for its three rating agencies.

On the same date, the financial ratings of Caffil's issues also remained unchanged compared to December 31, 2021: Aaa at Moody's, AA+ at Standard & Poor's and AAA at DBRS.

Since 2020, Sfil has mandated the Sustainalytics agency for an ESG extra-financial rating of Sfil Group. This ESG rating did not change in 2022, with a rating in the best rating category ("Negligible Risk") and a score of 6.6, placing Sfil in the 1st percentile of rated institutions and 9th out of 116 development banks rated by Sustainalytics. (1)

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

1.2.6 Changes in the regulatory environment

1.2.6.1 Covered bonds

The legal and regulatory framework for covered bonds was modified by a European directive aimed at standardizing European covered bond models and creating two labels: "European Guaranteed Bond" and "European Covered Bond (Premium)". This directive was transposed into French law and came into force on July 8, 2022. Caisse Française de Financement Local (Caffil) has complied with this new framework in order to obtain the "European Covered Bond (Premium)" label for its *obligations foncières*. As the new texts are more restrictive with regard to the eligibility of certain assets and the use of certain derivatives, Caffil has processed the transactions concerned (which represented less than 1% of the cover pool) and adapted its processes for steering over-collateralization and liquidity regulatory ratios. The accounting impacts associated with these transactions as of December 31, 2022 can be considered negligible.

1.2.6.2 Other regulatory changes

2022 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 (LAA) in the event of liquidation.

1) This rating was updated by Sustainalytics in February 2023. The rating in the "Negligible Risk" category was confirmed by Sustainalytics with a score of 7.3.

1.3 Composition and changes in the main balance sheet items

The main items on Sfil Group's consolidated balance sheet (management data) [1] as of December 31, 2022, are presented in the table below:

EUR billions, equivalent value after currency swap

ASSETS	LIABILITIES
66.6	**66.6**
of which main balance sheet items in notional amount	of which main balance sheet items in notional amount
63.7	**63.7**
Cash assets 2.0 (including 1.8 for Caffil and 0.2 for Sfil)	EMTN Sfil bonds 8.5
Securities 5.9 (of which 5.1 for Caffil and 0.8 for Sfil)	Caffil covered bonds 52.8
	Certificates of deposit Sfil 0.8
Loans 53.3 (of which 46.8 for Caffil and 6.6 for Sfil)	Cash collateral received 0.1
Cash collateral paid by Sfil 2.5	Equity 1.7
	Others (0.2)

The assets on 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 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, 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 Sfil Group's main assets in 2022 financial year was of EUR -0.7 billion.

This change can be analyzed as follows:

EUR billions, equivalent value after currency swaps	**2022**
BEGINNING OF YEAR	**64.4**
Purchase of loans from La Banque Postale	4.8
New export credit loans granted	1.8
New post-sensitivity reduction loans granted	0.1
Change in cash collateral paid by Sfil	0.3
Amortization of loans and securities to the French public sector (excluding cash investment securities)	(4.9)
Change in cash investment securities	(0.4)
Change in cash assets	(2.0)
Other	(0.5)
END OF YEAR	**63.7**

- Through its subsidiary Caffil, Sfil Group acquired EUR 4.8 billion in loans marketed by La Banque Postale to the French local public sector;
- The export credit activity resulted in EUR 1.8 billion of drawdowns on off-balance sheet financing commitments;
- The sensitivity reduction operations resulted in EUR 0.1 billion of new assets on Caffil's balance sheet, recognized

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.*

under the refinancing of early repayment indemnities and new investment financing. At the end of 2022, after deducting the outstanding loans for which customers chose the support funds for the payment of the downgraded maturities, Sfil Group's residual outstandings of sensitive structured loans were EUR 0.45 billion. The initial outstandings of EUR 8.5 billion were thus reduced by more than 95%. With respect to structured loans, only one borrower remains in litigation as of December 31, 2022. 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 2.5 billion in cash collateral at end of 2022, an increase of EUR -0.3 billion compared with end 2021;
- Other changes in assets mainly correspond to the natural amortization of the loan and securities portfolio for EUR 4.9 billion, the decrease in the Banque de France account balance for EUR -2.0 billion and early repayments of the share of customers whose outstandings were managed in run-off (international customers or outside the scope of assignments entrusted by the French Republic) for EUR 0.5 billion.

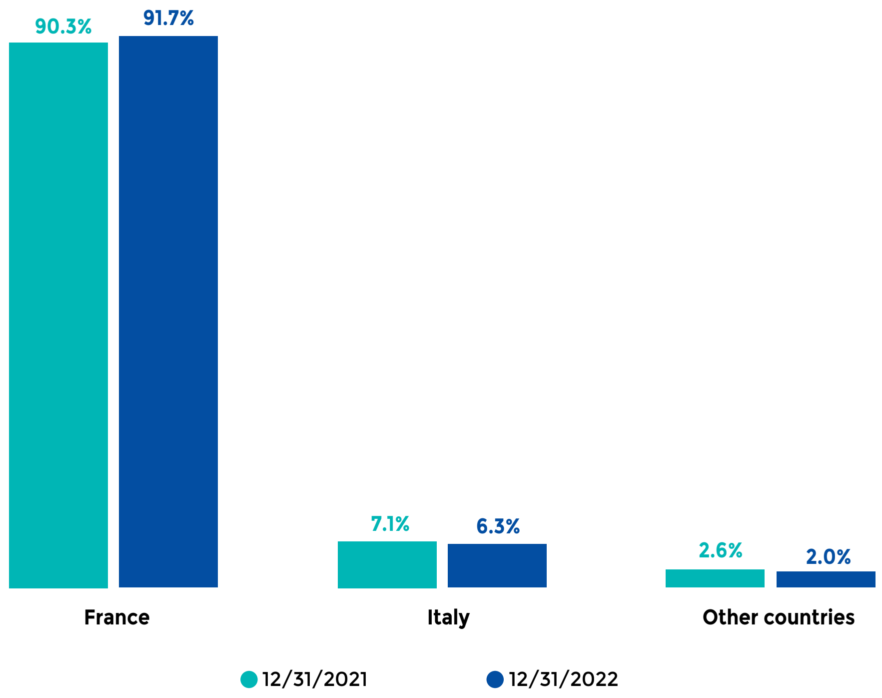
It should be noted that as of December 31, 2022, Sfil Group held EUR 1.9 billion in cash surplus investment securities (banking sector and European public sector).

1.3.1.1 Breakdown of outstanding public sector loans and securities

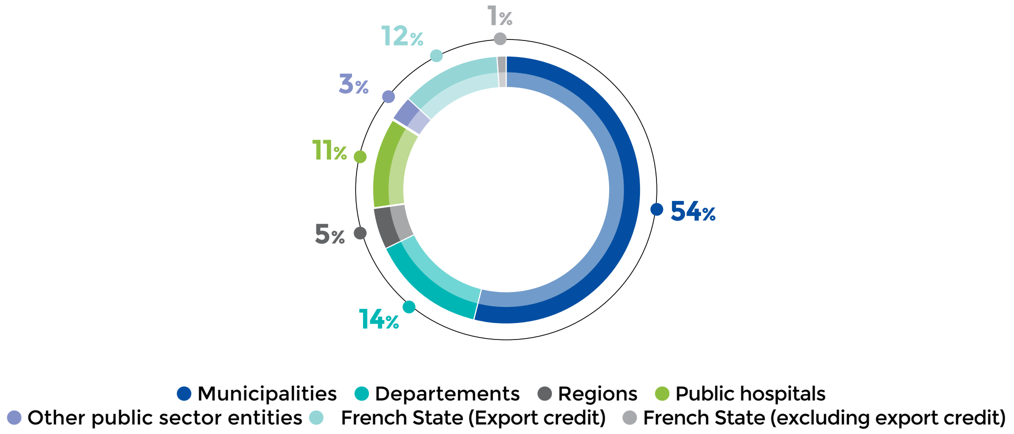
The outstanding loans and securities on Sfil Group's balance sheet totaled EUR 59.2 billion, of which EUR 57.9 billion to public sector. After taking into account the guarantees granted, France is largely predominant with nearly 92% of total outstandings to the public sector in 2022. New loans are exclusively originated with the French local public sector or fully guaranteed by the latter. Outstanding loans for the export credit activity amounted to EUR 6.6 billion on the balance sheet at the end of 2022 and represented 11% of the outstanding loans and securities on Sfil Group's balance sheet. Other assets with the local public sector in France or guaranteed by it represent approximately 80% of the loans and securities on Sfil Group's balance sheet.

Excluding France, the two largest exposures concerned local authorities in Italy and sovereign exposures in Italy (6%) 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 mode.

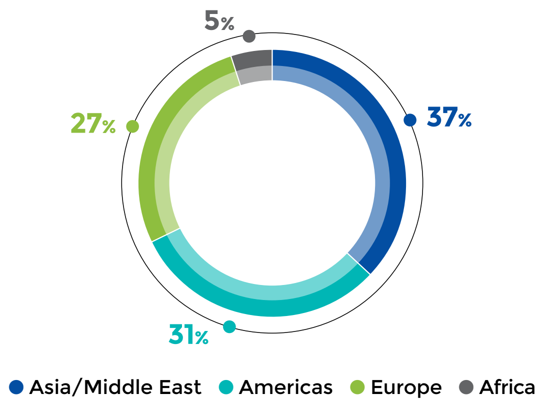
France's relative share was up slightly from 2021 (91.7% compared to 90.3%).



For France's relative share of 92% in 2022, the following graph shows the breakdown of loans and securities granted to the French public sector by type of counterparty.



For the relative share of 12% of export credit activity in 2022, the graph below shows the breakdown by geographical area of the importers concerned by the loans granted.



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

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

- cash assets deposited with the Banque de France, which totaled EUR 2.0 billion as of December 31, 2022;
- cash invested in bank securities amounting to EUR 1.2 billion as of December 31, 2022, compared with EUR 1.7 billion as of December 31, 2021;
- 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 as of December 31, 2022 was EUR 2.5 billion;
- in a marginal proportion, deposits in sight bank accounts opened with credit institutions.

1.3.2 Change and composition of liabilities

The net change in Sfil Group's main liabilities in 2022 financial year was EUR -0.7 billion.

This change can be analyzed as follows:

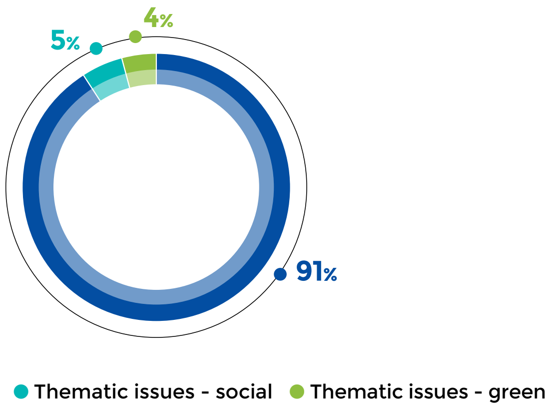
EUR billions, equivalent value after currency swaps	**2022**
BEGINNING OF YEAR	**64.4**
Caffil covered bonds	0.5
of which new issues	*4.9*
of which amortization	*(4.5)*
of which buybacks	*-*
Change in cash collateral received	(0.8)
EMTN Sfil program bonds	(0.8)
of which new issues	*1.5*
of which amortization	*(2.3)*
of which buybacks	*-*
Change in outstanding Sfil certificates of deposit	0.0
Equity and other items	0.4
END OF YEAR	**63.7**

Outstanding covered bonds increased by EUR 0.5 billion as a result of the new 2022 program for a total of EUR 4.9 billion partially offset by inventory depreciation (EUR -4.5 billion).

At the same time, the cash collateral paid by the derivatives counterparties of Caffil and Sfil decreased significantly (EUR -0.8 billion) to reach a balance of EUR 0.1 billion at December 31, 2022.

Outstanding Sfil bonds issued through the EMTN program decreased by EUR 0.5 billion as new issues did not offset the amortization of the stock.

The graph below shows, for the year 2022, the distinction between the stock of thematic and non-thematic bonds of Caffil (covered bonds) and Sfil (EMTN).



1.4 Operating results

1.4.1 Consolidated financial statements on the IFRS accounting basis

The consolidated net income of Sfil Group, prepared in accordance with IFRS, stood at EUR +86 million at December 31, 2022, an increase of +13% compared to the consolidated net income at December 31, 2021 (EUR +76 million). The effects of the war in Ukraine and the continued health crisis, notably in China, have not had a significant impact on Sfil Group's net income. Nevertheless, the record level of inflation in 2022 has weighed on the level of general operating expenses without compromising the Group's profitability. The measures adopted by the European Central Bank to combat inflation, and in particular the increase in interest rates, have resulted in a reduction in the valuation effects of derivatives and the hedged risk, which largely explains the decline in the balance sheet, which went from EUR 75 billion at December 31, 2021 to EUR 67 billion at December 31, 2022.

The CET1 ratio stood at a record level of 40.3% and improved by 5.7 points compared to 2021, testifying to the Group's very strong financial position.

	12/31/2021					12/31/2022				
	Accounting income	Restated non-recurring items			Recurring income	Accounting income	Restated non-recurring items			income recurring
		Fair value adjustment of hedges	Fair value adjustment of non-SPPI financial assets	Revaluation of deferred tax assets			Fair value adjustment hedging	Fair value adjustment of non-SPPI financial assets	Net income from early repayments of assets managed in run-off mode	
Net banking income	235	(9)	22	-	222	243	3	11	18	211
General operating expenses	(115)				(115)	(125)				(125)
GROSS OPERATING PROFIT (LOSS)	**119**	**(9)**	**22**	**-**	**107**	**118**	**3**	**11**	**18**	**86**
Cost of risk	3			-	3	0				0
PROFIT (LOSS) BEFORE TAX	**122**	**(9)**	**22**	**-**	**110**	**119**	**3**	**11**	**18**	**87**
Income tax	(46)	2	(6)	(12)	(30)	(33)	(1)	(3)	(5)	(25)
NET INCOME	**76**	**(7)**	**16**	**(12)**	**79**	**86**	**2**	**8**	**13**	**62**

Net income at December 31, 2022 includes non-recurring items [1] related to (i) the volatility of the valuation of the derivative portfolio for EUR 2 million, (ii) the impacts of the application of IFRS 9 regarding the valuation of non-SPPI loans on the balance sheet for EUR +8 million and (iii) a capital gain realized following the repayments of financial assets at amortized cost managed in run-off for EUR 13 million.

1) The 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 IFRS 9 although destined to be kept) linked to the variation of its credit spread; • in 2021, the impact on net income associated with the revaluation of deferred tax assets carried out as part of the planned reduction in the corporate tax rate in 2022. • in 2022, accounting capital gains associated with exceptional early repayments of historical assets recognized at amortized cost. These assets were managed in run-off because they did not correspond to exposures to local public sector customers in France or export credit.

Restated for these non-recurring items, recurring net income [1] as of December 31, 2022 amounted to EUR +62 million. The recurring income for 2022 remains very solid and in line with the objectives of Sfil's public development bank model. However, this result was down by EUR 17 million compared to the net income restated for the same items at December 31, 2021 (EUR +79 million).

An item-by-item analysis of this change in recurring income shows that:

- Net banking income amounted to EUR 211 million for the year 2022 compared to EUR 222 million in 2021, *i.e.* a decrease of EUR -11 million (-5%) mainly due to the decrease in margins associated with production as a result of the method used to set the usury threshold. Net banking income for 2021 also recorded accelerated income from the latest sensitivity reduction operations;
- Sfil Group's operating expenses and depreciation amounted to EUR -125 million, up by EUR 10 million compared to 2021 (EUR -115 million). This increase is linked to i) the record level of inflation recorded in 2022, which weighed on payroll and operating expenses and, ii) the expenses incurred at the end of the year for the planned relocation of the Group's registered office in the first half of 2023. In addition, it should be noted that the contribution to the Single Resolution Fund increased significantly between 2021 and 2022, from EUR 8 million to EUR 10 million respectively (amounts excluding irrevocable payment commitments);
- the cost of risk was zero at December 31, 2022, reflecting the very good quality of Sfil's exposures. As a reminder, the cost of risk showed a reversal of EUR 3 million at December 31, 2021. It was linked, in particular, to the success of the sensitivity reduction policy for residual structured outstandings.

1.4.2 Annual financial statements prepared in accordance with French GAAP

Sfil's net result posted a net profit of EUR 81 million at the end of 2022, compared with a net profit of EUR 52 million at the end of 2021. This net income includes the payment of a dividend from its subsidiary Caffil for EUR 85 million. Restated for this item, Sfil's net result would therefore be EUR -4 million.

In 2022, the Net banking income amounted to EUR +207 million. It includes EUR 102 million of re-invoicing of fees to Caffil and the dividend paid by Caffil in the amount of EUR 85 million. Operating expenses, including depreciation and amortization, amounted to EUR -117 million and the cost of risk showed a provision of EUR 6 million in 2022.

Sfil's balance sheet amounts to EUR 17.1 billion, assets mainly include:

- the refinancing granted to its subsidiary Caisse Française de Financement Local in the amount of EUR 6.2 billion to finance for the portion of over-collateralization of the *société de crédit foncier*;
- outstanding loans of EUR 6.5 billion under its export refinancing activity;
- cash collateral paid in the amount of EUR 2.5 billion;
- the balance of cash is invested in sovereign and bank securities for an outstanding amount of EUR 0.8 billion, or invested in the Banque de France for an amount of EUR 0.2 billion.

In 2022, Sfil decided to pay part of its reserves to its shareholders, Caisse des Dépôts and the French Republic, for a total amount of EUR 57 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 financial 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.

1) *Alternative performance indicator.*

The breakdown of unpaid trade payables received due as of December 31, 2022 is as follows:

	Invoices received and not paid at the reporting date for the financial year 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	-	2	1	-	5	8
Total amount of invoices concerned excluding VAT *(in EUR thousands)*	-	19	18	-	(2)	35
% of total purchases in the financial year excluding VAT	-	0.0%	0.0%	0.0%	(0.0)%	0.1%
(B) INVOICES EXCLUDED FROM (A) RELATING TO LITIGIOUS DEBT OR DEBT NOT YET POSTED						
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 24, 2023 will be asked to allocate the profit for the 2022 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, 2022 would be as follows:

Allocation of net income	EUROS
NET INCOME FOR THE FINANCIAL YEAR	**80,576,675.05**
Legal reserve (5%)	(4,028,833.75)
INCOME AVAILABLE	**76,547,841.30**
Previous general reserves	87,679,540.58
INCOME AVAILABLE FOR DISTRIBUTION	**164,227,381.88**
PROPOSED DIVIDENDS	**-**
BALANCE ALLOCATED TO THE GENERAL RESERVES ACCOUNT	**164,227,381.88**

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 55,441.99.

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 profit to total assets on the balance sheet. For 2022, this ratio is equal to +0.13% on the IFRS consolidated financial statements and +0.47% on the French GAAP financial position.

1.4.4 Alternative performance indicators

Sfil has used notional consolidated statement of financial position 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

	2018	2019	2020	2021	2022
FINANCIAL POSITION					
Share capital *(EUR thousands)*	130,000	130,000	130,000	130,000	130,000
Number of shares	9,285,725	9,285,725	9,285,725	9,285,725	9,285,725
Results of operations *(EUR millions)*					
Revenues(1)	105	133	159	150	272
Income before income tax expense, amortization, depreciation and contingencies net of reversals	58	54	56	70	105
Income tax	(1)	(2)	(5)	(3)	(3)
Income after income tax expense, amortization, depreciation and contingencies net of reversals	44	41	37	52	81
Dividend	-	-	23	-	-
Exceptional dividend(2)	-	-	10	57	-
PER SHARE DATA (IN EUR)					
Revenues(1)	11.35	14.33	17.08	16.19	29.31
Income after income tax expense, and before amortization, depreciation and contingencies net of reversals	6.05	5.63	5.50	7.19	10.99
Income tax	(0.16)	(0.20)	(0.57)	(0.37)	(0.31)
Income after income tax expense, amortization, depreciation and contingencies net of reversals	4.73	4.45	3.99	5.57	8.68
Dividend per share	-	-	2.48	-	-
Exceptional dividend(2)	-	-	1.08	6.18	-

(1) Revenue comprises the following items: (i) other operating income, (ii) interest income, net of macro-hedging expenses; (iii) commissions received; (iv) net income from foreign exchange transactions.
(2) Distribution of general reserves decided at an Ordinary Shareholders' Meeting held extraordinarily.

1.5 Outlook

2023 will be Sfil's eleventh year of existence. In ten years, Sfil has become a major public development bank with exceptional access to financial markets, and which, in partnership with La Banque Postale, is the leading financier of French local authorities and public hospitals. The signing of a new partnership with Banque des Territoires (Caisse des Dépôts) for the marketing of long- and very long-term fixed-rate loans will also make it possible for Sfil to enrich its offering in this customer segment to finance, in particular, the investments necessary for the environmental transition. With regard to the export credit activity, there should be more financing projects.

Building on these strengths, Sfil will pursue the three focuses of its "#Objectif2026" strategic plan, of which 2022 was the first year of implementation.

1.5.1 Conduct of public policy missions

During 2023, Sfil and its partners, La Banque Postale and Banque des Territoires, will support the French government recovery plan in favor of investments by local authorities and investments in public health institutions carried out as part of the "Ségur de la Santé" health plan. In particular, they will encourage the development of financing for the environmental transition notably through the range of green loans as well as the new loan offer carried out in partnership with Banque des Territoires.

Sfil Group will also actively support its customers' social projects *via* the range of social loans dedicated to hospitals in France and *via* its new range of social loans for local authorities launched in 2022.

The roll-out of this new range of loans, alongside the existing thematic loan ranges, will be accompanied by a broad awareness-raising of borrowers.

Under these conditions, production should, therefore, remain at a sustained level in 2023. It will nevertheless remain subject to the speed with which local authorities become familiar with this type of financing as well as the evolution of interest rates in line with the calculation of the usury threshold. 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, with annual amounts of climate investments that should be multiplied by 2 to 5 depending on the sector.

For export credit, with a portfolio of more than 160 projects under review for a total amount of more than EUR 61 billion in financing requirements, and several projects in the advanced stages of negotiation for French exporters and their partner banks, business prospects are very strong. For 2023, several sectors may request refinancing, particularly in the areas of transport, energy and water infrastructure as well as in the defense sector. The continued study of the extension of the system's activity for sustainable projects in which a strategic interest is present and which call on sources of financing covered by a European or multilateral public guarantee, has made it possible to identify several projects potentially eligible for this system, thus confirming its need. This extension of Sfil's export intervention methods is subject to prior authorization from the European Commission.

Sfil will have to cover the financing needs of its two business lines, the local public sector and export. To do this, Sfil will have to control its financing conditions in an environment marked by the withdrawal of asset purchases by the European Central Bank and by a sharp increase in the net issue volumes of European sovereigns. Sfil Group's issuance program in 2023 should be at a sustained level and include between EUR 7 and 9 billion. The new sustainable framework rolled out in October 2022 will make it possible to finance the new range of social loans to local authorities marketed *via* La Banque Postale.

Sfil Group's first 2023 issues carried out at the beginning of the year met very strong demand from investors.

1.5.2 Regulatory changes

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 is being discussed as part of the trilog following the amendments proposed by the European Parliament and the Council of the European Union. Sfil is attentive to the ongoing discussions, in particular to the calibration of the criteria applicable to it. In any event, the new provisions will not apply before January 1, 2025.

In 2022, Sfil Group continued to analyze the impact of the various European texts governing the new regulatory obligations for the publication of non-financial information, in particular, the CSRD directive (Corporate Sustainability Reporting Directive), the sustainability reporting standards proposed by EFRAG to the European Commission and the European Taxonomy regulation. Insofar as Sfil is not subject to the provisions in force in this area, the preliminary analysis indicates that Sfil will have to comply with the new provisions introduced by the texts indicated above from January 1, 2026.

1.5.3 Working methods

In 2023, Sfil will continue to transform its working methods. This will take the form of the provision of a modernized framework with a move planned for mid-2023 (BIOME Paris 15th building, a benchmark in terms of environmental performance), adapted to hybrid work. These new premises, shared with La Banque Postale, will constitute a framework conducive to the intensification of the strategic partnership between the teams of the two entities in the financing of the local public sector.

1.5.4 Geopolitical environment

Sfil Group will closely monitor the international situation and macroeconomic developments and, in particular, the degree of market volatility in a context influenced by the persistence of inflation, the unstable geopolitical environment and more particularly the conflict in Ukraine, for which the foreseeable impacts for Sfil remain limited to date, as well as the monetary policy of the European Central Bank and the FED in response to the aforementioned events.

1.6 Internal control and preparation of accounting and financial information

1.6.1 General description of the internal control organization

1.6.1.1 Responsibilities of internal control and the general 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.

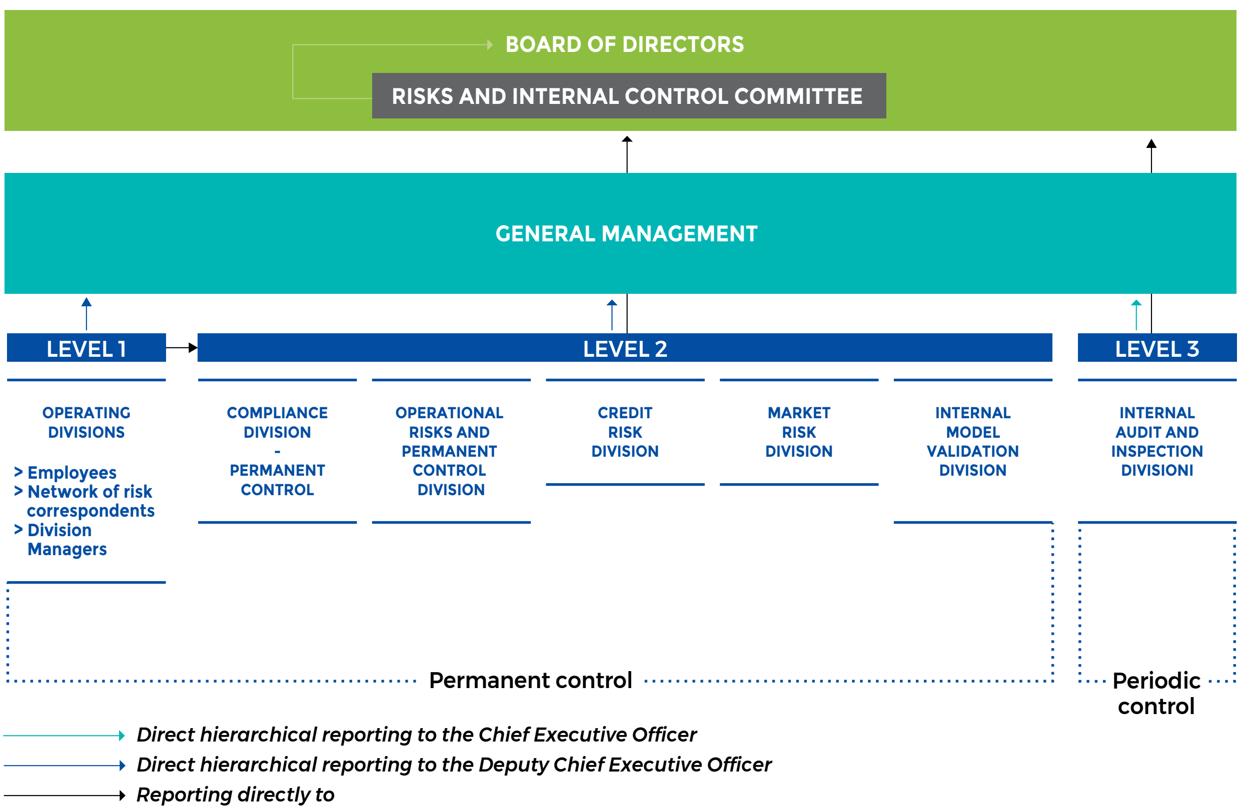
The objectives and organization of Sfil's internal control system comply with the provisions of the ministerial arrêté of November 3, 2014 as amended. This text requires that an internal control system be set up and specifies the principles relating to systems to oversee transactions and internal procedures, 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 Sfil Group's processes to ensure that transactions are conducted properly.

In accordance with the amended *arrêté* of November 3, 2014, the general architecture of Sfil Group's internal control system is based on three levels of control, under the ultimate responsibility of Sfil's General Management and the supervision of Sfil's 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 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 third level 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;
- on the proposal of the effective managers, it determines 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;
- receive reports on internal control;
- 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 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 (comprising operating, support, and control staff, and chaired by a member of the Executive Committee of Sfil) and constitute the Risk Appetite Statement approved by Sfil's Board of Directors.

1.6.1.4 The second level of control: permanent control excluding compliance

The Risks division and more specifically the Operational Risks and Permanent Control division (ORPCD) and the Compliance division are in charge of second-level permanent control activities within 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.

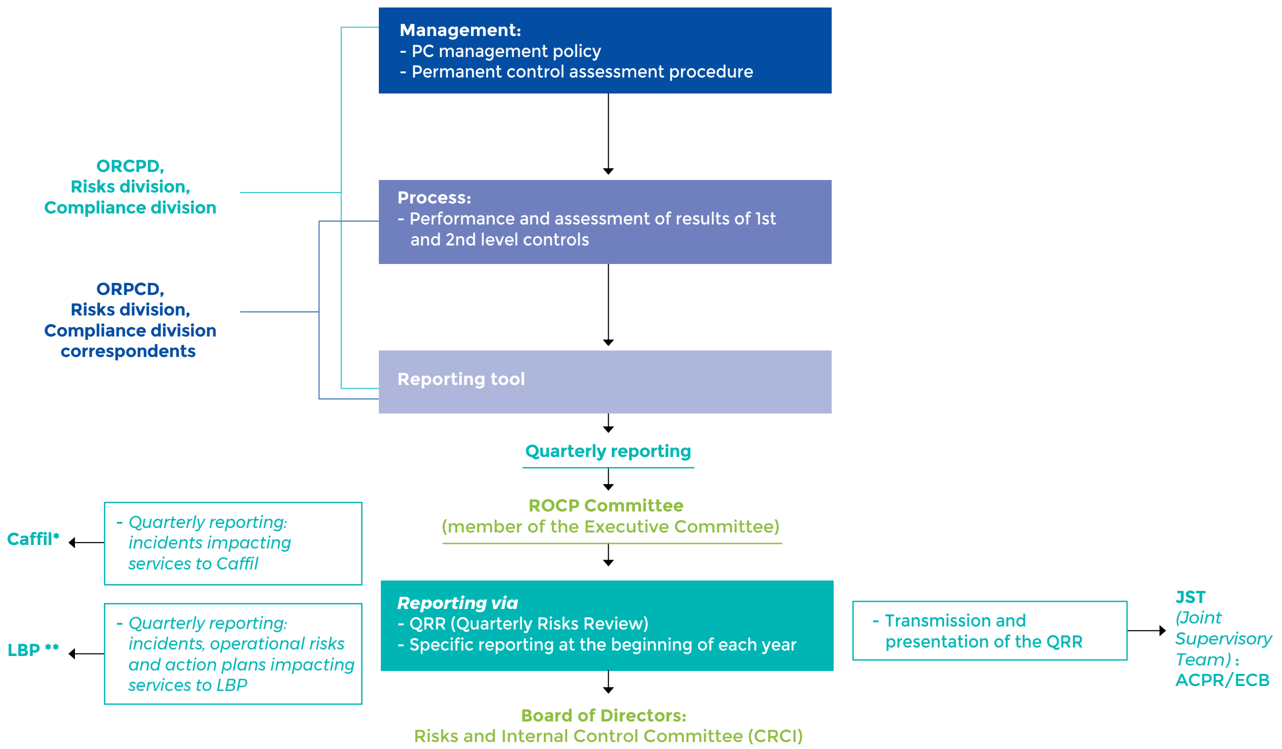
Permanent control measures apply to all Group divisions, activities and processes (Sfil and Caffil).

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 seven employees and one manager. It relies on:

- a network of correspondents located within the operating divisions who are responsible for performing 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.

PERMANENT CONTROL SYSTEM EXCLUDING COMPLIANCE



(*) *Within the framework of the Sfil/Caffil agreement.*
(**) *Within the framework of the Sfil/LBP agreement.*

1.6.1.4.3 Permanent control system excluding compliance

Permanent control 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 include:

- 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	2022 activities and results
Performance and assessment of permanent controls	Permanent control plan consisting of 143 controls Completion of a permanent control campaign by the Caisse des Dépôts Group
Monitoring key operational risk indicators	63 key operational risk indicators monitored and analyzed
Monitoring recurrent action plans	11 action plans open as of 12/31/2022 Over the period, 20 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 five test processes (export credit, operational risk, communication)

1.6.1.5 The second level of control: compliance control

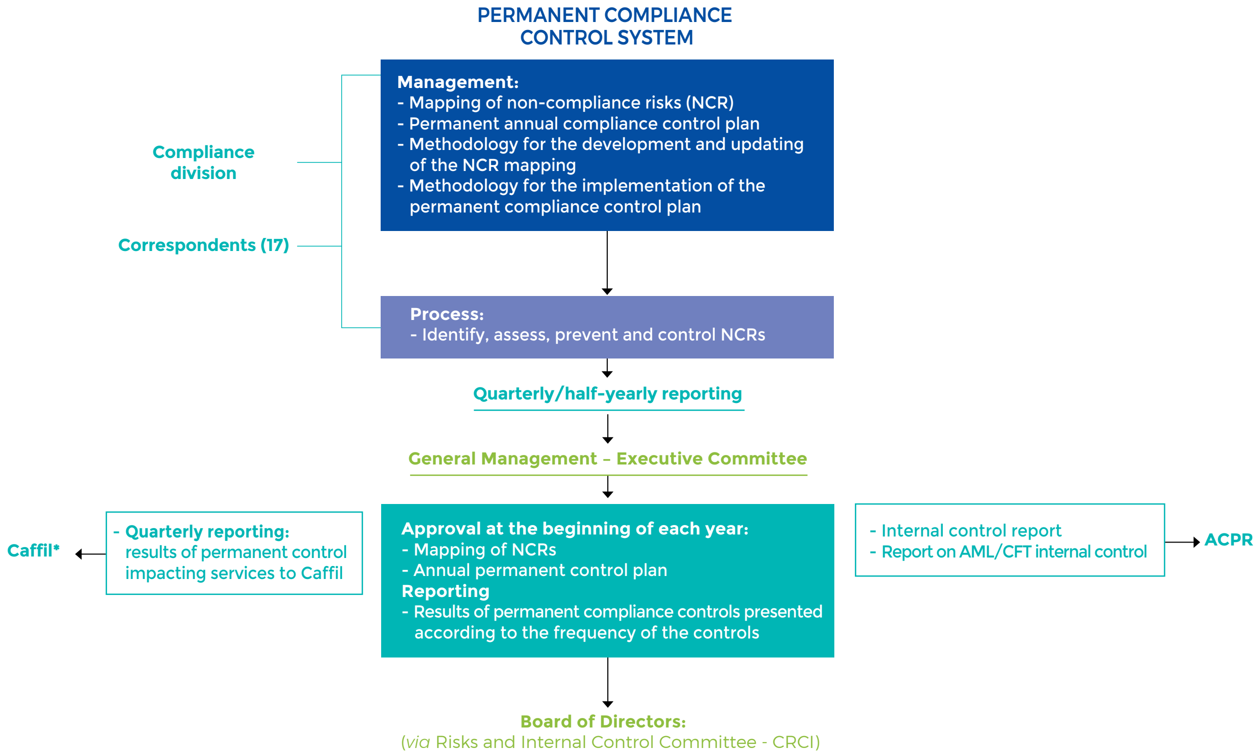
1.6.1.5.1 Objective

The permanent compliance control system aims to ensure compliance with laws, regulations, rules of ethics and internal rules, the protection of 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 system 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.

The operational risk management processes apply to all Sfil Group's divisions, activities and processes (Sfil and Caisse Française de Financement Local).

1.6.1.5.2 Organization and governance of the compliance 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 – Risks of non-compliance). 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 2022 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.

The implementation of the control plan is subject to periodic reporting to the governance bodies of Sfil and Caffil.

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, 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 actions plans for which the Compliance division monitors the progress. 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 carried out by the Compliance division

During the 2022 financial year, the Compliance division carried out the following work in the context of its missions in relation to permanent compliance controls:

Missions	2022 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 27, 2022. A total of 86 non-compliance risks were mapped compared to 61 in 2021. This increase is due to a more granular approach with an overall risk profile that is consistently improving.
Controlling the risks of non-compliance	The 2022 control plan was presented to the Risks and Internal Control Committee on January 27, 2022. It included 56 controls to be carried out on a quarterly, half-yearly or annual basis; 100% of the controls were implemented in accordance with the 2022 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 2022. 23 new action plans were launched during the period. At December 31 2022, 21 action plans remained open compared to 21 at December 31, 2021, reflecting the overall stability of the volume of action plans, with momentum in their implementation.
Inform General Management and the governance bodies	The results of the permanent compliance controls as of December 31, 2021 and for the first three quarters of 2022 as well as the monitoring of the action plans were presented to: • effective managers at the Executive Committees of March 15, May 24, September 6 and December 6, 2022; • Sfil's Risks and Internal Control Committee of March 16, June 1, September 7 and December 7, 2022. highlighting the main risk points identified, the actions completed and those still to be addressed.
Reporting to the banking supervisor	Contribution to the 2021 report on internal control which is steered by Internal Audit. Preparation of the report on AML-FT internal control and submission to the ACPR for Sfil and Caffil, after being approved by Sfil's Board of Directors on March 18, 2022 and Caffil's Supervisory Board of March 17, 2022.

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 Sfil Group's 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 December 31, 2022, the division had nine staff (plus three alternates), including six auditors and mission heads. The General Auditor supervises all the division's audit activities and reports. She is assisted by her deputy, who shares responsibility for the team of auditors and oversees the audit assignments that they carry out under the auspices of the mission heads. Furthermore, every auditor and mission head is responsible for a specific field, reflected in their responsibility to update permanent documentation, sit on some of the Sfil's group's committees as an observer, risk monitoring and the following up of recommendations for implementation by Sfil's operating divisions.

1.6.1.6.2 Activities of the Internal Audit and Inspection division

The division's activities are described in an internal audit manual that is based on the reference framework of the professional internal audit practices of the IFACI (Institut Français de l'Audit et du Contrôle interne) [1] and are mapped in a process which is dedicated to major risk management.

Missions	2022 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 Group's major risk mapping was updated during the fourth quarter. The number of risks identified remains stable and the overall level of criticality is down compared to the previous 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 up to 2022 and a four-year cycle from 2023. 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 Risks and Internal Control Committee approved the revision to four years of the duration of the multi-year audit cycle, which remains less than the regulatory duration, set at five years by the *arrêté* of November 3, 2014. This change is justified by an alignment of the audit cycle with the risk environment and Sfil's activities.	The 2023 annual audit plan was validated in January 2023 by the Risks and Internal Control Committee and provides for the completion of 16 audits. In addition, three audit missions including Sfil in their scope will be carried out by the Internal audit division of the CDC. Under the 2022 audit plan directly rolled out by Sfil's Internal Audit division, 17 audit missions had been carried out at the end of January 2023, *i.e.* a completion rate of 81%, given that one audit mission not completed at the end of January 2023 has since been completed. In addition, three missions out of the 21 initially planned for 2022 were postponed to 2023 for strategic reasons. The missions carried out in 2022 focused on: • key operational processes (ALM rates, derivatives management); • support processes (accounting closing, budget preparation and monitoring, regulatory reporting, information system management, training system, purchasing function); • risk monitoring including cyber risk (internal models, fight against money laundering and terrorist financing, information system security).

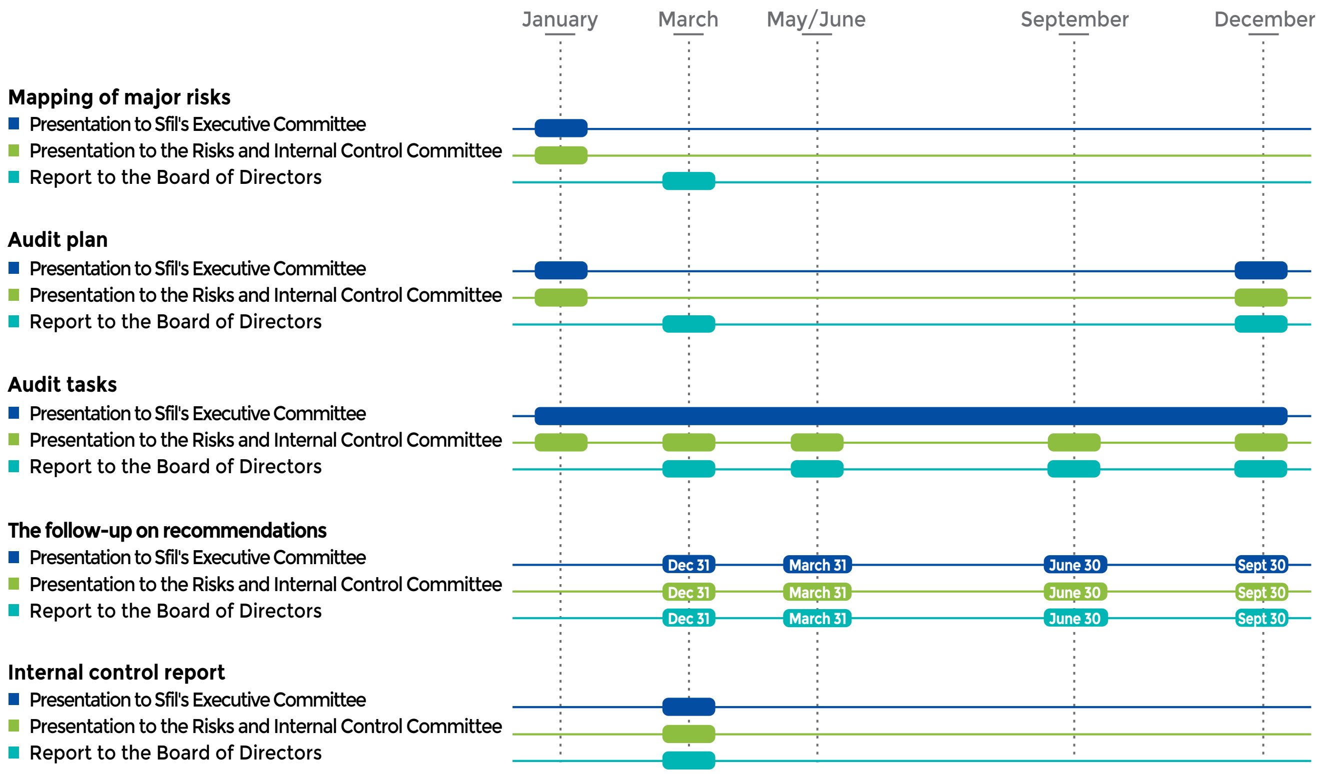
1) *Institut Français de l'Audit et du Contrôle Interne (IFACI).*

Missions	2022 Performance
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 2023 inspection plan was prepared during the fourth quarter; it stipulates four inspection controls. Under the 2022 inspection plan, all planned controls have been completed.
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 this implementation is incumbent on the identified managers and its follow-up is under the responsibility of the auditors and mission heads according to their field of competence. The validation of the stage of progress or accomplishment of these action plans is the responsibility of the General Auditor or her deputy.	All of these recommendations gave rise to continuous monitoring during 2022 and to the production of quarterly statements highlighting the main risk points remaining to be covered, including those subject to temporary acceptance of the risk because their initial maturity date is exceeded by more than six months, and 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 Chairwoman 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 (CRCI) is based on a structured and recurring reporting system for all the activities of the Internal Audit and Inspection division. The effective managers, and in particular the Chief Executive Officer of Sfil designated as responsible for the consistency and effectiveness of the periodic control, kept regularly informed of the results of the division's activities through reporting to Sfil's Executive Committee.



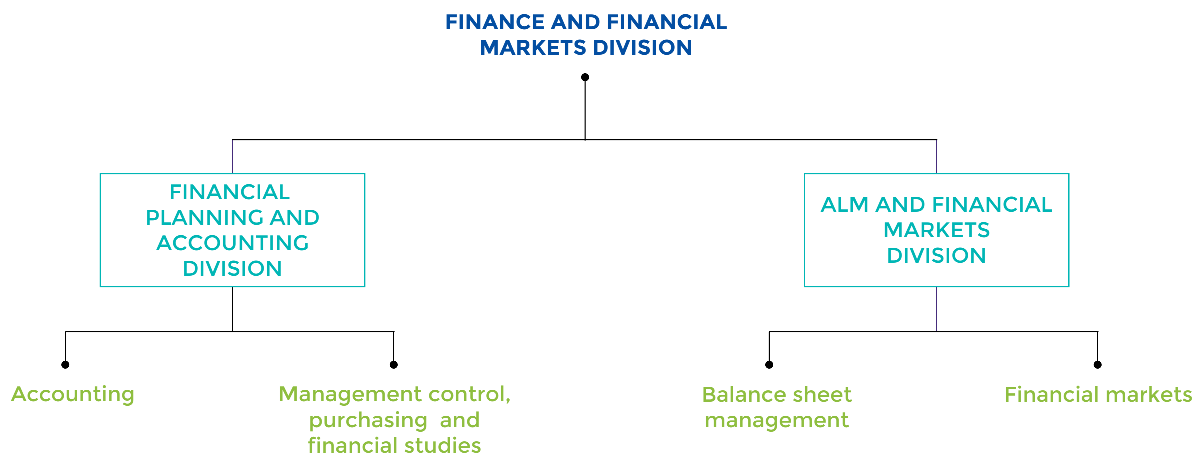
1.6.2 Preparation and processing of accounting and financial information

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 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. The Accounting division 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 Financial Planning and Accounting Director.

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 separate and consolidated financial statements

Sfil's accounting information system, which is used to prepare the 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 may be 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 accounting basis. 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 the accounting basis 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 outstandings 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. Moreover, 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. Significant changes in average margin rates from one period to another or those that do not comply with budget forecasts are systematically analyzed by management control, which can, if necessary, target its analysis at the unit level of each transaction.

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 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 constructed automatically 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 separate financial statements and regulatory declarations 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 reporting 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 Financial Planning and Accounting division then by the Chief Financial Officer. These statements are presented 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 the 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. The annual financial statements under IFRS are published in ESEF format in accordance with the regulations in force.

1.6.2.1.5 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. Sfil and Caisse Française de Financement Local have joint Statutory Auditors. In addition, one of the two Statutory Auditors of Sfil Group is shared with that of the Caisse des Dépôts' college.

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 reporting

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 the activity marketed by La Banque Postale and by Banque des Territoires and for the refinancing of large export credits after taking into account the French Republic's credit insurance granted *via* Bpifrance Assurance Export, Sfil is exposed to exclusively French counterparties. 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. The management control department is responsible for the principles of cost accounting and presents, once a year before invoicing to the Chief Financial Officer of Sfil and the Chairman of the Executive Board of Caisse Française de Financement Local, an economic analysis and a justification of the distribution of costs between the two entities.

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 correction is provided.

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

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.

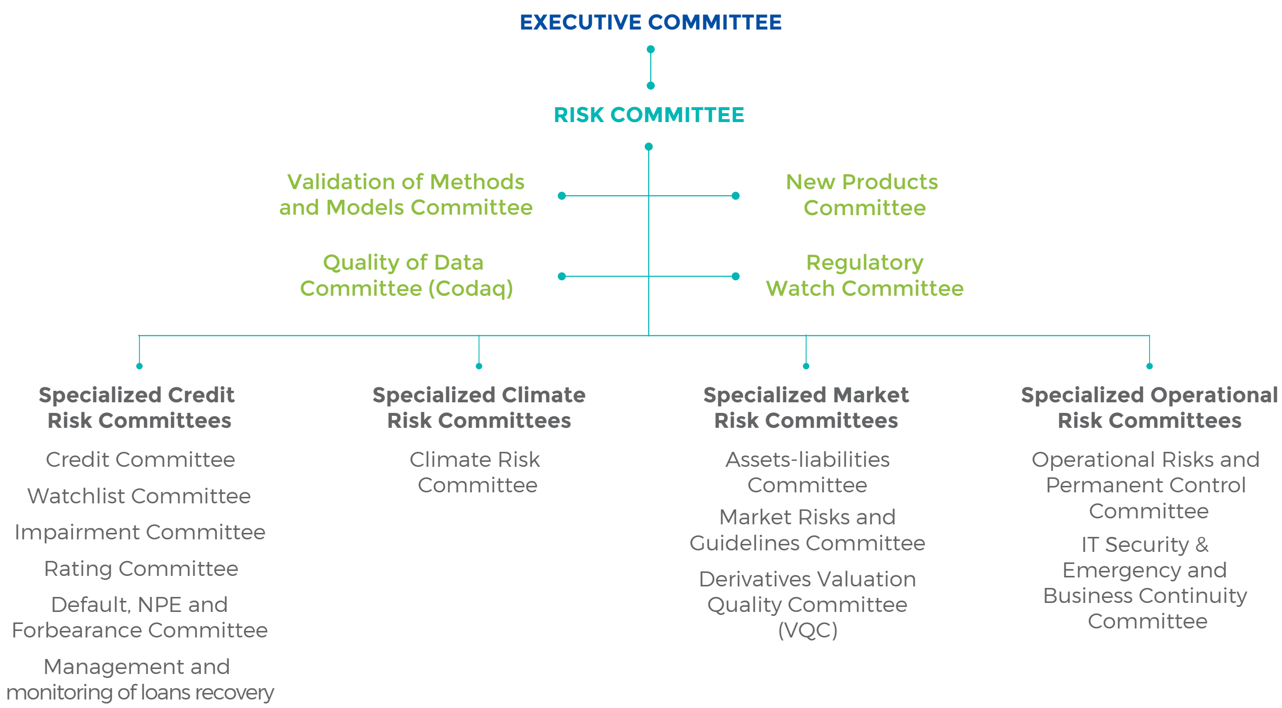
Risk review

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

These committees are chaired by Sfil's 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 New Products Committee 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 Sfil Group's risk profile

Ratios	CET1 ratio	Total capital ratio	Leverage ratio
Minimum requirement	7.42% (SREP)	11.25% (SREP)	3%
Value at 12/31/2022	40.3%, *i.e.* 5.4x higher than the minimum requirement	40.4%, *i.e.* 3.6x higher than the minimum requirement	11.1% (based on the methodological principles of the CRR II Regulation)

Ratios as of December 31, 2022	SFIL Consolidated
LCR	161%
NSFR	119%

SREP

Under the Single Supervisory Mechanism, Sfil is subject to the direct supervision of the ECB (European Central Bank). The results of the SREP (Supervisory Review and Evaluation Process) are notified annually by the ECB to Sfil's General management to define capital requirements.

Following the SREP assessment conducted by the ECB in 2022, the Total Capital requirement that Sfil Group must meet on a consolidated basis is 11.25% of which:

- 8.00% for Pillar 1 Total Capital, the level applicable to all entities;
- 0.75% in respect of the P2R (Pillar 2 Requirement), unchanged since 2019, of which 56.25% in Common Equity Tier 1 (CET1) capital and 75% in Tier 1 capital;
- 2.50% for the capital conservation buffer, the level applicable to all entities;
- 0.0% in respect of the countercyclical buffer (requirement removed in the context of the health crisis, which will be increased to 0.5% from April 7, 2023 and to 1.00% from January 2, 2024).

The CET1 Capital requirement stands at 7.42% and the T1 Capital requirement at 9.06%.

As of December 31, 2022, Sfil's consolidated CET1 and Total Capital ratios stand at 40.3% and 40.4%, respectively, a level representing respectively more than five times and more than three times the minimum requirements set by the European supervisor. The CET1 ratio improved by 5.7 points compared to the level of 34.6% recorded at December 31, 2021. This increase is due to the combined effect of the increase in equity and a decrease in risk-weighted assets: the increase in interest rates leading to a reduction in the interest rate value (hedged risk) of fixed-rate assets.

Leverage ratio

Regulation (EU) No. 575/2013 of June 26, 2013 has introduced, among the prudential indicators, a leverage ratio, which corresponds to the amount of Tier 1 equity as a proportion of the total exposure of the concerned institution.

This regulation was clarified *via* Regulation No. 876/2019 of May 20, 2019, which introduced a minimum requirement of 3% for the leverage ratio, as well as measures aimed, in particular, at excluding promotional loans and the export credit activity from the total exposure calculation. Thus, Sfil Group benefits from specific and appropriate calculation rules for establishing its leverage ratio.

Calculated using the methodological principles of this regulation, Sfil Group's leverage ratio is 11.1% as of December 31, 2022 and thus comfortably exceeds this minimum 3% requirement.

MREL

On November 25, 2022, the ACPR Resolution College notified Sfil of its decision to implement the Single Resolution Board's September 22, 2022 decision setting the Minimum Requirement for Equity and Eligible Liabilities (MREL) for Sfil. As Ordinary Insolvency Processing has now been selected as Sfil's preferential resolution strategy, the MREL requirement is therefore limited to Sfil's Loss Absorption Amount (LAA). This MREL requirement also applies solely to Sfil's social scope.

Risk profile

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 67.3 billion as of December 31, 2022 and mainly concerned public sector and sovereign counterparties.

These are high-quality outstandings: the portion of the portfolio with a weighting of more than 20% is only 1.6% and the amount of doubtful and litigious loans according to French standards remains at a very low level.

In accordance with its strategy, Sfil's new production carried out as part of the partnership with La Banque Postale and Banque des Territoires, and debt restructuring operations, are exclusively carried out with borrowers from the French local public sector (including public hospitals). The French local public sector's historical default rate remains extremely low, with an LGD rate of around 2% (mainly reflecting payment delays) on municipalities and inter-municipal tax groupings.

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 46 billion in EAD as of December 31, 2022. These outstandings are diversified, both in terms of number of counterparties, distribution over the territory and types of customer.

Export credit exposures amounted to EUR 11 billion. 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.

The exposures of the Italian portfolio amounted to EUR 4.2 billion and included exposure to Italian local authorities (EUR 2.6 billion) and an exposure to the Italian sovereign (EUR 1.5 billion). These exposures are managed in run-off mode and do not include any borrowers in default.

Exposures to banks amounted to EUR 1.3 billion, including derivatives and surplus cash investments.

Climate risk

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.

Climate risk mapping for the entire portfolio was carried out. At this stage, the quantitative 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). 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 changes in interest rates. The sharp rise in interest rates observed in 2022 led to a decorrelation between the rates observed on the markets and the usury rate, which had the effect of penalizing the production of fixed-rate loans for the benefit of adjustable rate loans.
- 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. The market context, marked in 2022 by a high volume of covered bond issues and the gradual withdrawal of the European Central Bank (ECB), however, was at the origin of greater volatility in financing conditions, and widening spreads, on both the secondary market and for new issues. Sfil also maintained its presence in the markets and its positioning 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.

1) For the potential impacts of regulatory changes to which the Sfil Group is subject, see Section 1.2.6 of this report.

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 income or equity. These are mainly risks arising from changes in the value of financial assets recognized at fair value through profit or loss or through equity.

Operational risk

Sfil's activities in 2022 did not generate any operational incidents with a cumulative financial impact of less than EUR 48,000, and two 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

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-FT 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. 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, 2022, the number of borrowers in litigation was only one compared to three at the end of 2021.

Since Sfil's creation, 222 borrowers have ended lawsuits they had brought.

As of December 31, 2022, 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 management of credit risk

Credit risk represents the potential loss that Sfil Group could suffer 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:

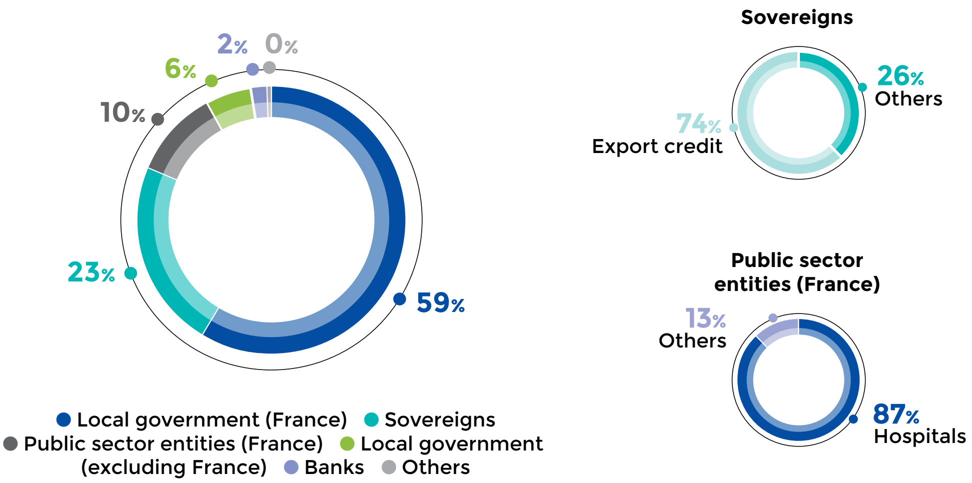
Definition	In line with Sfil's and Caffil's Risk Appetite: • the credit risk policies and directives; • different concentration limits; • delegations to be granted.
Credit granting	• of the process of granting loans (new commitments and restructurings) through credit analysis and giving ratings.
Monitoring existing portfolios	• performance of annual reviews; • re-rating portfolios annually; • identification of assets with downgraded risks (watchlist, in default or NPE, contract in Forbearance); • estimation of the provisions to be established; • proactive monitoring of limits; • performance of 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] taken 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.

1.7.2.1.3 Exposure to credit risk



Exposures to credit risk, which is measured using the EAD (Exposure At Default) metric, amounted to EUR 67.3 billion as of December 31, 2022:

- nearly 60% of this exposure is concentrated in French local public authorities (regions, departments and municipalities and groups of municipalities, *etc.*);
- 23% of this exposure is included in "Sovereign" items including 74% as a result of the export credit activity;
- 10% of this exposure comes from public sector entities, including 87% from public stakeholders in the hospital sector.

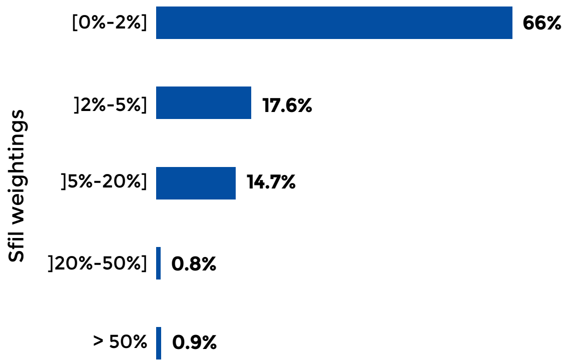
The quality of Sfil's and Caffil's portfolio can also be seen in the Risk-weighted asset (RWA) weightings assigned to their assets to calculate the Group's solvency ratio.

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

As of December 31, 2022, 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:

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

Risk weightings (Basel III) of Sfil Group's portfolio as of December 31, 2022 (consolidated basis)



This analysis confirms the excellent quality of the assets, as 84% 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 3.1 billion for credit risk.

1.7.2.1.4 Impact of the Covid-19 pandemic and the war in Ukraine on credit risk

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 through payment delays without the invoicing of interest and penalties, for their loan maturities between March 12, 2020 and June 30, 2020. Thus, payment delays were granted to 34 of these institutions and amounted to just over EUR 86 million.

Requests for payment delays, limited in number and amount, were also received from certain local authorities or French public sector entities.

From the beginning of 2022, all the payment extensions granted have been paid by the concerned customers.

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. Exposures to the cruise sector, which were impacted by the health crisis, have been placed on a watchlist since 2020.

In 2022, the export credit exposure to the Republic of Ukraine was placed on a watchlist and qualified as Forbearance following the lifting of contractual provisions due to the consequences of the conflict. Export credit exposures to the cruise sector remain on the watchlist even though the activity has resumed.

As a reminder, the whole export credit portfolio is 100% guaranteed by the French Republic *via* Bpifrance Assurance Export credit insurance policies.

1.7.2.1.5 Arrears, doubtful loans and provisions

Arrears at 12/31/2022 (excluding technical arrears)	Doubtful 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 4 million	**EUR 112 million**	**EUR 200 million**	**EUR 234 million**
	(of which loans without arrears: EUR 99 million)	(of which loans without arrears: EUR 187 million)	(of which loans without arrears: EUR 220 million)

Arrears (excluding technical arrears) reached a very low residual level and amounted to EUR 4 million at December 31, 2022. This is the lowest level of arrears recorded since the creation of Sfil in early 2013. They are down significantly by EUR 9 million, or -66%, compared to December 31, 2021 (EUR 13 million) and are concentrated on a few only French counterparties. This decrease is mainly due to the fact that part of the arrears recorded was in fact the result of payment delays granted as part of the signature of contracts to restructure the debt over a longer maturity.

As a reminder, no arrear amounts related to the Covid-19 epidemic have been recognized in the export credit and international local authorities' portfolios. Payment delays were granted by Sfil to French public hospitals and local authorities in 2020. As indicated previously, from the beginning of 2022, all the payment extensions granted have been paid by the concerned customers. Public health institutions had already paid all maturities due before the end of 2021.

As of December 31, 2022, at the level of Caffil and in application of French accounting standards, doubtful and litigious loans amounted to EUR 112 million, *i.e.* 0.2% of Caffil's cover pool, reflecting the portfolio's excellent quality. They were down by EUR 43 million compared to December 31, 2021 (EUR 155 million).

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

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

Stage 3 outstandings correspond mainly to customers:

- with an outstanding unpaid for more than 90 days;
- whose financial position is such that, even in the absence of an unpaid outstanding, it is possible to conclude that the debtor is unlikely to pay;
- that were in a situation of real default and for which arrears of more than 90 days were settled. These outstandings are kept in Stage 3 for a minimum period of one year, known as the "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). In addition to Stage 3 assets, the latter includes non-performing assets recognized at fair value through profit or loss (*i.e.* non-performing assets that do not meet the Solely Payment of Principal and Interest - SPPI criteria under IFRS 9).

Impairment is recorded on all financial assets and financing commitments recognized at amortized cost for expected credit losses, including Stages 1 and 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 asset's life (Stages 2 and 3).

	IFRS net carrying amount (before impairment)		Impairments	
EUR millions	12/31/2021	12/31/2022	12/31/2021	12/31/2022
Stage 1	54,438	52,221	(10)	(11)
Stage 2	8,801	8,134	(43)	(45)
Stage 3	377	200	(5)	(5)
TOTAL	**64,616**	**60,556**	**(59)**	**(60)**
Non-Performing Exposures	442	234		

The IFRS carrying amounts before impairment decreased significantly between December 31, 2021 and December 31, 2022 due, in particular, to the increase in interest rates observed over the past year and the induced effects on the calculation of the hedged risk of exposures subject to an micro-hedge accounting. At the same time, and despite the war in Ukraine and the ongoing Covid-19 pandemic that particularly impacted supply chains, IFRS impairments remained virtually stable, rising from EUR 59 million to EUR 60 million.

As a reminder, in 2020 and in the context of the health crisis, it was decided to monitor on a watchlist and consequently to transfer from Stage 1 to Stage 2, part of the export credit portfolio corresponding to the refinancing of the cruise sector. At December 31, 2022, it was decided to maintain these historical exposures in Stage 2. It should be noted that a significant portion of these loans has not yet been drawn down as at December 31, 2022. At the same date, the impairments associated with this portfolio represented EUR 23 million compared to EUR 16 million at December 31, 2021.

The carrying amounts allocated to Stage 3 as well as the non-performing exposures are limited and amounted to EUR 0.2 billion at December 31, 2022. They are down significantly compared to December 31, 2021 (EUR 0.4 billion). These amounts are the lowest levels observed since the beginning of 2018 and the implementation of IFRS 9.

1.7.2.2 Climate risks

1.7.2.2.1 Definition and management of climate risk

Climate risk is composed of physical risk and transition risk. The physical climate risk can be acute or chronic.

Acute physical risks represent the risk of loss resulting from extreme weather events (floods, storms and hurricanes, forest fires), the resulting damage of which may result in the destruction of the physical assets of local authorities or non-financial counterparties.

Chronic physical risks represent the risk of loss resulting from longer-term changes in climate models (loss of snow cover, sea level rise, shrinkage and swelling of clays, for example).

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

Sfil aims to integrate climate risk into all its risk management processes. The overall impact on credit risk was assessed in 2021, and work continued in 2022 in order to assess the impact on other risk categories (in particular on liquidity risk, market risk and operational risk). Climate risk and its challenges are the subject of particular attention by Sfil's Board of Directors. The Board of Directors meeting of April 15, 2022 validated Sfil's 2022-2023 climate roadmap.

1.7.2.2.2 Governance

A climate risk committee has been set up. Chaired by the Chief Risk Officer, it is composed of representatives of the various divisions concerned. The work examined by the climate risk committee is then presented in summary form to the Bank's Sustainable Development 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 Exposure to climate risks

In 2022, Sfil implemented the following actions:

- **Update of the risk identification policy** to consider ESG (environmental, social and governance) risks as a new first level risk category, composed of climate and environmental risk, social risk and governance risk.
- **Preparation of a qualitative mapping of climate-induced risks**, identifying them in accordance with Sfil's risk identification policy, and assessing their materiality.
- **Update of the risk policy for granting loans, by:**
  - taking into account the social and environmental usefulness of the projects financed in the credit granting criteria, with a greater risk appetite when the financing is carried out in the green loan or social loan format;
  - implementation of a policy of excluding sectors exposed to fossil fuels, in accordance with the guidelines of the French export support policy, recently amended by the initial finance law of December 30, 2022 for 2023. This results in the exclusion of projects related to coal and unconventional hydrocarbons. These exclusions do not apply to operations that have the effect of reducing the negative environmental impact or improving the safety of existing facilities or their impact on health, without increasing their lifetime or production capacity, or for the dismantling or conversion of these facilities.
- **Integration of ESG risk factors into the ICAAP and ILAAP**, by taking into account, at this stage, assumptions relating to the acceleration of local authority spending in the context of the climate transition, and assumptions related to the occurrence of an exceptional climatic event affecting certain countries in southern Europe.
- **Update of ESG indicators already included in the risk appetite:** the indicators selected cover not only Sfil's climate commitments, but also social issues.
- **Participation in the ECB's 2022 climate stress tests**. Sfil was submitted to the ECB's first climate stress test [1] in 2022. This mainly educational exercise consisted of collecting qualitative and quantitative information in order to assess the level of preparation of banks for climate risks and to identify best practices. The results of this first exercise had no impact on Sfil's equity, but contributed to the SREP in a qualitative way.
- **Participation in the 2022 ECB self-assessment** conducted among 187 banking institutions.

In 2022, Sfil Group also began work to measure the carbon footprint not only of its financing portfolios and the cash investments, but also those of its borrowers. Once the measurement is completed, the objective will be to define medium- and long-term trajectories. A tool for rating climate and environmental risks in the local public sector is also being developed; it will eventually be systematically used to grant loans and monitor risks.

In addition, Sfil devoted two new studies to climate risk in 2022:

- **Transition risks**

  After a first step carried out by Sfil in 2021 *via* a study on the transition risk for local authorities, I4CE, as part of the partnership signed with Sfil, published a new study on October 14, 2022 [2]. The study carried out in 2021 by Sfil was based on three scenarios [3] or transition trajectories (orderly, accelerated and delayed) and made it possible to quantify the investment needs of local authorities as part of the transition to a low-carbon economy. The impact of these investments on the financial position of local authorities was assessed and the risk metrics (RWA and ECL) were simulated on the basis of these stressed financial ratios.

  The objective of the new study carried out in 2022 was to estimate the investment and operating expenses associated with the risk of climate transition of local authorities in France, thus enabling Sfil to deepen the work undertaken in 2021. The methodological approach adopted by I4CE is based on the analysis of five climate expenditure trajectories, including an SNBC scenario and four other scenarios [4] from ADEME. Sfil used the results of this study to integrate the expenses related to the additional investment efforts expected of local authorities to comply with the national low carbon strategy in the forward-looking scenarios used to calculate expected credit losses in accordance with IFRS 9. The impact of updating these forward-looking scenarios had a very limited effect on the level of expected credit losses.

1) *https://www.bankingsupervision.europa.eu/press/pr/date/2022/html/ssm.pr220708~565c38d18a.fr.html*
2) *I4CE, "Local authorities: investment and engineering needs in carbon neutrality", October 2022.*
3) *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 carbon measures to fight against 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.*
4) *ADEME's four scenarios present different trajectories leading to carbon neutrality in 2050.*

It should be noted that the objective of adapting to climate change was not part of the scope of the study and will be the subject of another quantification work by I4CE.

The partnership between Sfil and I4CE should be renewed, the latter will continue its work on the basis of the new national low carbon strategy (SNBC3), the aim being to clarify the investment needs of local authorities.

- **Physical risks**

  After a first study carried out in 2021 on the impact of acute physical risks on French local authorities, the Risks division carried out a second study on the impact of water stress on French local authorities, in connection with the projected climate change. Water stress is defined as a critical situation that occurs when available water resources are lower than water demand. It is mainly due to a geographical and temporal imbalance characterized by a demand for water that exceeds the quantity of water available and/or a water quality that requires limiting its use.

  The study was based on the Aqueduct Water Risk Atlas, made available by the World Resources Institute. The tool makes it possible to identify and assess water risks around the world using GPS coordinates. The importation of the GPS coordinates of the municipalities (INSEE file) into the tool made it possible to identify the areas according to the level of water stress according to the thresholds defined by the tool and to analyze the exposures in the portfolio (municipalities, regions, departments and GFPs) according to their level of future water stress risk by 2030 or 2040.

1.7.2.3 Market risk

1.7.2.3.1 Definition and scope of market risks

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

As a public development bank, Sfil 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 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 income 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 derivatives classified as hedges according to IFRS, for which there may be a difference between the valuation of the hedged risk and the valuation of the hedging item (derivative), which are valued using different yield curves;
- changes in accounting valuation adjustments on derivatives, such as credit valuation adjustments (CVA) and debit valuation adjustments (DVA), recognized in net income 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.

Market parameters were fairly volatile in 2022, resulting in a relatively large variation in the market value of the portfolio of loans recognized at fair value through profit or loss: the benchmark index for the credit component of this portfolio is up 11 basis points year-on-year. However, this negative impact was partly offset by the favorable evolution in 2022 of certain parameters of the model used for the valuation of these assets. In addition, taking into account the amortization of the portfolio, the revaluation result was positive by EUR +28 million over 2022. The sensitivity of the portfolio value to a change in credit spread of one basis point was EUR 1.5 million at December 31, 2022, down 28% 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).

The credit spreads of the securities in the portfolio of securities that may be held or sold, recognized at fair value through equity, changed little over the year. The securities in the portfolio have an average maturity of less than one year, and the OCI reserve is less than EUR 0.1 million.

1.7.2.3.2 Market risk governance and 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; • different limits; • methodologies for calculating and measuring risks.
Certification	• the valuation of derivatives for accounting purposes.
Valuation	• balance sheet items (assets and liabilities); • value adjustments for derivatives (CVA and DVA).
Monitoring	• of ineffectiveness in the valuation of derivatives classified as hedges according to IFRS, for which the hedged risk and the hedging item (derivative) are valued using different yield curves.
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.

1.7.2.4 Balance sheet management risks

The year 2022 was marked by a sharp rise in interest rates and significant volatility in the bond markets, as well as a high volume of covered bonds despite the gradual reduction by the ECB of its asset purchase program. These elements resulted in a widening of 14 bps in covered bonds spreads on the secondary market between the end of 2021 and the end of 2022. In this context, Sfil managed to issue EUR 6.3 billion in new securities.

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 and Financial Markets division's ALM unit, the Market and Balance Sheet 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 and Financial Markets 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 benefiting from the privileged debt 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 the possibility of no longer having sufficient resources to meet Caffil's financing needs, the margin calls of its counterparties, or the timely repayment of its own issues.

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, 2022, 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 Caisse des Dépôts and La Banque Postale under the credit agreements implemented between SFIL and its shareholders.

In addition, 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 at December 31, 2022

EUR bilions, nominal values	Caffil	Sfil	TOTAL
Deposits in central bank	1.8	0.2	2.0
High Quality Liquid Assets (HQLA) – exposures to credit institutions	0.5	0.0	0.5
High Quality Liquid Assets (HQLA) – excluding exposures to credit institutions	2.6	0.0	2.6
Other eligible available securities in central bank	0.4	0.6	1.0
Eligible private loans in central bank	34.6	0.0	34.6
TOTAL LIQUIDITY RESERVES	**40.0**	**0.8**	**40.8**

The total amount of assets that can be mobilized to meet a liquidity requirement amounted to EUR 40.8 billion (see table above).

Caffil holds most of the Group's stock of assets eligible for refinancing operations by the European Central Bank, *via* the Banque de France. It can easily access the central bank refinancing in its own name, If necessary, to cover its cash flow requirements. This access is regularly tested for small amounts to ensure the proper functioning of tools and procedures and to maintain the appropriate level of knowledge.

For Caffil, the amount of liquidity reserves taken into account in the calculation of the LCR is now capped at the amount of net cash outflows over 30 days, taking into account the changes made in July 2022 to the calculation of the LCR in the context of the entry into force of the Covered Bonds Directive [1] .

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.

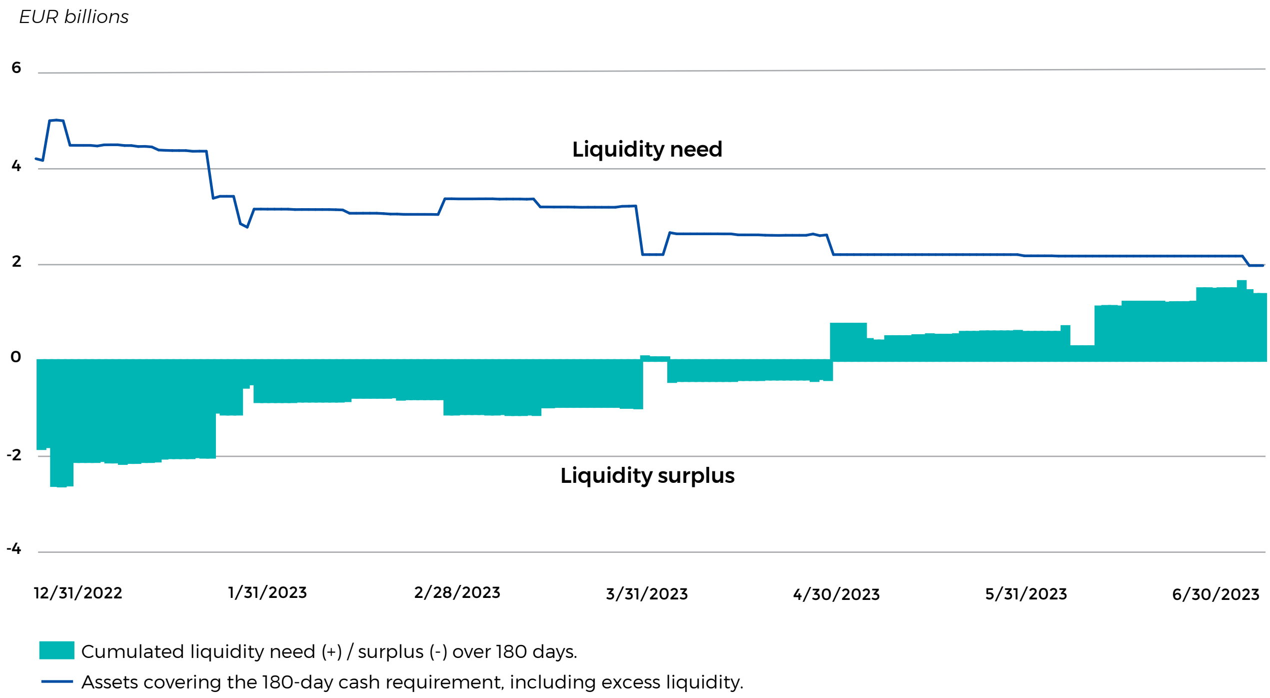
Regulatory liquidity indicators

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

- the regulatory over-collateralization ratio: this represents the ratio between assets in the cover pool and the liabilities benefiting from the legal privilege under the law on SCFs, and must be at least 105%;
- 180-day cash needs forecast: Caffil ensures that at all times its cash needs over 180 days are covered by liquid assets or short-term exposures to credit institutions, as defined in the regulations applicable to issuers of covered bonds.

1) *Delegated Regulation 2022/786 of February 10, 2022.*

Coverage of liquidity needs over 180 days



- 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 credit institutions 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, 2022, the LCR stands at infinity for Sfil on a parent-company basis, and 161% on a consolidated basis;
- the Net Stable Funding Ratio (NSFR), a transformation ratio which compares with a one-year horizon, the proportion of available stable funding over required stable funding: as of December 31, 2022, Sfil's NSFR was 119% 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 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, 2022, it stood at 0.84 years;
- 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 income 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 the case of interest rate curve parallel shifts (translation) or 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, 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	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.

Interest rate risk management strategy

The Group has defined a fixed-rate risk appetite for Caffil, which is broken down into a system of limits governing the sensitivity of the net present value (NPV). 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 for Sfil on its own.

Interest rate risk indicators

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

- the measurement of 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 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;
- 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 Sfil Group, the measurement of shocks is based on interest rate flows excluding margins.

At 12/31/2022	Interest rate shock applied	Net income *(EUR millions)*
• "Supervisory outlier test" according to the uniform shock +/-200 bp	+/-200 bp Post-shock floor starting with -100 bps	(139) / 147
• "Supervisory outlier test" according to the six differentiated shocks	+200 bps -200 bps Steepening Flattening Rise CT Drop CT	(139) 147 (22) (1) (44) 45

- the monthly production of indicators of sensitivity of the net present value (NPV) to an interest rate shock: since January 1, 2022, the Group has implemented a new interest rate risk methodology by basing the calibration of these risks on the maximum loss observed in NPV compared to eight different interest rate scenarios. These eight scenarios correspond to the six scenarios used to calculate the regulatory outlier ratio to which are added two additional internal scenarios defined on the basis of historical changes in interest rates. Unlike regulatory ratios, equity is taken into account in the calculation of these indicators. The maximum loss observed among the eight scenarios must not exceed the limit defined as part of the Group's risk appetite.

EUR millions	Limit	12/31/2021 (*pro forma*)	6/30/2022	12/31/2022
Maximum NPV loss observed	(80)/80	(25)	(31)	(21)

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

Fixed rate gap	Difference between balance sheet and off-balance sheet assets and liabilities for fixed rate transactions or for which the rate has been fixed. It is calculated every month until balance sheet 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, the difference between adjustable rate balance sheet and off-balance sheet assets and liabilities, by fixing date.

These indicators are calculated from a static viewpoint.

- Net interest rate margin sensitivity: 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 reporting 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)*	12/31/2022
Parallel increase in rates of 200 bps	(7)
Parallel decrease in rates of 200 bps	4

Outlook and risks related to changes in interest rates

The main risks identified and associated with the current interest rate environment, marked by rapid rate increases and significant volatility, are as follows:

- greater uncertainty about new production volumes: rapid changes in financing conditions and higher cost of credit, as well as uncertainties relating to the macroeconomic environment, could encourage some customers to reduce or postpone their investments. In addition, the decorrelation between the usury rate and the interest rate levels observed on the markets, which penalized the production of fixed-rate loans in 2022, could still have an impact in 2023 if interest rates continued to rise.
- increased interest rate volatility could lead to a greater variation in the interest margin for the fraction of the production that is managed by macro-hedging.

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

Lastly, as the Group does not have any demand deposits, it is not impacted by any impact of changes in interest rates on the level of deposits.

1.7.2.4.4 Foreign exchange risk

Foreign exchange risk is defined as the risk of recorded or unrealized net income volatility, linked to a change in the exchange rate of currencies against a reference currency. 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 on the euro/currency basis, calculated over the life of the loans.

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).

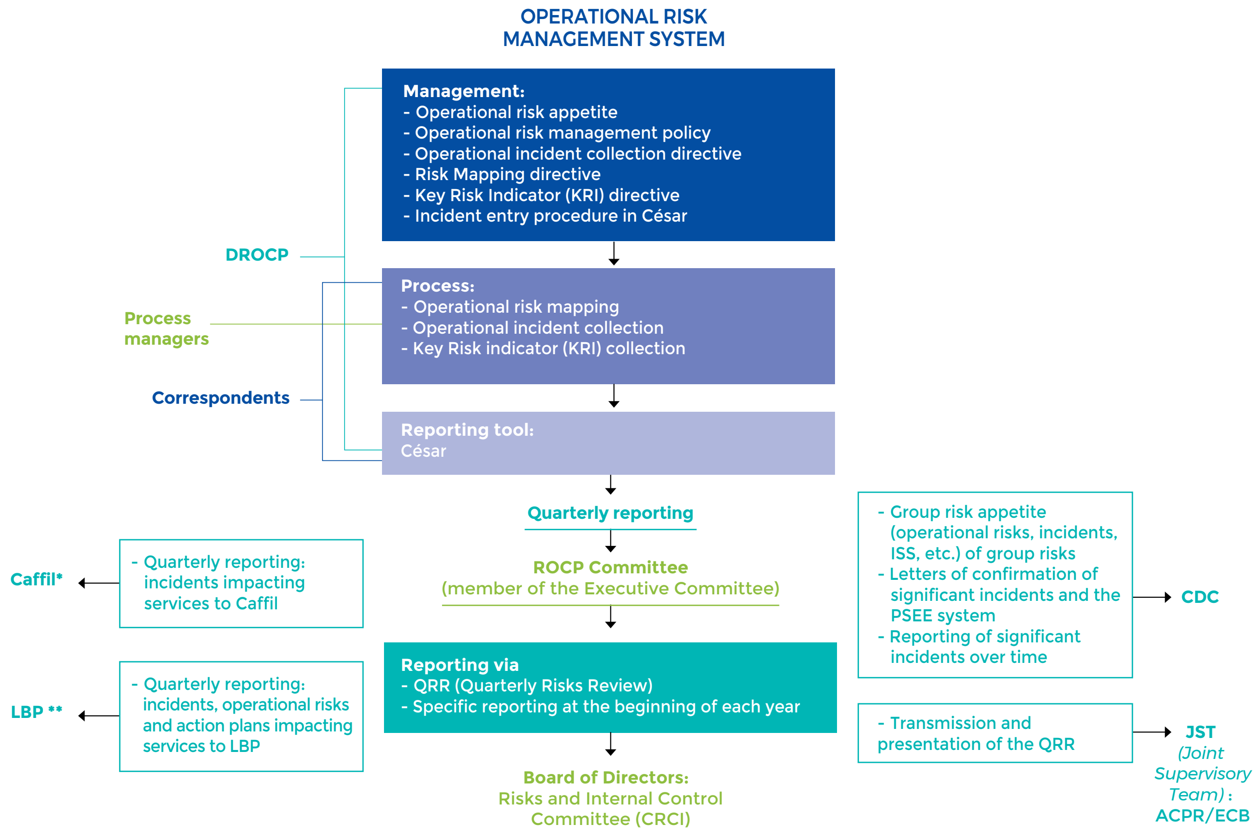
1.7.2.5.2 Organization and governance

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 which is composed of seven employees and one manager.

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

- the Operational Risks and Permanent Control Committee 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) & Emergency and Business Continuity Plan (EBCP) Committee, whose role is to monitor the implementation of the information systems security policy, physical security policy and the emergency and business continuity plan as well as the directives and procedures in force, and to arbitrate the problems or alerts that arise therefrom.

  It should also be noted that a qualification committee for outsourced essential services (PSEE) will be set up in 2023.



(*) *Within the framework of the Sfil/Caffil agreement.*
(**) *Within the framework of the Sfil/LBP agreement.*

The Compliance division is responsible for the policy and supervision of the non-compliance and reputation risk management system (see overall internal control system 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 equity for operational risk. This requirement amounts to EUR 32.9 million as of December 31, 2022.

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 system security policy, a Emergency and Business Continuity Plan (EBCP) and, where necessary, insurance policies to cover specific risks.

Missions	2022 activities and results
Definition of operational and ISS risk appetite	2 indicators defined and regularly monitored for operational risk. 2 indicators defined and regularly monitored for IT system security. 1 indicator defined in 2022 on the risk related to outsourcing.
Operational incident collection	1 incident in 2022 that led to losses in excess of the collection threshold (EUR 10,000) and whose financial impacts in 2022 were 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 implementation of the action plans defined for residual risks assessed to be major.
IT system security management	Continued deployment of the three-year plan (2020-2022) to strengthen IT security. Response to 3 self-assessment questionnaires (standard or requested by the IT security supervisory authority - SWIFT, Banque de France and JST). Reporting *via* CDC's IS/ISS risk appetite and CDC control plan. 5 e-learning modules to raise awareness on IT security and a phishing simulation were deployed for Sfil employees. More specifically on the risk of phishing, awareness-raising reminders are regularly sent via the intranet or e-mails. 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); 1 test of the IT backup plan; 1 crisis unit test was carried out. Participation in the first crisis unit exercise on a cyber-attack scenario organized by the ANSSI and the CCA. Crisis units were held to manage the Covid-19 crisis.
Internal and external reporting	4 IT Security & RBCP Committee meetings. 4 Operational Risks and Permanent Control Committee meetings. Contribution to 4 Quarterly Risk Reviews (RTR) 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 Operational Risk & Permanent Control Division 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 across all 37 processes.

Sfil's operational risk mapping comprises 237 operational risks. The risk mapping by process and its updates are validated by the Operational Risk and Permanent Control Committee (ROCP).

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.*).

In addition, Sfil launched a program to overhaul the permanent control plan following the finalization of the risk mapping by process.

Monitoring key operational risk indicators

In addition to the mapping of operational risks which provides a periodic instantaneous picture of the risk profile, Sfil Group has defined 63 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 system 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.

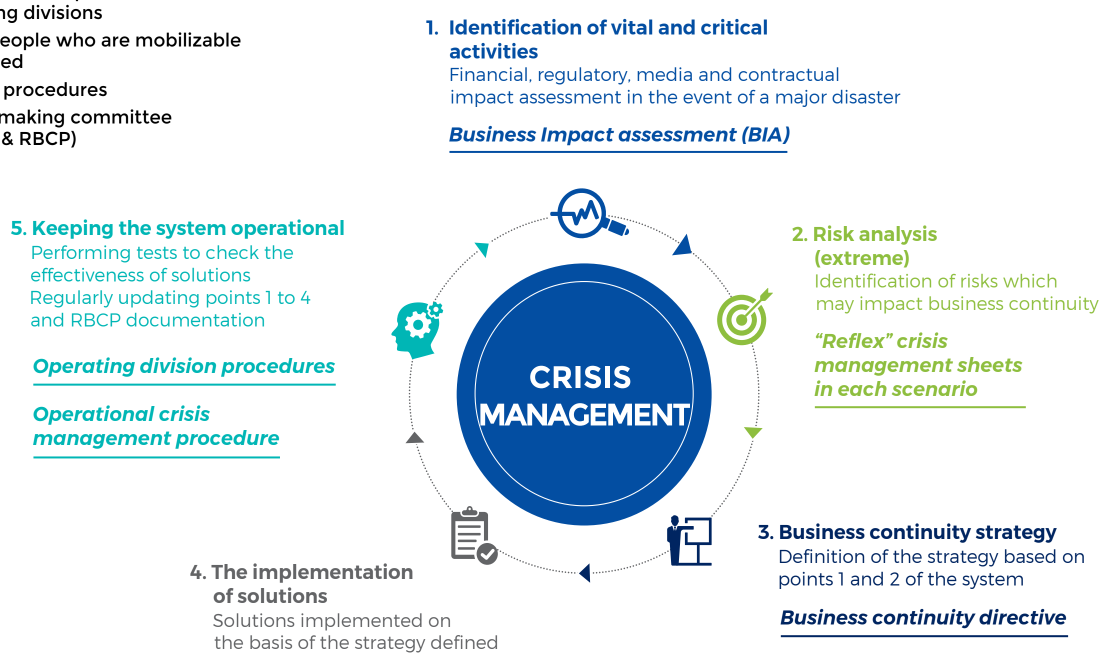
In addition, to improve existing systems a three-year (2020-2022) information system security strengthening plan has been defined and is regularly monitored. A SOC (Security Operation Center) system was set up to prevent and manage IT security warnings and threats.

Business continuity and crisis management

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

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

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



* *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, professional liability 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 secure payment methods, 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 6 times in 2022.

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 damage to the trust in Sfil Group by 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 activity. Reputational risk is essentially a risk contingent on all the 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 Sfil's Ethics and Professional Conduct Code.

Non-compliance risks by 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-FT	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. The department is organized into three divisions: a "permanent compliance control" division, an "AML-FT/financial security" division and a "compliance/professional conduct" division reporting to the General Secretary, Director of Compliance. A member of Sfil's Executive Committee, the General Secretary is appointed as Compliance Officer and AML-FT Manager to the ACPR. Under the direct authority of the Deputy Chief Executive Officer, they have 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 (17 risk correspondents);
- a division dedicated to permanent compliance control.

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

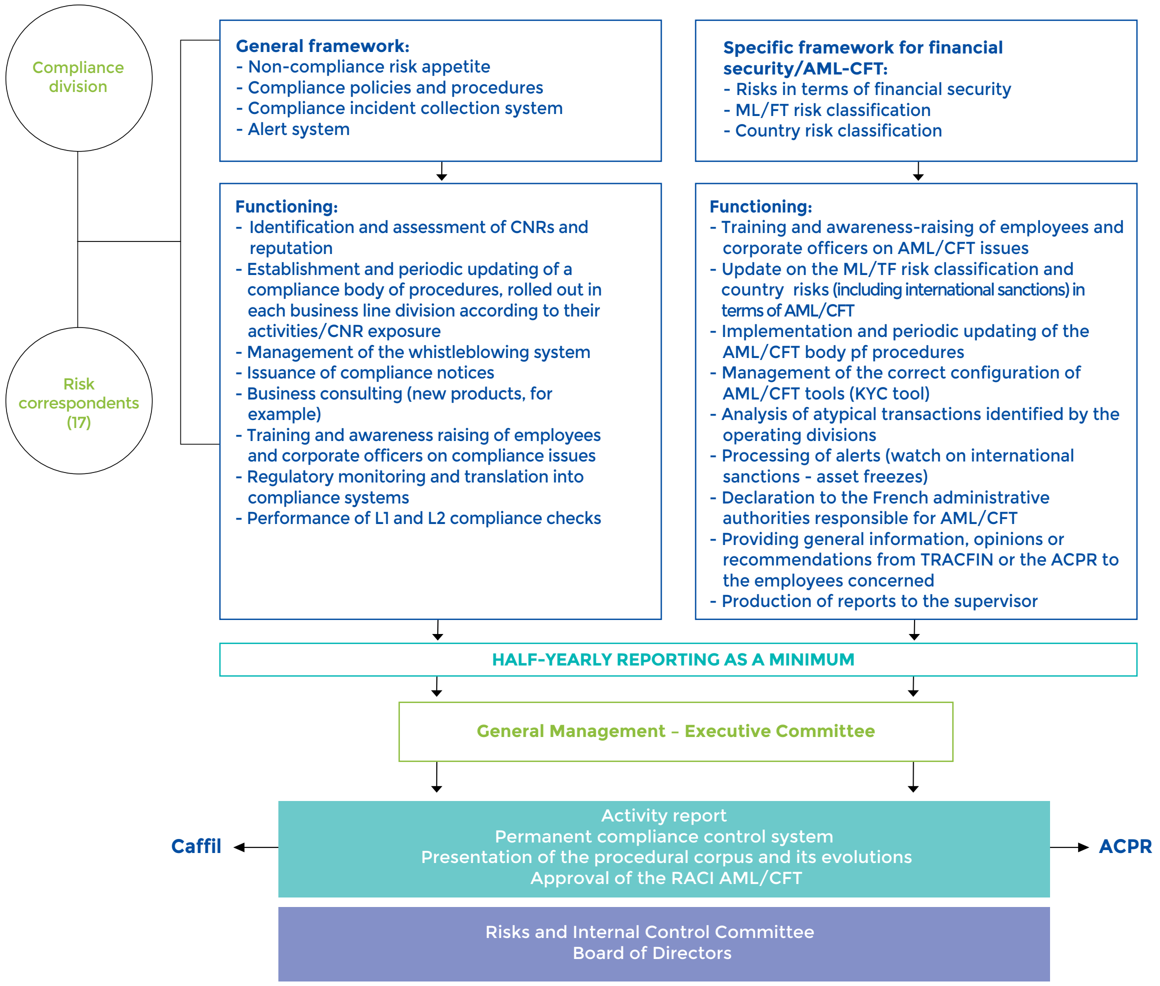
The General Secretary thus presents biannually an activity report and the results of the permanent compliance controls and the progress of compliance action plans to the Executive Committee on which Sfil's effective managers sit and to the Risks and Internal Control Committee. The results of permanent compliance controls are presented quarterly, half-yearly or annually according to the frequency of the controls.

At the Executive Committee meeting, the effective managers 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 that impact Sfil's compliance system, particularly in the event of regulatory changes.

They are also informed of changes to the CDC systems, which must be adapted to those of its subsidiaries, according to their activities and specificities.

NON-COMPLIANCE RISK MANAGEMENT SYSTEM (NCR)



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 risk appetite, compliance policies and procedures have been defined for the entire scope of Sfil Group's activities. The Compliance division verifies compliance with these policies and procedures and, if necessary, proposes actions to the divisions 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-FT indicators.

1.7.2.6.4 Implementation of the compliance system

During 2022, Sfil continued to implement its compliance system, through the following initiatives:

- In terms of financial security/AML-FT, Sfil, as part of the steering project on the risks of money laundering and financing of terrorism by the Caisse des Dépôts Group, continued to implement the body of standards of its parent company in its system. The procedural corpus on AML-FT 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. In 2022, the Compliance division focused on the operational implementation of these new standards in order to meet intra-group reporting and information-sharing requirements, notably through AML/FT risk indicators presented half-yearly to the Sfil's Risks and Internal Control Committee and reported to the Compliance division of CDC. Sfil's Compliance division is now a member of the CDC AML-FT Steering Committee.
- The Compliance division and the Technology and Organization division continued their work to improve the already existing functionalities of the financial security tool, intended for the business relationship filtering system, for better user experience.
- In terms of compliance governance, the Compliance Charter has been updated to reflect organizational changes and regulatory developments. The role and composition of the Compliance Committee have been redefined as a result.
- In terms of the anti-corruption system: the corruption risk mapping is the cornerstone for identifying, assessing and prioritizing Sfil's exposure to corruption risks. It makes it possible to effectively manage Sfil's exposure to corruption risks. Although Sfil is not subject to the Sapin II law, the recommendations of the French Anti-Corruption Agency have also been taken into account insofar as they are relevant to its activities. The new mapping was presented to the Risks and Control Committee on January 27, 2022.

  In addition, the procedure for assessing third-party suppliers has been updated. The procedure is an important element of Sfil's anti-corruption system. It incorporates the fundamental principles relating to the implementation of appropriate measures to prevent, detect and deter corruption with "zero tolerance", in line with the Caisse des Dépôts Group's corruption prevention policy. It also promotes an anti-corruption culture in employee behavior, in order to guarantee that internal and external relations comply with the rules on probity and corruption.

  In addition, the procedure for preventing and managing conflicts of interest has been updated. Its review was carried out with the aim of aligning it with the policy of Caisse des Dépôts. It has been enhanced both in terms of the prevention and management of conflicts of interest.

  Lastly, in terms of internal whistleblowing: the procedure and the dedicated tool have been updated in order to incorporate the new regulatory requirements stemming from the European Banking Authority's guidelines transposed by the "Waserman" laws and the implementing decree of October 3, 2022.
- In terms of protecting customers interests, actions have been taken to continue the acculturation of employees who interact with customers. To this end, *ad hoc* "customer protection" training was rolled out and delivered to the identified business lines. The importance that Sfil Group attaches to this topic is reflected in the Sfil Code of Ethics and professional conduct.
- In terms of personal data protection, in a more cross-functional manner, Sfil strives to continuously maintain its program of compliance with the GDPR regulation through solid governance. This makes it possible to manage the various actions to be implemented. The annual report on personal data protection prepared by the Data Protection Officer was presented to the governance bodies.
- The evolution of the permanent compliance control plan for 2022 makes it possible to maintain the consistency and adequacy of the first and second level control programs to regulatory changes on the one hand and to changes in processes or systems within Sfil on the other hand. In this context, the objective of the permanent control system is to continue to consolidate and strengthen its supervisory and steering role, relying increasingly on the permanent control actions of the first line of defense. The change in permanent controls in 2022 was also carried out with a view to aligning the Sfil system with the compliance management requirements of Caisse des Dépôts as parent company.
- The training plan as validated by the Risks and Internal Control Committee in January 2022 was implemented. 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 includes a program dedicated to corporate officers in terms of "governance and compliance". Numerous training sessions and training materials were rolled out and enhanced in 2022, with 23 sessions conducted and over 340 employees trained.

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 as amended 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:

- advising and assisting the Bank's General Management and operating divisions in order to prevent, detect, measure and control the legal and tax risks inherent in their activity. As such, the Legal division is involved in all legal issues related to the management of outstanding loans to the local public sector. It is also involved in the entire process of preparing, negotiating and managing export credit refinancing operations. Lastly, it is regularly consulted on issues related to the run-off management of the portfolio of loans to foreign local authorities;
- participation in the organization of governance and the implementation of best practices in this area (policy, procedures and internal regulations) in order to promote the management and control of risks by the management bodies;
- monitoring regulatory changes via a legal watch initiated by the two divisions;
- the review and negotiation of contracts, in particular the contracts governing the partnership between Sfil/Caffil and La Banque Postale, and, since 2022 the partnership with Caisse des Dépôts, the framework agreements on financial instruments, the documentation on bond issues, green and social financing, supplier contracts, including contracts for the provision of essential outsourced services and, more generally, the adaptation of all contracts to regulatory changes with an impact on the business;
- manage insurance (excluding social protection insurance);
- trademark protection;
- the management of 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;
- the Legal division analyzes the legal risks associated with the cases presented for the Credit Committee it is associated with the processing of at risk or doubtful credit files;
- 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;
- as part of the Outstandings Management Committee (formerly sensitivity reduction committee), it reviews the cases under litigation and the progress of the 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 in litigation for structured loans was one as of December 31, 2022, compared with three at end-2021. Since Sfil's creation, 222 borrowers have ended lawsuits they had brought.

The Court of Cassation issued six 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, 2022, 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 Sfil Group's financial position.

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.

In 2021 and 2022, 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 2023. 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, 2022, Sfil had a total of 391 employees, of which 335 were under permanent contracts. In 2022, Sfil hired a total of 91 people, including 33 under permanent contract (of which 8 were promoted from fixed-term to permanent contracts), 12 under temporary contracts and 34 under work-study contracts. It also took on 12 interns on work placement plans.

a) Employee breakdown by gender

Staff present	2019	2020	2021	2022
Men	219	209	199	205
Women	174	185	195	186
TOTAL	**393**	**394**	**394**	**391**

b) Employee breakdown by age and grade

Year 2022	< 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	4	25	37	58	48	66	48	36	14	336
Non-managers	36	9	0	1	5	2	1	2	0	55

c) Distribution of employees by geographical area

	2019	2020	2021	2022
Issy-les-Moulineaux	375	377	376	373
Lyon	18	17	18	18
TOTAL	**393**	**394**	**394**	**391**

1.8.1.1.2 Changes in staff under permanent and temporary contracts

	2019	2020	2021	2022
Hired under permanent contracts	24	14	17	25
Net switched to permanent contracts	7	7	5	5
Layoffs/terminations from permanent contracts	10	3	8	8
Resigned from permanent contracts	11	8	13	13
Transfer from temporary contracts to permanent contracts	3	15	4	8
Hired under temporary contracts (including work-study and interns)	43	38	50	54
Layoffs/resignations from temporary contracts (including work-study)	1	0	4	7
Retired from permanent contracts	2	0	2	6
End of permanent/temporary contract probationary period (incl. work-study)	0	3	2	1
Expired temporary contracts (incl. work-study)	34	34	27	42
Switched from work-study to temporary contracts		8	2	3
Transfer from internship to temporary contract				1

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 financial 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. The compensation of the Chief Executive Officer is composed of a fixed compensation and a variable compensation based on the achievement of individual objectives allocated by the Board of Directors.

For 2022, the weighting of objectives incorporating ESG criteria is 15%.

In December 2022, the Board of Directors approved the principle of an indemnity in the event of the dismissal of the Chief Executive Officer's term of office. The amount of this indemnity is calculated with reference to article 26 of the banking agreement on the basis of the compensation received in respect of the office and the length of service assumed on February 1, 2013. Cumulative clauses based on the two financial years preceding the termination of the term of office condition the payment of this indemnity.

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. In addition, the members of the Executive Committee who do not exercise a control function receive variable compensation based on individual and cross-functional objectives. Cross-functional objectives contribute half of their annual performance and are defined by the Board of Directors. For 2022, the weighting of cross-functional objectives incorporating ESG criteria is 20%.

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 2022, the gross compensation paid to the abovementioned group of people totaled EUR 7.46 million for 48 employees, compared with EUR 7.47 million for 52 employees in 2021.

e) Gross payroll distributed

In 2022, the annual gross payroll was EUR 30.90 million (in 2021, this amount was EUR 29.05 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, 2022.

At the end of 2022, Sfil signed a mandatory annual negotiation agreement with its social partners including a general fixed salary increase.

EUR	2019	2020	2021	2022
Permanent contract	65,580	66,213	67,162	71,242

g) Incentives and profit-sharing

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

The profit-sharing agreement signed by Sfil and implemented since 2020 includes ESG criteria in its calculation formula. Thus, the achievement of Sfil's objectives concerning the reduction of the carbon footprint, the reduction of the volume of IT data storage and the level of the professional equality index are taken into account for the calculation of the collective performance of Sfil that determines the profit-sharing budget for the year. In addition, the incentive calculation formula takes into account the attendance rate of Sfil employees in risk prevention training.

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

Year 2022	Number of employees	% of em ployees
Part-time employees	30	8%
Employees benefiting from the remote working agreement	391	100%
Employees with flat daily rate	329	84%
Employees with hourly rate	62	16%

1.8.1.2.2 Absenteeism (1)

In 2022, the absenteeism rate was 1.6% (in 2021, this rate was 1.5%).

1.8.1.3 Labor relations

1.8.1.3.1 Organization of social dialog

The social dialog 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 2023.

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 2022, the employee representative bodies were convened according to the statutory, regulatory and contractual provisions in force and as required, including:

- eleven SEC meetings (the SEC agreement provides for eight);
- eight 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.

Elected officials were also fully involved in the structuring projects of 2022: the move to the BIOME site and the Horizon 2026 Plan.

In 2022, 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 Sfil's social policy for the year 2021.

Elected officials were also informed and consulted on the site relocation project for which the UNSA issued a favorable opinion and the CFDT an unfavorable opinion.

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 2022, resulting in the signing of the following five agreements:

- Diversity and Living Well at Work agreement (June 20, 2022);
- GEPP agreement (September 27, 2022);
- COSOG agreement (October 25, 2022);
- amendment No. 2 to the healthcare costs agreement (December 1, 2022);
- 2023 annual mandatory negotiations agreement with effect from November 1, 2022 (October 21, 2022).

1.8.1.4 Health and safety

1.8.1.4.1 Work health and safety conditions

In 2022, Sfil reported six commuting accidents and one workplace accident (no serious accident).

Given the health situation, the use of exceptional work was encouraged in January and February 2022 before a more traditional return to the site. As in 2020 and 2021, 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) *Absence due to sickness or workplace or commuting accidents.*

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

As part of its policy on living well at work, Sfil signed a new Diversity and living well at work agreement in June 2022 with trade unions. This new agreement provides for action to improve social diversity, career paths, work-life balance and sustainable transport.

Thus, in addition to the commitments already carried out by Sfil, new actions have been put in place within the company with, in particular, the membership of the French Association of Diversity Managers (AFMD), enabling Sfil to reaffirm diversity - inclusion as a priority area, the implementation of skills-based sponsorship and support for employees aged 50 and over in their careers, the improvement of systems for converting to soft mobility with a green bonus for the purchase of a bicycle or scooter.

In addition, this agreement made it possible to strengthen the mechanisms related to parenthood with the increase of the minimum floor of the legal increase for return from maternity leave brought to EUR 1,500, the possibility of benefiting from a part-time activity paid at 100% during the two months following the return to the Company from maternity leave and the introduction of increased birth leave for the person living with the mother of the child in the form of an additional leave paid at 100%. In addition, the agreement also provides for access to remote working and part-time work for pregnant women as well as exceptional leave schemes in the event of difficulties related to a miscarriage or an interruption of pregnancy.

In addition, employees are informed of existing systems to prevent human risks: allodiscrim, listening unit, mediator, *etc*. The HR Department employees were made aware of "Diversity" and more specifically, non-discrimination with the help of an external firm. 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

Year 2022	Number of employees	Frequency rate	Severity rate
Workplace accident	1	1.58	0
Commuting accident(1)	6	9.49	0.003
Occupational illnesses	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 Skills 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 #Objectif2026 strategic plan and training preferences expressed by employees in various one-to-one or group meetings (specifically career reviews, professional interviews and evaluation interviews) involving the human resources and business line teams. The members of the Executive Committee are involved in the co-construction of the training policy, in conjunction with the elected representatives of the Works Council.

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

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

- contributing to Sfil's social responsibility;
- beginning a new phase of our internal transformation;
- developing business line and regulatory skills;

After atypical years related to the Covid-19 crisis, the year 2022 was marked by the return of the on-site presence of employees, enabling the training activity to maintain a high level of activity with 464 employees (temporary contracts/permanent contracts/work-study/internship) trained in 2022 for a committed amount of EUR 587,000, of which 45% for business line training. The 2022 training offer has been able to combine various forms of learning: e-learning training, virtual classroom training and face-to-face training.

1.8.1.5.2 Number of training days

In 2022, 11,435 training hours were provided by Sfil, *i.e.* 1,634 days of training (on a basis of seven hours per day), which represents an average of 3.6 days of training per employee over the 2022 financial year.

These elements show that the training activity remained similar to that of 2021 (11,435 hours *vs.* 11,220 hours in 2021).

1.8.1.6 Equality of treatment

1.8.1.6.1 Measures taken to promote gender equality

In 2022 as 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 2022, Sfil published the level of its Gender Equality Index for 2021, which reached 93 points out of a maximum of 100 points. The level of the index was maintained above 90 points for the third consecutive year.

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 2022, Sfil's employment rate of people with disabilities stood at 2.6%. 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*, *La Maison perchée* or Aktisea) for workers with disabilities to do digitization work in the Company or provide awareness-raising and training actions;
- welcome five 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 declaration of disability of Sfil employees and support three employees with disabilities in their successful professional mobility (one person who created their company externally with the support of Sfil; one in internal mobility, and the another who joined the Caisse des Dépôts IT team);
- provide disability awareness training for all elected staff members and the HR development team;
- recruit seven people with disabilities (five permanent contracts including one from the CABAT, one work-study and one high-school intern);
- 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*.

1.8.1.6.3 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.

The French Association of Diversity Managers (AFMD) is now one of Sfil's partners as part of its LGBT+ inclusion policy and Sfil employees now have direct access via the intranet to the anonymous crisis line, SOShomophobia.

In 2022, Sfil continued its exchanges of best practices with the members of the Group's network of officers in charge of the fight against harassment and discrimination, involving the public establishment of CDC and the subsidiaries.

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

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

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

1.8.2 Environmental information

1.8.2.1 General environmental policy

Resource conservation and waste reduction

In order to improve its practices in terms of selective sorting and environmental protection and to raise employee awareness, in March 2022, Sfil set up selective sorting bins for glass as well as cigarette butt recycling containers at the entrance to its building in Issy-les-Moulineaux.

In 2022, 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 449 kg of waste, representing a volume of 561 kg in CO_2 saved. Once recovered, this waste is recycled into ecological insulating materials that are then used in buildings or everyday products. Following the implementation of a remote working agreement, collection decreased by 47% compared to 2019, excluding the variations due to the health crisis period.

Finally, all computers purchased or renewed by Sfil in 2022 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.

Energy sobriety plan

Aware of the constraints related to energy and the need for collective mobilization, Sfil signed up to the Ecowatt approach in October 2022 by implementing the recommendations made by RTE, the operator of the electricity transport network, to act by mitigating the impact of its activities on the environment and to be exemplary in the operation of its buildings. Sfil is thus participating in the national effort by taking concrete action to promote security of electricity supply during periods of high consumption this winter.

To do this, Sfil has implemented concrete measures to reduce its electricity consumption by 15% to 20%:

- Cap on indoor temperatures at 19°C, in accordance with ADEME recommendations;
- Switching off the lighting of the exterior illuminated sign;
- Switching off certain lighting in non-essential common areas of the building.

The Sfil registered office building has been awarded HQE "commercial buildings in operation" certification for sustainable buildings and management, which was renewed in 2022 with a very good rating. The Lyon site has BREEAM certifications [2] 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.

Amount of provisions and guarantees for environmental risks

The financial statements as of December 31, 2022, do not include any provision or guarantee regarding environmental risks.

1.8.2.2 Carbon footprint

Carbon footprint audit

In accordance with its roadmap, and as part of its drive to continuously improve its sustainable development approach, in 2022, Sfil carried out a voluntary audit of its greenhouse gas emissions, on the 2021 scope. The measurement covered the Issy-les-Moulineaux and Lyon sites, including the following three 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 financial assets.

The total emissions generated for 2021 is 5,390 TCO_2 compared to 5,340 TCO_2 in 2020.

Three years ago, Sfil made a commitment to reduce its emissions by at least 15%. Thanks to the various reduction actions carried out since 2019, which include the rationalization of IT data management, the evolution of the travel policy or the perpetuation of the remote working agreement, a reduction of 31% was obtained, i.e. double the planned target.

In 2022, Sfil began work to measure its financed emissions, *i.e.* the greenhouse gas emissions of the financial assets it holds. This mainly concerns the carbon footprint of loans to the local public sector and export credit transactions. This work is the starting point for defining Sfil's decarbonization trajectory, which will aim for alignment with the national low carbon strategy and the Paris Climate Agreement. The results of this work will be published in a future report.

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 aiming to offset part of its residual carbon emissions in respect of the year 2020.

On the basis of the results of its latest carbon assessment, Sfil wished to extend its commitment with Société Forestière to also offset the residual carbon emissions for the year 2021.

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.*
2) *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*

Thus, Sfil will have contributed to the reconstitution of a parcel of lost forest by planting 7,285 trees of species adapted to the surrounding ecosystem. This project, which will be labeled Low-Carbon by the French Ministry for the Ecological Transition, will sequester the equivalent of 1,320 tons of CO_2.

1.8.2.3 Employee awareness and initiatives

Sfil regularly implements awareness-raising actions and encourages initiatives proposed by its employees, particularly within the framework of the "Employee engagement" group.

Events are offered at different times of the year, in line with national and European events, giving Sfil the opportunity to reiterate its commitment to these causes and to raise awareness among its employees on the following issues:

- **Sustainable Development and CSR**

In a desire to raise all employees' awareness of sustainable development issues, Sfil continued to roll out its e-learning module dedicated to the environmental transition 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.

At the end of 2022, 87% of employees had completed the e-learning module.

At the same time, more than 100 employees also took part in awareness-raising workshops in 2022 on the challenges of biodiversity, responsible digital technology and climate change by identifying action levers.

- **Waste reduction and promotion of a circular economy**

On the occasion of the European Sustainable Development Week (SEDD) held in September, then the Waste Reduction Week in November, employees were made aware of a set of themes, *via* communications and intranet publications: improved waste sorting in the premises, responsible digital technology.

Several visits were also organized to the sorting center of the Agence Metropolitan des Waste Disposals (SYCTOM) in Paris XV. As part of the ongoing efforts to raise awareness of sustainable development and the issue of waste, these educational guided tours enable employees to learn more about the treatment and fate of waste and to improve their practices at work and at home.

- **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 a partner of MicroDon, Sfil has been offering "salary rounding" to its employees for several years. In this context, Sfil donors have contributed financially to various concrete ecosystem rehabilitation and reforestation missions led by the Planète Urgence organization. In 2022, 927 trees were planted thanks to support from Sfil employees.

As part of the Living well at Work actions, Sfil organized a new Sfiloux Day in June 2022 around Sfil's CSR commitments. This new edition was dedicated to biodiversity issues. More than sixty children of employees took part in fun and creative workshops to raise awareness of biodiversity protection. Each participating child was offered the sponsorship of a tree by Sfil in partnership with Cœur de forêt as part of the Antsirabe Madagascar project, which aims to combat deforestation.

In addition, the Sfil/La Banque Postale 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, this theme has notably 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).

In order to raise its employees' awareness of the challenges of biodiversity and its degradation, Sfil organized a pilot session of the "Biodiversity Fresco". This workshop enabled participants to better understand the systemic mechanisms of biodiversity erosion, the impact of human activity and pressure factors.

Sfil'Anthropie: the second day of corporate volunteering at Sfil

Following its success last year, the Sfil'Anthropie day was renewed in June 2022. Proposing to enable employees to engage in a solidarity and useful action during a working day, it again brought together more than 30 employees, with three actions proposed, on the themes of disability, environmental protection and youth.

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.

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 2022, Sfil employed an average of 389 people under permanent, temporary, work-study and internship contracts at its two office sites in Issy-les-Moulineaux (371 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 45 work-study employees with 25 higher education institutions;
- financing *via* the 2022 "learning tax" of:
  - a higher education institution (ENS),
  - an equal opportunities institution (school of the 2nd chance in Seine Saint Denis),
  - a skills development institution of the *Assistance Publique - Hôpitaux de Paris* (AP-HP),
  - three organizations or associations that promote diversity: FEDEEH (disability), Institut TELEMAQUE and *La Cravate Solidaire*.

1.8.3.2.2 Partnership or sponsorship activities

Sfil decided to mobilize to help the Ukrainian civilians forced to flee to neighboring countries or to survive in very difficult conditions due to the ongoing conflict. Sfil thus committed to the Fondation de France and made two donations of EUR 50,000 each to support the "Solidarity with Ukrainians" action. In addition, Sfil invited its employees to join this initiative by making an individual donation, *via* a dedicated page on the Fondation de France website accessible from the intranet.

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 *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). During 2022, with *L'Étoile de Martin* ceasing its activities, Sfil has chosen to support the "E2C France" network, the Second Chance School. E2C's training is based on a triptych combining the development of learning, experience in a company and support for inclusion.

In addition, Sfil, in partnership with Médisur, offered its employees awareness-raising actions and information webinars on the occasion of Pink October and Movember. All of these initiatives have made it possible to mobilize employees and raise funds for the Institut Curie for the fight against cancer.

Commitment to people with disabilities:

- During the European Week for People with Disabilities (SEEPH) which took place from November 14 to 20, 2022, 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, "Activ Game", *via* AGEFIPH.
- Sfil was able to welcome one candidate 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*.

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.

In this respect, in 2021 Sfil signed the Responsible Supplier Relations Charter of the National Purchases 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.

Sfil's purchases policy stipulates that the Company promotes sustainable and socially responsible purchases whenever its various constraints allow.

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.

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.

The referencing of Sfil's suppliers takes into account CSR aspects, particularly with regard to the fight against corruption.

Thus, as part of Sfil's corruption prevention system, the third-party integrity control process was reviewed at the end of 2022 in order to update the due diligence of suppliers carried out with the aim of combating corruption.

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

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.

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

1.9 Additional information

Shareholders' Meeting of May 24, 2023

Appointment of the Statutory Auditors

As the term of office of KPMG as Principal Statutory Auditor expires at the Shareholders' Meeting of May 24, 2023, it is proposed to the said Shareholders' Meeting to renew KPMG as Principal Statutory Auditor for a period of six financial years, *i.e.* until the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2028.

Regulated agreements submitted to the approval of the Shareholders' Meeting of May 24, 2023

In accordance with the provisions of article L.225-40 of the French Commercial Code, the agreements authorized and concluded in 2022, as included in the Statutory Auditors' special report on regulated agreements, will be submitted for the approval of the Ordinary Shareholders' Meeting.

Composition of the Board of Directors - Ratification of the co-option of directors

You are asked to ratify:

- the Board of Directors' decision of February 17, 2023 to co-opt Perrine Kaltwasser as a member of the Board of Directors, to replace Virginie Chapron Du Jeu, who resigned, for the remainder of her term of office, i.e. until the Shareholders' Meeting called to approve the financial statements for the financial year ending on December 31, 2023;
- the Board of Directors' decision of March 24, 2023 to co-opt Cécile Degove as a member of the Board of Directors, to replace Fabienne Moreau, who resigned, for the remainder of her term of office, i.e. until the Shareholders' Meeting called to approve the financial statements for the financial year ending on December 31, 2023.

Transfer of the registered office and corresponding amendment to the by-laws

The transfer of Sfil's registered office to 112-114, avenue Emile Zola in Paris 15th and the corresponding amendment to the by-laws will be submitted for decision to the Extraordinary Shareholders' Meeting of May 24, 2023.

Amendments to the by-laws

The Extraordinary Shareholders' Meeting of May 24, 2023 is asked to amend the by-laws in order to enable the minutes of the Shareholders' Meeting to be drawn up and stored in electronic format.

***

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

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

Financing of a wind farm

Exporting company
GE Renewable Energy

Beneficiary
Dogger Bank Windfarm

Country
United Kingdom

Product
20-year French export credit

02

Report on 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 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 2022, 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 Secretariat 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, 2022.

2.1 Governance information

2.1.1 Overview of 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%	86.7%	56 years	4 years

** Excluding 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 Alexandre Thorel)	✓	✓		
Serge Bayard				
Virginie Chapron du Jeu			✓	✓
Laetitia Dordain				
Pierre Laurent		✓		
Fabienne Moreau	✓			
Quentin de Nantes	✓	✓		
INDEPENDENT DIRECTORS				
Brigitte Daurelle	✓	✓	✓	✓
Eckhard Forst	✓	✓		
Cathy Kopp			✓	✓
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	4
Independence	50%*	50%*	66.7%*	66.7%*
Attendance rate	91.4%	95.2%	93.8%	93.8%

* *Excluding Directors representing employees.*

Management bodies

GENERAL MANAGEMENT

Philippe Mills
Chief Executive Officer

François Laugier
Deputy Chief Executive Officer

EXECUTIVE COMMITTEE

9 members + 1 permanent guest (1)

Pierre-Marie Debreuille
Export credit division

Nathalie Derue
Risks division

Stéphane Costa de Beauregard
Local Public Sector, Operations and CSR division

Florent Lecinq
Finance and Financial Markets division

Gilles Gallerne
Caffil Coordination division

Frédéric Meyer
Human Resources division

Béatrice Gosserez
General Secretariat

30% women (2)

Donia Mansouri
General Auditor (permanent guest)

(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

Situation as at December 31, 2022

	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	72	♂	🇫🇷	None	None	✓	5/26/2016	2025	6.5 years	■▲
Philippe Mills Chief Executive Officer	57	♂	🇫🇷	None	None		1/31/2013	2024	10 years	
CAISSE DES DÉPÔTS represented by Alexandre Thorel	34	♂	🇫🇷	9,285,724	1		9/30/2020	2024	2 years	■▲
Sandrine Barbosa Director representing the employees	53	♀	🇫🇷	None	None		11/13/2020	2024	2 years	●
Serge Bayard	59	♂	🇫🇷	None	None		3/24/2016	2025	7 years	
Virginie Chapron du Jeu	61	♀	🇫🇷	None	None		9/30/2020	2024	2 years	★●
Brigitte Daurelle Independent Director	53	♀	🇫🇷	None	None	✓	5/28/2020	2024	2.5 years	■▲★●
Laetitia Dordain	54	♀	🇫🇷	None	None		9/30/2020	2024	2 years	
Eckhard Forst Independent Director	63	♂	🇩🇪	None	None	✓	5/28/2020	2024	2.5 years	■▲
Frédéric Guillemin Director representing the employees	59	♂	🇫🇷	None	None		12/12/2014	2024	8 years	■★
Cathy Kopp Independent Director	73	♀	🇫🇷	None	None	✓	1/31/2013	2024	10 years	★●
Cécile Latil-Bouculat Director representing the employees	50	♀	🇫🇷	None	None		11/13/2020	2024	2 years	▲
Pierre Laurent	56	♂	🇫🇷	None	None		9/30/2020	2024	2 years	▲
Fabienne Moreau	54	♀	🇫🇷	None	None		9/30/2020	2024	2 years	■
Quentin de Nantes	38	♂	🇫🇷	None	None		9/30/2020	2024	2 years	■▲

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, 2022

	Personal Information				Experience		Position on the Board			
	Age	Gen-der	Natio-nality	Number of shares	Number of director-ships in listed com panies	Indepen-dence	Initial date of appointment	End of mandate	Seniority on the Board	Partici-pation in Board Comm.
Olivier Fabas Representative of Caisse des Dépôts	40	♂		None	None		9/30/2020	9/9/2022	2 years	■▲

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

	Exit	Appointment	Reappointment
Board of directors	**Olivier Fabas** as permanent representative of Caisse des Dépôts 9/9/2022	**Alexandre Thorel** as permanent representative of Caisse des Dépôts 9/9/2022	
Financial Statements Committee	**Olivier Fabas** as permanent representative of Caisse des Dépôts 9/9/2022	**Alexandre Thorel** as permanent representative of Caisse des Dépôts 9/9/2022	
Risks and Internal Control Committee	**Olivier Fabas** as permanent representative of Caisse des Dépôts 9/9/2022	**Alexandre Thorel** as permanent representative of Caisse des Dépôts 9/9/2022	

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

Mr. Pierre Sorbets

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 Financial Statements Committee and member of the Risks and Internal Control Committee
- Les Sorbets du Clos Marie, Manager
- Magnard Finance Conseil, Chairman
- *Société du Grand Paris*, Chairman of the Financing Committee
- *Institut de la Gestion Déléguée*, director and treasurer (until June 2022), Chief Executive Officer (since July 2022)
- Woodsford TradeBridge, member of the Supervisory Board

Chief Executive Officer

Mr. Philippe Mills

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

BIOGRAPHICAL DATA

- Graduate of *Institut d'études politiques de Paris*
- Alumnus of *École nationale d'administration*
- 1990-1994: Assigned to the Ministry of the Economy as deputy to the head of the public administrations bureau, then of general macro-economic forecasts, Forecasts division
- 1994-1996: European Bank for Reconstruction and Development
- 1996-1997: Bureau Chief, Economic Environment, Forecasts division, Ministry of the Economy
- 1997-2000: Bureau Chief, General Economic Forecasts, Forecasts division, Ministry of the Economy
- 2000-2003: Economic Adviser to the Director General of the Economic and Financial Affairs Directorate General, 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 directorate general
- 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 (until June 2022) and Director of the EAPB
- Since 2017: Chief Executive Officer of Sfil

MANDATES AND FUNCTIONS

- Sfil, Director, 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) - Chairman (until June 2022) and Director

Members of the Board of Directors

Mr. Serge Bayard

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: March 24, 2016

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

BIOGRAPHICAL DATA

- DUT in Corporate Management (*Université Lyon I*)
- Bachelor's degree in Administration (*Université Paris XII*)
- *École nationale du Trésor*
- Training cycle for chief inspectors of the Treasury
- 1984-1999: Public Accounting department
  - Category B Treasury Controller of the Administration (1984-1988)
  - In charge of the economic mission of the redevelopment center of Creusot/ Montceau-les-Mines (1989-1994)
  - Director of the Treasury department in charge of audit and control for the Rhône-Alpes region (1994-1999)
- 1999-2002: General Inspection of Finances, Inspector general of finance
- 2002-2004: Caisse des Dépôts, Director of Finances and C3D Strategy (Caisse des Dépôts Développement)
- 2004-2008: Groupe Caisse d'Épargne
  - Director of public-private partnerships (2004-2007)
  - Director of real estate markets (2007-2008)
- Since 2008: La Banque Postale
  - Director of Strategy (2008-2011)
  - Director of Companies and Regional Development (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, Deputy Chief Executive Officer and Head of Customer Development within the Corporate and Investment Banking Department
- Sfil, Director
- La Banque Postale Collectivités Locales, Chairman of the Board of Directors
- La Banque Postale Home Loan SFH, Director and Chairman of the Appointments Committee
- La Banque Postale Leasing and Factoring, Chairman of the Executive Board (until April 3, 2022), Vice-Chairman of the Board of Directors, Member of the Appointments Committee, Member of the Compensation Committee and Chairman of the Strategic Committee (since April 4, 2022)
- Ezyness, Chairman of the Board of Directors (since April 24, 2022)

Ms. Virginie Chapron du Jeu

Chief Financial Officer, CDC Group

Born on October 13, 1961 – 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

- 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 division, 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 division, head of the financing and financial communication department
- 2004-2007: IXIS CIB (Natixis Group – CEP) – Finance division, Head of Strategy – Financing – General Affairs division
- 2007-2011: CDC – Savings funds department – Financial division, 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, Chairwoman of the Audit Committee and member of the Quality and Sustainable Development Committee
- Novethic, Chairwoman 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, Chairwoman

Ms. Brigitte Daurelle

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
- 2014-2021: Vice-Chair of the ECSDA Association of European Central Depositories
- 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 Fondab, Director
- Euroclear Group, member of the Executive Committee
- Sfil, Director, Chairwoman 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

Ms. Laetitia Dordain

Head of the Consignment and Specialized Deposits department of the Banking Customers department – Caisse des Dépôts Banque des Territoires

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

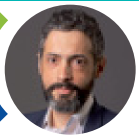
Business address
Caisse des Dépôts
56, rue de Lille
75007 Paris

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
  - 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



Mr. Olivier Fabas

Head of the Financial Institutions and Private Equity division within the Strategic Investments Management department of Caisse des Dépôts (until July 2022)

Born on May 29, 1982 – French

Dates term of office begins and ends:
September 30, 2020-September 9, 2022
Date of first term of office: 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 (until July 2022)
- 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 (until September 2022)
- Icade, Director (until March 2022)
- Société Forestière de la Caisse des Dépôts, Director and Chairman of the Audit and Strategy Committee (until October 2022)

Mr. Eckhard Forst

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

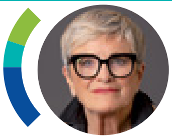
Business address
NRW Bank
Kavalleriestraße 22
40213 Düsseldorf - Germany

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



Ms. Cathy Kopp

Independent Director

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, Director, Chair of the Governance, Appointments and CSR Committee and Chair of the Compensation Committee

Mr. Pierre Laurent

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
Banque des Territoires
72, avenue Pierre Mendès-France
75914 Paris Cedex 13

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

Ms. Fabienne Moreau

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
51, 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 division 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, Director, Member of the Audit and Risks Committee

Mr. Quentin de Nantes

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 Strategic Investments Management department 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 Financial Statements Committee and member of the Risks and Internal Control Committee
- La Banque Postale Collectivités Locales, Director

Mr. Alexandre Thorel

Director of Investments in the Strategic Investments Management department of the Caisse des Dépôts group (since July 1, 2022)

Born on August 30, 1988 – French

Dates term of office begins and ends:
September 9, 2022-2024
Date of initial mandate: September 9, 2022

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

BIOGRAPHICAL DATA

- HEC Paris
- Graduate of *Institut d'études politiques de Paris*
- Degree in fundamental and experimental science
- From 2010 to 2015: BNP Paribas CIB, analyst
- 2015-2016: Goldman Sachs, associate
- From 2016 to 2019: Icamap Advisory, investment director, associate
- Since 2019: Director of Investments within the Strategic Investments Management department of the CDC Group, in charge of shareholder management of La Poste (including La Banque Postale & CNP Assurances), Icade, Euronext and Sfil

MANDATES AND FUNCTIONS

- Caisse des Dépôts, Director of Investments in the Strategic Investments Management department (since July 2022)
- Sfil, representative of Caisse des Dépôts, Director, member of the Financial Statements Committee and member of the Risks and Internal Control Committee (since September 2022)
- Icade, Director and member of the Strategy and Investment Committee (since March 2022)

Members of the Board of Directors representing employees

Ms. Sandrine Barbosa

Sfil, DATA Architect in the Technology and Organization division

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

Mr. Frédéric Guillemin

Sfil, Head of the Reporting Unit in the Credit Risks division within the Risks division

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 Credit Risks division within the Risks division
- Sfil, Director, member of the Financial Statements Committee and member of the Governance, Appointments and CSR Committee

Ms. Cécile Latil-Bouculat

Transformation and Innovation Director & Chief Data Officer 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 & Chief Data Officer in the Technology and Organization division
- Sfil, Director and member of the Risks and Internal Control Committee

Non-voting Director

Mr. Paul Teboul

Deputy Director in charge of international business financing and foreign trade support at the French Treasury Department

Born on December 7, 1982 – French

Dates term of office begins and ends:
September 10, 2021-2024
Date of initial mandate: September 10, 2021

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

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
- 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

MANDATES AND FUNCTIONS

- Deputy Director in charge of international business financing and foreign trade support
- Sfil, non-voting director
- Naval Group, non-voting director

Representative of the Social and Economic Committee: Mr. Thomas Perdriau

2.1.2.3 Attendance of members of the Board of Directors

	Attendance at Board Meetings	Attendance rate at Financial Statements Committee meetings	Attendance rate 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%	80%	83.3%	n/a	n/a
Sandrine Barbosa	66.7%	n/a	n/a	n/a	100%
Serge Bayard	66.7%	n/a	n/a	n/a	n/a
Virginie Chapron du Jeu	50%	n/a	n/a	100%	100%
Brigitte Daurelle	100%	100%	100%	75%	75%
Laetitia Dordain	100%	n/a	n/a	n/a	n/a
Eckhard Forst	66.7%	80%	83.3%	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	100%	n/a	n/a
Pierre Laurent	66.7%	n/a	100%	n/a	n/a
Fabienne Moreau	83.3%	100%	n/a	n/a	n/a
Quentin de Nantes	100%	80%	100%	n/a	n/a

* *Represented by Olivier Fabas until September 9, 2022, then by Alexandre Thorel.*

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.

Mr. Pierre Sorbets assumes the function of Chairman of the Company's Board of Directors. Mr. 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.

Internal rules, updated in September 2022, define 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 the rules on conflicts of interest updated at the time of the last update of the Internal rules.

The Board of Directors meets at least once each quarter. In 2022, the Board of Directors met six times. The average attendance rate of members was 86.7%, down significantly (more than 12 points difference) compared to the previous year due to the lower participation of a third of directors, some of whom for health reasons. This point will be analyzed by the Governance, Appointments and CSR Committee during the first quarter of 2023.

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 2022, a systematic update was made on the economic and health situation with its impacts on Sfil, particularly in terms of operations and risk management. The Board paid particular attention to the possible impacts of the conflict in Ukraine on the activity and risks of the Sfil Group. The Board was also interested in environmental issues and climate risks through the strategic orientations of the Sfil Group and the CSR report previously analyzed by the specialized committee in charge of this area.

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

Its principal work for the year 2022 is shown in the following table.

Principal missions of the Board of Directors	Specific work carried out by the Board of Directors in 2022
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	• Analysis of impacts, monitoring of management and risks in the context of the evolution of the health situation (Covid-19) and the conflict in Ukraine • Quarterly review of the Sfil Group's operations, including bond issuance strategy of Sfil and its subsidiary Caffil • Strategy review of the local public sector • Strategy review of the export credit market • Launch of the activity with Banque des Territoires • Approval of CSR policy guidelines and CSR report • Presentation of Sfil's contribution to the CDC Group's medium-term strategic plan (MTSP) • Approval of the Sfil communication plan • Response to the Works Council's opinion on strategic orientations • 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 corporate officers • Ensure that effective policies to prevent and manage conflicts of interest exist • Approve the management report and prepare the governance report • Conduct a review of budgets and accounts, and the approval of these latter, ensuring their fair presentation • 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	• Fit & Proper analysis by the Governance, Appointments and CSR Committee and by the Board of Directors during the change in the permanent representative of Caisse des Dépôts on the Board of Directors • Update of the procedure for preventing and managing conflicts of interest • Update of the Internal rules of Sfil's Board of Directors and Caffil's Supervisory Board • Assessment of the functioning of Sfil's Board of Directors and its specialized committees and Caffil's Supervisory Board • Re-assessment of the independence of Directors • Approval of the training plan for corporate officers • Review of the professional diversity policy • Approval of the management report and preparation of the report on governance • Budget review, reporting of the annual financial statements, and review of interim statements of accounts • Approval of the 2021 Annual Financial Report and approval of the 2022 first-half financial report • 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 • Validation of the AML-FT internal control report • Approval of the master agreement for the assignment of receivables from Caisse des Dépôts to Caffil as part of the project between Banque des Territoires and the Sfil Group, the master agreement for the sale 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 • Examine the Company's opportunities and risks especially in the financial, legal, social and environmental sectors (including climate risk) and the measures taken as a result • Regularly examine the Company's policies • Ensure that compliance policies are in place	• Validation of risk appetite • Approval of the 2022 climate risk roadmap • Approval of the Preventive Recovery Plan for 2022 • Approval of ICAAP and ILAAP reports • Approval of internal models' reporting • Approval of the file relating to the approval of the PD Banque model • Approval of the information systems security policy and cyber risk monitoring • 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 general AML-FT procedures - financial security • Preparation of the credit and counterparty risk policy governing market activities • Review of the Data Protection Officer's report • Update of the compliance charter
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	• Update on the compensation of the Chairman of the Board of Directors • Review of the Chief Executive Officer's situation • Update on the compensation of the members of the Executive Committee and the General Auditor • Review of salary measures • Review of the gender equality index

Furthermore, the Board convened an Ordinary and Extraordinary Shareholders' Meeting which took place on May 25, 2022. On an extraordinary basis, its purpose was to amend the by-laws in order to allow the Board of Directors to transfer the registered office in France, the conversion of preferred shares into ordinary shares and the corresponding amendment to the by-laws (removal of preferred shares). On an ordinary basis, the purpose of the meeting was to approve the annual and consolidated financial statements, the appropriation of net income, related-party agreements and the opinion on the overall amount of compensation for the 2021 financial year. An Ordinary Shareholders' Meeting held extraordinarily was also convened at the end of 2022 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.

When the permanent representative of Caisse des Dépôts was replaced, an analysis as described above was carried out. It was concluded that the Board was able to collectively function, as it considered that it combined the skills necessary for exercising its role and its missions, while considering the importance of training for updating and deepening skills.

In addition, as part of the annual assessment of its operation, the Board of Directors noted in 2022 that the delay related to the Covid-19 period for the training of corporate officers had not yet been made up. In September, it approved a training plan to meet the expectations and needs expressed by the directors, particularly in terms of AML-FT (training provided at the end of 2022), export credit and cyber risk. A sustainable development seminar is also planned for 2023.

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. It confirmed the independence of four members of the Board, Brigitte Daurelle and Cathy Kopp, as well as Eckhard Forst and Pierre Sorbets, *i.e.* one-third of independent members, excluding directors representing employees from the calculation. With regard to Pierre Sorbets, the review concerned new functions planned within a corporate foundation recognized as a public utility. For Brigitte Daurelle, the analysis focused on the impact of Caisse des Dépôts' stake in Euroclear. In both cases, their independence was confirmed with, however, a reminder of the provisions of the Board of Directors' Internal rules in the event of a potential conflict of interest.

Criteria*	Pierre Sorbets	Philippe Mills	Serge Bayard	Virginie Chapron du Jeu	Brigitte Daurelle	Laetitia Dordain	Caisse des Dépôts represented by Alexandre Thorel	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	✓	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 2022, the Governance, Appointments and CSR Committee conducted a review and assessment of the functioning of the Board of Directors during the past year, taking into account the guidelines and actions previously decided. It emerges, in particular, that the directors are involved in the development of Sfil's strategy and that all issues concerning it, including CSR, are addressed. Given the growing importance of climate risk, IT security (cyber risks) and financial security/AML-FT, these topics are now regularly or systematically raised and discussed. In terms of communication, an action plan has been put in place to develop Sfil's reputation. With regard to the organization of meetings and the work of the Board, the directors' requests or recommendations have been implemented (*e.g.* alternation of agenda items, oral summary minutes for certain committees more synthetic). Lastly, as previously indicated, a training plan for corporate officers has been drawn up for 2022-2023. All of these elements were presented and approved by the Board of Directors.

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 Director, 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 inde pendent members*	Number of meetings	Attendance rate
7	**Brigitte Daurelle** Eckhard Forst Frédéric Guillemin Fabienne Moreau Quentin de Nantes Pierre Sorbets Alexandre Thorel	50%	5	87.9%

Name *of the Committee Chair*
** Excluding Directors representing employees.*

In 2022, 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, 2021 and June 30, 2022, 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, 2022, and September 30, 2022. The Committee gave its opinion on the Sfil Group's 2022-2027 budget projections and the proposed distribution of reserves to Caisse des Dépôts. It gave its opinion on the renewal of the Statutory Auditors, took note of their audit approach for 2023 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 inde pendent members*	Number of meetings	Attendance rate
7	Brigitte Daurelle **Eckhard Forst** Cécile Latil-Bouculat Pierre Laurent Quentin de Nantes Pierre Sorbets Alexandre Thorel	50%	6	97.6%

Name *of the Committee Chairman*
** Excluding Directors representing employees.*

In 2022, the Risks and Internal Control Committee met six times. The first meeting of 2022 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, 2022 permanent control plans including compliance, 2022 audit plan, adequacy of means and resources of internal control functions, and the results of the Statutory Auditors' interim review. The participants of this first Committee's meeting included only Committee members, the Statutory Auditors and the heads of internal control at Sfil (the Risks Officer, the Compliance Officer and the General Auditor). The other meetings in 2022, 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, reporting on the internal credit models and the 2022 roadmap on climate risks. The following were also presented for review: the report of the Data Protection Officer, the update of the systems governing money laundering, financing of terrorism and corruption risks, the update of the functions considered as risk takers and the 2021 reports on internal control, including one dedicated to the fight against money laundering and the financing of terrorism. The Committee also decided on the renewal of the Statutory Auditors and the Specific Controller of Caisse Française de Financement Local.

2.1.3.3 The Governance, Appointments and CSR Committee

Number of members	Members	Proportion of inde pendent members*	Number of meetings	Attendance rate
4	Virginie Chapron du Jeu Brigitte Daurelle Frédéric Guillemin **Cathy Kopp**	66.7%	4	93.8%

Name *of the Committee Chair*
** Excluding Directors representing employees.*

In 2022, the Governance, Appointments and CSR Committee met four times.

The Committee reviewed the draft report on corporate governance and, at its meeting of April 7, it examined the CSR report for 2021.

The Committee reassessed the independence of the directors. As previously indicated, it confirmed the independence of four members of the Board, Brigitte Daurelle and Cathy Kopp as well as Eckhard Forst and Pierre Sorbets. With regard to Pierre Sorbets, the review concerned new functions planned within a corporate foundation recognized as a public utility. For Brigitte Daurelle, the analysis focused on the impact of Caisse des Dépôts' stake in Euroclear. The Committee also examined the situation of the non-voting member with respect to a term of office for which the provisions relating to a potential conflict of interest were reiterated.

The Committee analyzed the candidacy of Alexandre Thorel, who was proposed by Caisse des Dépôts as permanent representative to replace Olivier Fabas.

It took stock of the changes in the functioning of the Board of Directors, in particular in relation to the proposals made during the survey carried out in 2021 through a questionnaire. It reviewed the training plan for corporate officers.

Lastly, it examined the remarks and recommendations of the supervisor concerning Sfil's governance under the SREP.

2.1.3.4 Compensation Committee

Number of members	Members	Proportion of inde pendent members*	Number of meetings	Attendance rate
4	Sandrine Barbosa Virginie Chapron du Jeu Brigitte Daurelle **Cathy Kopp**	66.7%	4	93.8%

Name *of the Committee Chair*
** Excluding Directors representing employees.*

In 2022, the Compensation Committee met four times. The meetings were notably devoted to the review of the compensation of Sfil's Chief Executive Officer and members of the Executive Committee. In addition, the Committee issued a favorable opinion on the payment in April 2022 of the 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 2021 (93/100 points). The Committee validated the 2022 objectives of the Chief Executive Officer and the cross-functional objectives of the members of the Executive Committee, in particular the inclusion of sustainable development targets; all of these objectives serve as indicators for determining the variable compensation of General management and members of the Executive Committee who do not hold control functions. In 2022, the Committee took note of the results of the latest social barometer.

2.1.4 Application of the 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 6 – 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 12.3 – 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 17.1 – 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 24 – 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 Chairman of the Board of Directors and Chief Executive Officer in connection with their mandates for 2022 financial year and constituting the compensation policy applicable to them.

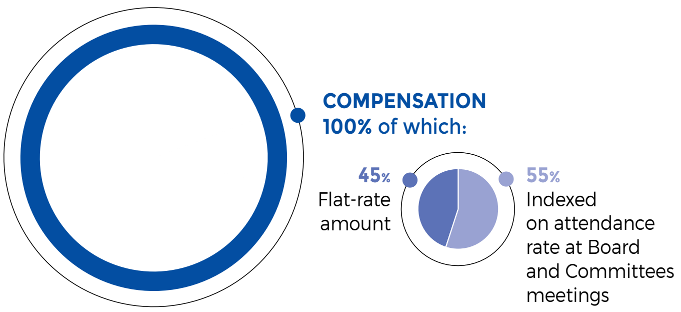
It is drawn up on the basis of the recommendations of the Afep/Medef Code, Sfil having made this choice whereas these recommendations specifically target companies whose shares are listed.

2.2.1 Principles and rules for determining compensation for the executive 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 compensation in the form of 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 Chairman



2.2.1.2 Compensation of the Chief Executive Officer

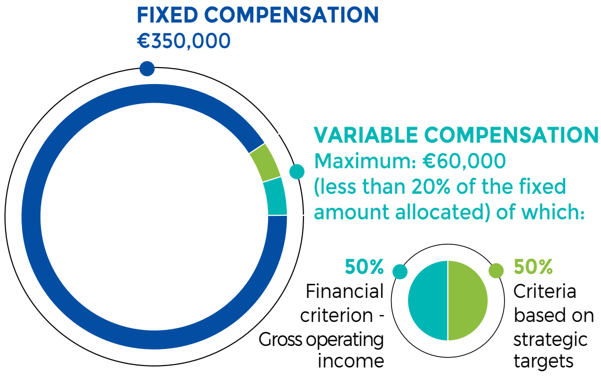
The compensation of the Chief Executive Officer includes a fixed portion and a variable portion. The whole package is proposed to the Board of Directors for decision. For the 2022 financial year, payment of the variable portion is appraised by the Compensation Committee on the basis of criteria that take into account a financial indicator (gross operating income - GOI) and annual strategic objectives, of which 15% of the total weighting is linked to achievement of ESG objectives. This amount is then proposed by the Compensation Committee to the Board of Directors for decision.

In December 2022 (applicable from 2023), the Board of Directors approved the principle of compensation in the event of the dismissal of the Chief Executive Officer's term of office. The amount of this indemnity is calculated with reference to article 26 of the banking agreement on the basis of the compensation received in respect of the office and the length of service assumed on February 1, 2013. Cumulative clauses based on the two financial years preceding the termination of the term of office condition the payment of this indemnity.

Compensation structure of the Chief Executive Officer

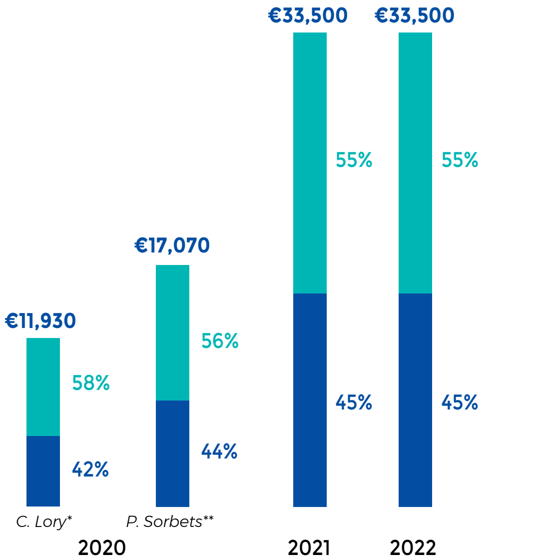
For the 2022 financial year, the compensation of the Chief Executive Officer was set as follows:

- 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

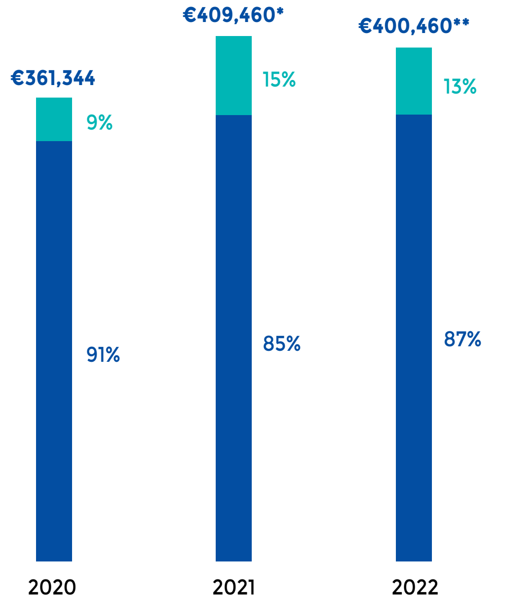
Of the Chairman of the Board of Directors



* Until May 28, 2020
** Since May 28, 2020

● Flat-rate amount
● Amount linked to rate of attendance at Board of Directors' and Committees meetings

Of the Chief Executive Officer



*Including €23,784 allocated, not yet paid, corresponding to the share of variable compensation subject to deferred payment.
**Including €50,460 allocated, not yet paid, subject to a deferral of 40% of the amount.

● Fixed compensation ● Variable compensation

Level of achievement by objective

		2020	2021	2022
Financial criterion (Gross operating income & Operating ratio)	Weight	40.0%	40.0%	50.0%
	Level of achievement	40.0%	40.0%	42.5%
Criteria for strategic objectives	Weight	60.0%	60.0%	50.0%
	Level of achievement	50.25%	59.1%	41.6%
Of which criteria on CSR objectives	Weight	11.5%	13.0%	15.0%
	Level of achievement	11.5%	13.0%	15.0%
OVERALL LEVEL OF ACHIEVEMENT OF OBJECTIVES	**WEIGHT LEVEL OF ACHIEVEMENT**	**100.0% 90.25%**	**100.0% 99.1%**	**100.0% 84.1%**

2.2.2 Compensation and benefits for the executive 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)*

	2021 financial year		2022 financial year	
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		33,500	33,500	
Benefits in-kind				
TOTAL		**33,500**	**33,500**	

	2021 financial year		2022 financial year	
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		350,000		350,000
Gross variable compensation	23,784*	35,676	50,460**	
Exceptional gross compensation				
Compensation allocated for term of office as Director				
Benefits in-kind				
TOTAL	**23,784***	**385,676**	**50,460****	**350,000**

** Amount not yet paid, corresponding to the portion of variable compensation subject to deferred payment.*
*** Spread of 40% over 4 years.*

Table 4 - Share subscription or purchase options allocated during the financial year to each executive corporate officer by the issuer and by any company in the Group

N/A

Table 5 - Share subscription or purchase options exercised during the financial year by each executive corporate officer

N/A

Table 6 - Performance shares allocated during the financial year to each executive corporate officer by the issuer and by any company in the Group

N/A

Table 7 - Performance shares that became available during the financial year for each executive corporate officer

N/A

Table 8 - History of share subscription or purchase of 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		✓		✓		✓*		✓

* *In December 2022 (applicable from 2023), the Board of Directors approved the principle of an indemnity in the event of the dismissal of the Chief Executive Officer's term of office (see point 2.2.1.2).*

2.2.3 Compensation paid by Sfil to non-executive corporate officers who are not managers (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.

Non-executive corporate officers excluding managers	2021 financial year Gross amounts paid in respect of the financial year	2022 financial year Gross amounts paid in respect of the financial year
Sandrine Barbosa	/[1]	/[1]
Serge Bayard	7,500.00[2]	5,000.00[2]
Caisse des Dépôts	18,500.00[3]	16,500.00[3]
Virginie Chapron du Jeu	12,500.00[4]	11,750.00[4]
Brigitte Daurelle	25,500.00[5]	26,500.00[5]
Laetitia Dordain	7,500.00[2]	7,500.00[2]
Eckhard Forst	19,500.00[3]	16,000.00[3]
Frédéric Guillemin	/[1]	/[1]
Cathy Kopp	17,500.00[6]	19,500.00(6)
Cécile Latil-Bouculat	/[1]	/[1]
Pierre Laurent	13,500.00[7]	11,000.00[7]
Fabienne Moreau	10,250.00[8]	11,250.00[8]
Quentin de Nantes	18,500.00[9]	17,500.00[9]
Pierre Sorbets	[10]	[10]
TOTAL	**150,750.00**	**142,500.00**

(1) The members of the Board of Directors representing the employees do not receive any compensation for their office on the Board of Directors.
(2) Compensation paid to Caisse des Dépôts.
(3) Including the amount paid for participation in the Financial Statements Committee and the Risks and Internal Control Committee.
(4) Including the amount paid for participation in the Governance, Appointments and CSR Committee and the Compensation Committee. Compensation paid to Caisse des Dépôts.
(5) 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.
(6) Including the amount paid for participation in the Governance, Appointments and CSR Committee and the Compensation Committee.
(7) Including the amount paid for participation in the Risks and Internal Control Committee. Compensation paid to Caisse des Dépôts.
(8) Including the amount paid for participation in the Financial Statements Committee. Compensation paid to Caisse des Dépôts.
(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) See section 2.2.2 Compensation of executive corporate officers - Table 2.

2.3 Information on elements likely to have an impact in the event of a takeover bid or public 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.

There are no other securities giving access to the capital of Sfil.

Breakdown of capital

The share capital of Sfil is held by Caisse des Dépôts with the exception of one share held by the French State (*via* the Agence des Participations de l'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 managers 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 (France)

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 that ended 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.

Renewal of sanitation equipment

Beneficiary
Community of Municipalities Auray Quiberon Terre Atlantique

Region
Brittany

IFRS Financial Statements

03

3.1 Financial Statements

3.1.1 Assets

EUR millions	*Note*	12/31/2021	12/31/2022
Central banks	*2.1*	3,961	1,969
Financial Assets at fair value through profit or loss	*2.2*	3,518	2,743
Hedging derivatives	*4.1*	3,310	2,396
Financial Assets at fair value through equity	*2.3*	403	243
Financial Assets at amortized cost		-	-
Loans and advances to banks at amortized cost	*2.4*	312	87
Loans and advances to customers at amortized cost	*2.4*	50,881	49,956
Securities at amortized cost	*2.4*	7,846	6,209
Fair value revaluation of portfolio hedge		1,988	170
Current tax assets	*2.5*	9	15
Deferred tax assets	*2.5*	73	64
Tangible assets	*2.6*	8	7
Intangible assets	*2.7*	23	21
Accruals and other assets	*2.8*	2,466	2,728
TOTAL ASSET		**74,799**	**66,608**

3.1.2 Liabilities

EUR millions	*Note*	12/31/2021	12/31/2022
Central banks		-	-
Financial liabilities at fair value through profit or loss	*3.1*	762	359
Hedging derivatives	*4.1*	5,557	5,134
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*	65,250	59,090
Fair value revaluation of portfolio hedge		430	66
Current tax liabilities	*3.3*	3	2
Deferred tax liabilities	*3.3*	-	-
Accruals and other liabilities	*3.4*	1,088	219
Provisions	*3.5*	23	19
Subordinated debt		-	-
EQUITY	***3.6***	**1,686**	**1,720**
Capital		1,445	1,445
Reserves and retained earnings		215	234
Net result through equity		(50)	(45)
Net income		76	86
TOTAL LIABILITIES		**74,799**	**66,608**

3.1.3 Income Statement

EUR millions	*Note*	2021	2022
Interest income	*5.1*	2,259	2,321
Interest expense	*5.1*	(2,098)	(2,150)
Fee and commission income	*5.2*	8	5
Fee and commission expense	*5.2*	(3)	(4)
Net result of financial instruments at fair value though profit or loss	*5.3*	52	33
Net result of financial instruments at fair value though equity	*5.4*	-	1
Gains or losses resulting from derecognition of financial instruments at amortized cost	*5.5*	17	37
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		-	-
Other expense		(0)	(0)
NET BANKING INCOME		**235**	**243**
Operating expenses	*5.6*	(97)	(107)
Depreciation and amortization of property and equipment and intangible assets	*5.7*	(18)	(18)
GROSS OPERATING INCOME		**119**	**118**
Cost of risk	*5.8*	3	0
OPERATING INCOME		**122**	**119**
Net gains (losses) on other assets		(0)	-
INCOME BEFORE TAX		**122**	**119**
Income tax	*5.9*	(46)	(33)
NET INCOME		**76**	**86**
EARNINGS PER SHARE (IN EUR)			
• Basic		8.24	9.21
• Diluted		8.24	9.21

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

EUR millions	2021	2022
NET INCOME	**76**	**86**
Items that may subsequently be reclassified through profit or loss	**(25)**	**4**
Unrealized or deferred gains and losses of financial assets at fair value through equity	(0)	(1)
Unrealized or deferred gains and losses of cash flow hedges derivatives	(33)	69
Unrealized or deferred gains and losses of cost of hedging derivatives	-	(62)
Tax on items that may subsequently be reclassified through profit or loss	9	(2)
Items that may not be reclassified through profit or loss	**-**	**1**
Actuarial gains and losses on defined-benefit plans	-	2
Tax on items that may not subsequently be reclassified through profit or loss	(0)	(1)
TOTAL UNREALIZED GAINS OR LOSSES THROUGH EQUITY	**(25)**	**6**
NET INCOME AND GAINS OR LOSSES THROUGH EQUITY	**52**	**91**

3.1.5 Equity

EUR millions	Capital and reserves: Share capital, additional paid-in capital	Capital and reserves: Retained earnings and net income for the period	Capital and reserves: Total	Unrealized or deferred gains and losses: Remeasurement gains (losses) related to post-employment benefit plans, after tax	Unrealized or deferred gains and losses: Net change in fair value of financial assets at fair value through equity, after tax	Unrealized or deferred gains and losses: Net change in fair value of cash flow hedging derivatives, after tax	Unrealized or deferred gains and losses: Net change in fair value of cost of hedging derivatives, after tax	Unrealized or deferred gains and losses: Total	Total equity
EQUITY AS OF JANUARY 1, 2021	**1,445**	**248**	**1,693**	**(1)**	**-**	**(25)**	**-**	**(26)**	**1,667**
Stocks issued	-	-	-	-	-	-	-	-	-
Dividends	-	33	33	-	-	-	-	-	33
Changes in fair value of financial assets through equity	-	-	-	-	-	-	-	-	-
Changes in fair value of derivatives through equity	-	-	-	-	-	(25)	-	(24)	(24)
Net income for the period	-	76	76	-	-	-	-	-	76
Other movements	-	-	-	-	-	-	-	-	-
EQUITY AS OF DECEMBER 31, 2021	**1,445**	**292**	**1,737**	**(1)**	**-**	**(50)**	**-**	**(50)**	**1,686**
Stocks issued	-	-	-	-	-	-	-	-	-
Dividends	(0)	(57)	(57)	(0)	(0)	(0)	(0)	(0)	(57)
Changes in fair value of financial assets through equity	-	-	-	-	-	-	-	-	-
Changes in fair value of derivatives through equity	-	-	-	1	-	51	(46)	6	6
Net income for the period	-	86	86	-	-	-	-	-	86
Other movements	-	-	-	-	-	-	-	-	-
EQUITY AS OF DECEMBER 31, 2022	**1,445**	**320**	**1,765**	**-**	**-**	**1**	**(46)**	**(45)**	**1,720**

3.1.6 Cash flow statement

EUR millions	2021	2022
NET INCOME BEFORE TAX	**122**	**119**
+/- Net depreciation and amortization of tangible and intangible fixed assets	18	18
+/- Depreciation and write-downs	(26)	(2)
+/- Expense/income from investing activities	428	-
+/- Expense/income from financing activities	(116)	-
+/- Other non-cash items	305	(56)
= Non-monetary items included in net income before tax and other adjustments	**609**	**(40)**
+/- Cash from interbank operations	77	291
+/- Cash from customer operations	(1,627)	(1,916)
+/- Cash from financing assets and liabilities	1,219	(4)
+/- Cash from not financing assets and liabilities	(814)	(12)
- Income tax paid	(56)	(62)
= Decrease/(increase) in cash from operating activities	**(1,201)**	**(1,703)**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(470)**	**(1,624)**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(2)**	**(14)**
+/- Cash from or for shareholders	(33)	(57)
+/- Other cash from financing activities	2,540	(292)
CASH FLOW FROM FINANCING ACTIVITIES (C)	**2,507**	**(349)**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	**-**	**-**
INCREASE/(DECREASE) IN CASH EQUIVALENTS (A + B + C + D)	**2,035**	**(1,987)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING 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
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**3,995**	**2,009**
Cash and balances with central banks (assets & liabilities)	3,960	1,969
Interbank accounts (assets & liabilities) and loans/sight deposits	35	39
CHANGE IN NET CASH	**2,035**	**(1,987)**

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

Applicable benchmark:

The Group prepares its consolidated in compliance with International Financial Reporting Standards (IFRS), as endorsed by and applicable within the European Union.

The consolidated financial statements are furthermore in accordance with ANC (French accounting standards Board) Recommendation No. 2017-02 issued on June 2, 2017 regarding disclosure of consolidated financial statements for banking reporting entities under IFRS.

Information about closing:

The consolidated financial statements as of December 31, 2022, were approved by the Board of directors on February 17, 2023.

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.

In a same way, the quantitative impacts on the financial statements and qualitative information associated with the war in Ukraine are presented by the company in note 9 below. Additional information is also disclosed in the activity management report of the Group.

Accounting principles applied to the financial statements are detailed in chapter 1.2 below.

The Group applies IFRS 9 transitional arrangements as regards hedge accounting since January 1, 2022. IFRS 9 standard applies prospectively from this date to all of the Group's micro-hedging (FVH and CFH) relationships. Macro-hedging (PHE) relationships keep being recognized under IAS 39 requirements, in accordance with the arrangements stated by the 2086/2004 regulation of the European commission regarding IAS 39 (IAS 39 "carve out"). All affected hedging relationships recognized under IAS 39 were maintained under IFRS 9, without a need of rebalancing, and no profit and loss impact was observed as of January 1, 2022. The first time application (FTA) impacts are thus very limited: they only relate to the choice from the Group to apply the option introduced by IFRS 9 which consists in retrospectively applying the so-called "cost of hedging of foreign currency basis spread" to cross currency basis swaps used for export credit purposes documented as Cash-Flow Hedge relationships, and, to a lesser extent, cross currency interest rate swaps documented as Fair-Value-Hedge relationships. This approach enables to initially account for the fair value movement of hedging derivatives attributable to basis spread under a new section of other comprehensive income called "Cost of hedging". 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 consisted in a recognition in other comprehensive income and an amortization through profit or loss for derivatives initially documented in a Cash Flow Hedge relationship: the only difference is the section used within other comprehensive income. Thus, there is no overall impact on financial statements.

The below table presents the details of the FTA incidence as of January 1, 2022 in the Group's accounts:

	Accounting sens (credit = +)	Disclosed	Total FTA	Restated	
OCI reserve	Cash-Flow Hedge	-67 225 139	69 360 601	2 135 462	The residual amount stems from a cash-flow hedge relationship that had been put to an end in the past; it does not correspond to a basis element and thus shall not migrate to the cost of Hedging reserve
	Cost of Hedging reserve	0	-69 360 601	-69 360 601	

1.1.2 IASB and IFRIC texts endorsed by the European Union and effective as of January 1, 2022

- 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 has no impact on the Group's consolidated financial statements, given that its operations are 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 has 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 has 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 have no impact on the Group's consolidated financial statements. The amendment to IFRS 9 has no impact on the Group's consolidated financial statements, given that the latter already took 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.

- Follow-up to the IFRS IC decision of 27 April 2021 on IAS 38.

At its meeting on 27 April 2021, IFRS IC recalled how a customer accounts for costs of configuring or customizing a supplier's application software in a Software as a Service (SaaS) arrangement. A study was conducted within the Panel. The decision of IFRS IC has no significant effect on the treatment of outstanding contracts at 31 December 2022.

The provisions of this decision will be applied within the Group for the accounting of the costs of configuration or customization of future software used in SaaS mode.

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 **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 and then postponed to January 1, 2024, subject to adaptation by the European Union 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).

This amendment will have no impact on the Group's consolidated financial statements given that the latter does not have insurance activities.

- **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.

The Group will take due consideration of this amendment when assessing events to be qualified as corrections of errors or changes in accounting estimates.

- **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.

The Group will take due consideration of this amendment when assessing the information to be disclosed in its consolidated financial statements.

- **Amendment to IAS 12 Income taxes**: issued by IASB in May 2021, endorsed by European Union EC regulations 2022/1392 of august 11, 2022, published in the official Journal of August 2022 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.

This amendment is expected to have no impact on the Group's consolidated financial statements given that the latter does not operate transactions impacted by this amendment.

- ANC Recommendation n° 2022-01 regarding the format of credit institutions' consolidated accounts according to international accounting standards : this ANC recommendation disclosed on April 8, 2022 cancels and replaces that of June 2, 2017 (n° 2017-02) starting from the first application date of IFRS 17 Insurance contracts standard, i.e., from January 1, 2023. This recommendation is mainly intended to take into account the future IFRS 17 standard as well as the application of IFRS 9 Financial instruments to insurance activities. Besides, it also takes into account IFRS 16 Leasing contracts standard (in application since 2019) as well as the IFRS IC10 recommendation disclosed in March 2018, which recalls that interest incomes computed through the effective interest rate are presented on a separate line of the income statement of profit and loss.

This recommendation is expected to have no impact on the Group's consolidated financial statements, given that the latter does not have insurance activities, already applies the IFFS IC10 recommendation, and already uses the recommended format when accounting for leasing contracts under IFRS 16.

1.1.4 Treatment and impacts of effects induced by Regulation (EU) 2016/1011 of the European Parliament and of the Council on indices used as benchmarks in financial instruments and contracts.

- 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.

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 was mainly exposed were 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 has overseen 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. After completing the main transitions, volatility is not proven to be material.

Since 2020, 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. Regarding EONIA index rate, LCH clearing house transitioned from EONIA to €STER during the fourth quarter of 2021; this replacement resulted in cash collateral being paid, and hedging relationships have thus been maintained. Regarding LIBOR CHF and LIBOR GBP, the transition was operated though restructuring mechanisms. LIBOR USD migration started in

2022 and should happen in 2023, while STIBOR's should happen before the end of 2023. Financial assets, financial liabilities and derivative contracts of the Group affected by the reform are presented in note 4.2.

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.

Estimates and judgement are also used to estimate climate and environmental risks. Governance and commitments on these risks are outlined in the management report. Information on the effect and consideration of climate risks on credit risk management is presented in paragraph 1.2.5.7 "impairment of financial assets" and in note 7 "Note on risk exposure". The accounting treatment of major financial instruments with margin clauses indexed to ESG (Sustainability-linked loans) criteria is presented in Note 1.2.5.3 “financial assets measured at amortized cost”.

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 scope of consolidation as of december 31, 2022 is the same as that as of December 31, 2021.

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 on behalf of and under the control of the French Republic;
- more marginally, 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).

First impact loans were granted by the Group to support companies in their sustainability efforts through an incentive mechanism to revise the margin based on ESG criteria specific to the borrower or to its achievement of sustainable objectives (Sustainability-linked loans). The analysis of these loans basic lending arrangements since they met this de minimis character as well as the other SPPI criteria.

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 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 inflationary context. Three scenarios are thus constructed based on the 2021 and 2022 conjunctural estimates. The forward-looking forecasts 2023-2025 are based on the macroeconomic forecasts of the baseline scenario of the Caisse des Dépôts Group economists, updated in September 2022.

The most significant variables used in determining credit losses (inflation rate, GDP growth, 10-year OAT rates) for each scenario are detailed below:

Baseline scenario *(data in %)*	**2023**	**2024**	**2025**
Inflation	4,5	2,5	2,0
growth in GDP	0,3	1,0	1,2
OAT 10 years	2,5	2,4	2,2

Favourable scenario *(data in %)*	**2023**	**2024**	**2025**
Inflation	2,6	1,3	1,8
growth in GPD	2,0	1,9	1,4
OAT 10 years	1,1	1,3	1,4

Adverse scenario *(data in %)*	**2023**	**2024**	**2025**
Inflation	5,1	3,0	2,2
growth in GPD	-0,3	0,0	0,6
OAT 10 years	4,0	4,0	4,0

Since 2022, these scenarios also integrate the climate challenges faced by local authorities in terms of transition to a decarbonized economy and physical risks, influencing increasingly significantly the capital and operating expenditure of the latter's. Thus, the modelling of macro-budgetary variables now includes the expenses related to a progressive implementation over the period 2022-2025 of the additional investment efforts expected from local authorities to comply with the National Low Carbon Strategy, as I4CE has estimated in its study Communities: Investment and engineering needs for carbon neutrality. An initial estimate of the costs of adapting to climate change, based on the study Climate assessment of local government budgets – mitigation component published in September 2022 by I4CE was also taken into account in the construction of these scenarios.

Consideration of climate issues and weighting of scenarios:

- in the central scenario (weighted at 60%), the investment effort in favour of the climate is massive in a context of a slight contraction of the gross savings of local authorities would require a strong use of debt;
- in the favourable scenario (weighted at 15%) based on more favourable macroeconomic data, the State allocations are higher and include a lower effort by local authorities on climate spending due to a substitution/pooling effect with other non-climate-related spending,
- in the adverse scenario (25% weighted) which differs from the central scenario by less favourable macroeconomic assumptions (GDP, inflation and unemployment) and a recession in 2023, state endowments and investments are frozen in view of the contraction in savings, and climate investments are postponed due to the economic recession.

The impact of changing weights between the three scenarios on the amounts of expected credit losses is deemed very limited. as well as the inclusion of capital expenditure and adaptation to the climate transition. As an illustration, as of December 31, 2022, the following table presents the accounted ECL (EUR 60.5 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	French local communities Financial ratios	2022	2023	2024	2025	Unweighted ECL *(in EUR millions)*	Weighted ECL *(in EUR millions)*
Baseline	**60 %**	Leveraging ratio (in years)	4,73	5,00	5,29	5,62	**59.9**	**60.5**
		Gross savings ratio (in % of RRF)	79.4 %	78,8 %	80,5 %	83,4%		
		Carrying debt (in % of RRF)	16,8 %	15,7 %	15,2 %	14,9%		
Adverse	**25 %**	Leveraging ratio (in years)	4.73	5,31	5,95	6,67	**62.5**	
		Gross savings ratio (in % of RRF)	79,4 %	78,3 %	79,5 %	81,7%		
		Carrying debt (in % of RRF)	16.8 %	14,7 %	13,4 %	12,3%		
Favourable	**15 %**	Leveraging ratio (in years)	4,73	4,80	4,85	4,92	**59.2**	
		Gross savings ratio (in % of RRF)	79.4 %	78,3 %	78,9 %	79,8%		
		Carrying debt (in % of RRF)	16.8 %	16,3 %	16,3 %	16,2%		

**RRF: real operating revenue*

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

The Group has decided to apply the provisions of IFRS 9 for hedge accounting from January 1, 2022. In accordance with paragraph 6.1.3 of IFRS 9, IFRS 9 applies prospectively from that date to all of the Group's micro-hedging relationships (FVH and CFH). Macro-hedging relationships (PHE) continue to be recognized in accordance with the provisions of IAS 39, in compliance with the provisions of European Commission regulation 2086/2004 amending IAS 39 (IAS 39 "carve out"). Moreover, 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;

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 Derivatives documented in a hedging relationship

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:

- the hedging relationship only includes qualifying hedging instruments and qualifying hedged items;
- the hedging relationship is formally designated at inception and documented in a structured manner that describes: the hedging strategy, the entity's risk management objective, the hedging instrument, the item being hedged, the nature of the risk being hedged, and how the entity assesses the effectiveness of the hedge;
- the hedging relationship meets all of the following hedge effectiveness constraints that together constitute the prospective effectiveness test:
  - there is an economic relationship between the hedged item and the hedging instrument;
  - the effect of the credit risk does not be predominant over the changes in value that result from the economic link;
  - there is no lack of balance in the used hedge ratio that would create hedge ineffectiveness.

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. Considering that hedged items are financial instruments or futures transactions, amounts deferred in equity are recycled to profit or loss and classified as income or expense when the hedged items affects the profit or loss.

In addition, the component of the change in fair value for hedging derivatives corresponding to the basis spread (if any) is, in accordance with the option offered by IFRS 9, initially recognized in other comprehensive income. As the basis spread of the hedged items is linked to a series of future transactions, the amounts recorded in equity are reclassified in net income and classified as income or expense when the hedged items affect net income.

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, if they 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.

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, 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

	12/31/2021	12/31/2022
Mandatory reserve deposits with central banks	-	-
Other deposits	3,961	1,969
TOTAL	**3,961**	**1,969**

2.2 Financial assets at fair value through profit or loss

2.2.1 Analysis by nature

	12/31/2021	12/31/2022
Loans and advances to customers	3,514	2,673
Non Hedging derivatives(1)	4	70
TOTAL	**3,518**	**2,743**

(1) Sfil is only authorized to enter into derivative transactions for hedging purposes. However, as certain hedging derivatives do not meet all the conditions required by IFRS to be classified as hedging instruments for accounting purposes, they are classified as derivative instruments at fair value through profit or loss.
Furthermore, as from January 1, 2018 and the entry into force of IFRS 9, derivatives used to hedge assets reclassified as assets measured at fair value through profit or loss can no longer be classified as hedging instruments for accounting purposes. They are therefore now allocated to this category.

2.2.2 Analysis of loans and advances to customers analysis by counterparty

	12/31/2021	12/31/2022
Public sector	3,157	2,369
Other – guaranteed by a State or local government	357	304
TOTAL	**3,514**	**2,673**

2.3 Financial assets at fair value through equity

2.3.1 Analysis by nature

	12/31/2021	12/31/2022
Stocks	-	-
Bonds	403	243
TOTAL	**403**	**243**

2.3.2 Analysis by counterparty

	12/31/2021	12/31/2022
Public sector	22	-
Credit institutions	381	243
TOTAL	**403**	**243**

All financial assets measured at fair value through equity as of December 31, 2021, and December 31, 2022, were allocated to the Stage 1 category.

2.4 Financial assets at amortized cost

	12/31/2021										
	Gross amount				Impairment				Net carrying amount	Accumulated partial write-offs	Accumulated total write-offs
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Sight accounts	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**	**-**	**-**

	12/31/2022										
	Gross amount				Impairment				Net carrying amount	Accumulated partial write-offs	Accumulated total write-offs
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Sight accounts	19	-	-	19	-	-	-	-	19	-	-
Credit institutions	68	-	-	68	(0)	-	-	(0)	68	-	-
LOANS AND ADVANCES TO BANKS AT AMORTIZED COST	**87**	**-**	**-**	**87**	**(0)**	**-**	**-**	**(0)**	**87**	**-**	**-**
Public sector	43,400	1,945	196	45,541	(4)	(10)	(4)	(19)	45,522	-	-
Non financial institutions	1,348	3,102	1	4,451	(1)	(15)	(0)	(16)	4,435	-	-
LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST	**44,748**	**5,046**	**197**	**49,991**	**(5)**	**(26)**	**(4)**	**(35)**	**49,956**	**-**	**-**
Public sector	4,033	1,220	3	5,257	(4)	(12)	(0)	(15)	5,241	-	-
Credit institutions	967	-	-	967	(0)	-	-	(0)	967	-	-
Non financial institutions	-	-	-	-	-	-	-	-	-	-	-
BONDS AT AMORTIZED COST	**5,001**	**1,220**	**3**	**6,224**	**(4)**	**(12)**	**(0)**	**(16)**	**6,209**	**-**	**-**
TOTAL	**49,836**	**6,267**	**200**	**56,302**	**(9)**	**(37)**	**(5)**	**(51)**	**56,252**	**-**	**-**

In summary, the gross amounts decreased by approximately EUR 2.8 billion between the two periods, notably due to the increase in rates observed throughout 2022, which led to a downward adjustment of the visible hedged risk, particularly on securities at amortized cost but also on loans and receivables from customers at amortized cost. Over the same period, the gross amounts in Stage 2 increased by EUR 0.4 billion in connection with the gradual drawdown of export credit lines associated with the cruise sector. A symmetrical decrease can be observed on off-balance sheet financing commitments (see note 6.5). The same movements can also be observed in expected credit losses with an increase in customer loans at amortized cost in Stage 2 and a symmetrical decrease in financing commitments in Stage 2 (see note 6.5). 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. This approach was maintained in 2021 and Sfil decided in 2022 to increase the impairments for some of its export credit customers associated with the cruise sector (see note 8).

The decrease in gross amounts identified in Stage 3 corresponds to customers who left their cure period.

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 89 as of December 31, 2022, carried by 69 borrowers, for a total risk exposure of EUR 3,337 million.

2.5 Tax assets

	12/31/2021	12/31/2022
Current income tax	8	13
Other taxes	1	2
CURRENT TAX ASSETS	**9**	**15**
DEFERRED TAX ASSETS (SEE NOTE 4.3)	**73**	**64**
TOTAL TAX ASSETS	**81**	**79**

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, 2022, 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 AU 12/31/2021	**4**	**0**	**4**	**8**
Acquisitions	1	4	-	4
Valuation/increases	-	-	0	0
Cancellations	-	(0)	-	(0)
Transfers	-	(0)	-	(0)
Sales	-	-	-	-
Depreciation and impairments	-	-	-	-
Amortizations	(3)	-	(3)	(6)
NET CARRYING AMOUNT AS OF AU 12/31/2022	**2**	**4**	**1**	**7**

2.7 Intangible assets

	Software	Internally developed assets	Construction work in progress	Total
NET CARRYING AMOUNT AS OF AU 12/31/2021	**2**	**15**	**6**	**23**
Acquisitions	1	9	5	15
Valuation/increases	-	-	(0)	(0)
Cancellations	-	-	(5)	(5)
Transfers	-	-	-	-
Sales	-	-	-	-
Depreciation and impairments	-	-	-	-
Amortizations	(1)	(11)	-	(12)
NET CARRYING AMOUNT AS OF AU 12/31/2022	**1**	**13**	**6**	**21**

2.8 Accruals and other assets

	12/31/2021	12/31/2022
Cash collateral paid	2,219	2,500
Other accounts receivable	4	2
Prepaid charges	222	199
Other assets	20	28
TOTAL ACCRUALS AND OTHER ASSETS	**2,466**	**2,728**

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

	12/31/2021	12/31/2022
Non hedging derivatives[1]	762	359
TOTAL	**762**	**359**

(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

	12/31/2021	12/31/2022
Current account	-	-
Term deposits	-	-
SUB-TOTAL DUE TO CREDIT INSTITUTIONS AT AMORTIZED COST	-	-
Certificates of deposit[1]	798	846
Euro medium term notes[1]	9,289	7,807
Obligations foncières	47,826	44,122
Registered covered bonds	7,337	6,315
SUB-TOTAL DEBT SECURITIES AT AMORTIZED COST	**65,250**	**59,090**
TOTAL	**65,250**	**59,090**

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

3.3 Tax liabilities

	12/31/2021	12/31/2022
Current income tax	-	-
Other taxes	3	2
CURRENT TAX LIABILITIES	**3**	**2**
DEFERRED TAX LIABILITIES (SEE NOTE 4.2)	-	-
TOTAL TAX LIABILITIES	**3**	**2**

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3.4 Accruals and other liabilities

	12/31/2021	12/31/2022
Cash collateral received	953	88
Other accrued charges	34	41
Deferred income	-	-
Contribution to support fund[1]	70	60
Other accounts payable and other liabilities	31	29
TOTAL	**1,088**	**219**

(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

	12/31/2021	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	12/31/2022
Commitments and guarantees given	11	3	-	(3)	-	-	11
Provision on pensions	8	1	-	(2)	-	-	7
Other provisions[1]	4	-	-	(2)	-	-	2
TOTAL	**23**	**4**	**-**	**(7)**	**-**	**-**	**19**

(1) As a reminder, in the context of the health crisis and the consequences for the cruise industry, the Sfil group decided during 2020 to set up a provision for risks on the foreign exchange financial hedging instruments used to refinance the export credits in dollars in this sector. This provision was increased to EUR 3.9 million at the end of 2021. In 2022, Caisse Française de Financement Local decided to reduce the amount of this provision by EUR 2.2 million in view of the decrease in the underlying risk. As a result, this provision for risks and charges represented EUR 1.7 million at end-December 2022 (see note 8).

3.6 Distribution of reserves and dividends

The Ordinary Shareholders' Meeting of May 25, 2022 decided to allocate all of the Company's 2021 net income, prepared in accordance with French GAAP, (EUR 52 million) to the legal and general reserves. The Extraordinary Shareholders' Meeting of December 14, 2022 decided to make a distribution from reserves in the amount of EUR 6.18 per share, *i.e.* EUR 57 million.

The Annual Shareholders' Meeting of May 24, 2023 will be asked to allocate the profit for the 2022 financial year, after taking into account the allocation to the legal reserve, to the general reserves account. Accordingly, it is not proposed to distribute a dividend for the 2022 financial year.

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 1.7.2.4.3 and 1.7.2.4.4).

4.1 Derivatives

4.1.1 Analysis by nature

	12/31/2021		12/31/2022	
	Assets	Liabilities	Assets	Liabilities
DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS	**4**	**762**	**70**	**359**
Derivatives designated as fair value hedges	2,720	3,644	1,794	4,545
Derivatives designated as cash flow hedges	(8)	145	(11)	230
Derivatives designated as portfolio hedges	601	1,771	617	368
HEDGING DERIVATIVES	**3,313**	**5,560**	**2,399**	**5,144**
CVA/DVA IMPACT	**(2)**	**(3)**	**(3)**	**(10)**
TOTAL DERIVATIVES	**3,314**	**6,319**	**2,466**	**5,492**

4.1.2 Detail of derivatives designated as fair value through profit or loss

	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**

	12/31/2022				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	1	1	(0)	(0)	0
Interest rate derivatives	2,450	2,450	(0)	70	359
TOTAL	**2,451**	**2,451**	**(0)**	**70**	**359**

4.1.3 Detail of derivatives designated as fair value hedges

	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**

	12/31/2022				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	3,145	3,184	(39)	181	342
Interest rate derivatives	59,436	59,417	19	1,613	4,204
TOTAL	**62,581**	**62,601**	**(20)**	**1,794**	**4,545**

4.1.4 Detail of derivatives designated as cash flow hedges

	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**

	12/31/2022				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	4,180	4,398	(218)	(11)	230
Interest rate derivatives	-	-	0	-	-
TOTAL	**4,180**	**4,398**	**(218)**	**(11)**	**230**

	12/31/2021	12/31/2022
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

	12/31/2021				
	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**

	12/31/2022				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Interest rate derivatives	40,061	40,056	5	617	368
TOTAL	**40,061**	**40,056**	**5**	**617**	**368**

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, wether or not they have been migrated to 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 where 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 12/31/2021			Exposures as of 12/31/2022		
	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	569	-	-	-	-	-
LIBOR CHF	222	-	(212)	-	-	-
LIBOR GBP	76	-	(364)	-	-	-
LIBOR USD	409	-	(1,663)	433	-	(908)
STIBOR	17	-	(17)	15	-	(15)
INTEREST RATES BENCHMARK NOT AFFECTED BY THE REFORM						
SONIA	-	-	(185)	164	-	(556)
SARON	-	-	-	223	-	(223)
SOFR	-	-	-	95	-	(1,100)
EURIBOR	9,595	972	1,514	8,906	442	(3,593)
€STER	14	125	(2,406)	532	145	(3,131)
FIXED RATE	47,401	59,118	3,528	49,091	60,226	9,622
OTHERS	104	2,075	(402)	85	1,423	(330)
TOTAL	**58,406**	**62,289**	**(206)**	**59,544**	**62,236**	**(234)**

As a reminder, in 2021, transactions against EONIA were all switched to €STER. The financial assets that remained against EONIA at 12/31/2021 corresponded to a portfolio of loans with a TAM/TAG type interest rate. Since January 1, 2022, the calculation of this interest rate refers to €STER. The financial assets and derivatives indexed to CHF LIBOR and GBP LIBOR were switched respectively to SARON and SONIA during the first half of 2022. Assets, liabilities and derivatives indexed to USD LIBOR and STIBOR have begun to transition to the new benchmark indices, which will be finalized no later than mid-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

	12/31/2021	12/31/2022
Deferred tax assets before impairment	73	64
Impairment on deferred tax assets	-	-
DEFERRED TAX ASSETS	**73**	**64**
DEFERRED TAX LIABILITIES	-	-
TOTAL	**73**	**64**

4.3.2 Movements

	12/31/2021	12/31/2022
AS OF JANUARY 1	**79**	**73**
Charge/credit recognized in the income statement	(3)	(7)
Effect of change in tax rates – impact on the income statement(1)	(12)	-
Movements directly recognized in equity	9	(2)
Effect of change in tax rates – impact on equity	-	-
Translation adjustment	-	-
Tax audit effects	-	-
Other movements	-	-
AS OF DECEMBER 31	**73**	**64**

(1) As a reminder, in 2021, Sfil Group had 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.

The Sfil Group took into account the legislative measures designed to reduce the corporate income tax rate to 25.83% as of 2022.

4.3.3 Deferred taxes from assets on the balance sheet

	12/31/2021	12/31/2022
Loans and loan loss provisions	(975)	432
Securities	(265)	(85)
Derivatives	9	(220)
Accruals and other assets	(1)	(0)
TOTAL	**(1,232)**	**126**

4.3.4 Deferred taxes from liabilities on the balance sheet

	12/31/2021	12/31/2022
Borrowings, deposits and issues of debt securities	737	(881)
Derivatives	541	796
Provisions	7	7
Accruals and other liabilities	20	16
TOTAL	**1,305**	**(62)**

4.4 Transactions with related parties

4.4.1 Analysis by nature

	Parent company[1]		Other related parties[2]	
	12/31/2021	12/31/2022	12/31/2021	12/31/2022
ASSETS				
Financial assets at fair value through profit or loss	-	-	-	-
Hedging derivatives	-	-	-	-
Financial assets at fair value through equity	115	63	66	65
Loans and advances to banks at amortized cost	-	-	-	-
Securities at amortized cost	-	-	-	-
Accruals and other assets	1	1	1	1
LIABILITIES	-	-	-	-
Hedging derivarives	-	-	-	-
Due to banks	-	-	-	-
Debt securities at amortized cost	-	-	383	369
Accruals and other liabilities	-	-	0	0
INCOME STATEMENT	-	-	-	-
Interest income	(0)	(0)	0	0
Interest expense	(2)	(2)	(15)	(12)
Fee and commission income	-	-	4	5
Fee and commission expense	-	-	(0)	(0)
Net result of financial assets ar fair value through profit or loss	(1)	(3)	16	21
Net result of financial assets ar fair value through equity	-	-	-	-
Gains or losses resulting from derecognition of financial instruments at amortized cost	-	-	-	-
Other income	-	-	0	0
Other expense	-	-	-	-
Operating expenses	-	-	(0)	0
Cost of risk	0	0	0	0
OFF BALANCE SHEET	-	-	-	-
foreing exchange derivatives	-	-	-	-
Interest rate derivatives	-	-	-	-
Financing commitments received	4,000	4,000	1,000	1,000
Financing commitments given[3]	-	3	-	-

(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.
(3) At end 2022, Sfil group signed a partnership with the Caisse des Dépôts to provide a new fixed-rate long to very long term offering to local authorities and public hospitals in France. Within this framework, Sfil group provides cash advances to the CDC corresponding to the amounts of loans granted by the latter. In return, the Caisse des Dépôts undertakes to sell the loan to the Sfil group after the loan drawdown phase.

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4.5 Unrealized or deferred gains and losses, breakdown

	12/31/2021	12/31/2022
Unrealized or deferred gains and losses of financial assets at fair value through equity	1	0
Unrealized or deferred gains and losses of cash flow hedges derivatives[1]	(67)	2
Unrealized or deferred gains and losses of cost of hedging derivatives[1]	-	(62)
Actuarial gains and losses on defined-benefit plans	(2)	0
TOTAL	**(68)**	**(60)**
Deferred tax on unrealized or deferred gains and losses of financial assets at fair value through equity	(0)	(0)
Deferred tax on unrealized or deferred gains and losses of cash flow hedges derivatives[1]	17	(0)
Deferred tax on unrealized or deferred gains and losses of cost of hedging derivatives[1]	-	16
Deferred tax on actuarial gains and losses on defined-benefit plans	0	(0)
TOTAL AFTER TAX	**(50)**	**(45)**

(1) Sfil Group decided to apply the transitional arrangements of IFRS 9 in terms of hedge accounting from January 1, 2022. Thus, IFRS 9 applies proactively from this date to all micro-hedging relationships (Fair Value Hedges and Cash Flow Hedges). The impacts of first-time adoption (FTA) are very limited; they are solely related to the Group's choice to apply the option offered by IFRS 9, which consists of retrospectively applying the so-called "cost of hedging of the foreign currency basis spread" treatment. This concerns cross-currency basis swaps involved in export credit transactions documented in a cash flow hedge relationship as well as, to a lesser extent, cross-currency interest rate swaps documented in a fair value hedge relationship. This approach enables the initial recognition in other comprehensive income, under a new section entitled Cost of hedging reserve, of the fair value movement of hedging derivatives attributable to the basis spread (see note 1.1.1).

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.

	2021			2022		
	Income	Expense	Net	Income	Expense	Net
Loans/loans with credit institutions	-	-	-	-	-	-
Loans/loans with customers	110	-	110	112	-	112
Derivatives outside the hedging relationship	27	(130)	(103)	38	(129)	(92)
FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**137**	**(130)**	**7**	**150**	**(129)**	**21**
Hedging derivatives	1,206	(1,081)	125	1,190	(1,239)	(49)
HEDGING DERIVATIVES	**1,206**	**(1,081)**	**125**	**1,190**	**(1,239)**	**(49)**
Securities	1	-	1	1	(0)	1
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**1**	**-**	**1**	**1**	**(0)**	**1**
Central bank accounts	-	(4)	(4)	0	(1)	(1)
Accounts and loans with credit institutions	33	(58)	(25)	32	(52)	(20)
Accounts and loans with customers	732	-	732	803	-	803
Securities	150	(824)	(674)	146	(728)	(583)
Other	-	-	-	-	-	-
FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST	**915**	**(886)**	**28**	**981**	**(782)**	**199**
TOTAL	**2,259**	**(2,098)**	**161**	**2,321**	**(2,150)**	**172**

Interest income and expenses measured using the effective interest rate method represented respectively EUR 915 million and EUR -886 million at December 31, 2021, and EUR 981 million and EUR -782 million at December 31, 2022

At December 31, 2021, the negative interest paid on financial instruments in assets and received on financial instruments in liabilities represented EUR -25 million and EUR +11 million, respectively. At December 31, 2022, the negative interest paid on financial instruments in assets and received on financial instruments in liabilities represented EUR -8 million and EUR +4 million, respectively.

5.2 Fees and commissions

	2021	2022
LBP servicing commission received	4	5
Other commissions[1]	0	(4)
TOTAL	**5**	**1**

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.

	2021	2022
Net result on financial assets or liabilities at fair value through profit or loss	58	33
Net result of hedge accounting	(6)	(0)
Net result of foreign exchange transactions	(1)	(0)
TOTAL	**52**	**33**

Analysis of net result of hedge accounting

	2021	2022
FAIR VALUE HEDGES	**(5)**	**(6)**
Fair value changes in the hedged item attributable to the hedged risk	523	2,029
Fair value changes in the hedging derivatives	(528)	(2,035)
CASH FLOW HEDGES	**-**	**(1)**
Fair value changes in the hedging derivatives – ineffective portion	-	-
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	-	(1)
PORTFOLIO HEDGE	**(1)**	**0**
Fair value changes in the hedged item	(455)	(1,378)
Fair value changes in the hedging derivatives	454	1,378
CVA/DVA IMPACT(1)	**0**	**6**
TOTAL	**(6)**	**(0)**

(1) The effect of the application of IFRS 13 resulted, as at December 31, 2022, in income of EUR 6 million which is mainly analyzed by an increase in DVA income.

5.4 Net result of financial instruments at fair value through equity

	2021	2022
Net result of disposals of bonds at fair value though equity	-	-
Net results of disposals or prepayments of hedging derivatives instruments at fair value through equity	-	1
TOTAL	**-**	**1**

5.5 Gains and losses resulting from derecognition of financial instruments at amortized costs

	2021	2022
Net result of disposals, prepayments or restructuring of bonds at amortized cost	-	(3)
Net result of disposals, prepayments or restructuring of loans and advances to banks at amortized cost	-	27
Net result of disposals, prepayments or restructuring of loans and advances to customers at amortized cost	17	13
Net result of prepayments of due to banks at amortized cost	(0)	(0)
Net result of prepayments of debt securities at amortized cost	-	-
TOTAL	**17**	**37**

Detail of on derecognition of assets and liabilities at amortized cost

	2021		2022	
	Notional amount	Impact on result	Notional amount	Impact on result
Prepayments of securities at amortized cost	-	-	190	(3)
Net result of disposals, prepayments or restructuring of bonds at amortized cost	**-**	**-**	**190**	**(3)**
Prepayments of loans and advances to credit institutions at amortized cost	-	-	220	27
Restructurings of loans and advances to credit institutions at amortized cost	-	-	91	0
Net result of disposals, prepayments or restructuring of loans and advance to credit institutions at amortized cost	**-**	**-**	**311**	**27**
Prepayments of loans and advances to customers	111	7	59	1
Restructuring of loans and advances to customers(1)	2,417	10	3,465	12
Net result of disposals, prepayments or restructuringof loans and advances to customers at amortized cost	**2,528**	**17**	**3,524**	**13**
SUB-TOTAL ASSETS	**2,528**	**17**	**4,025**	**37**
Prepayments of debt to banks	-	-	-	-
Net result of prepayments of debt to banks at amortized cost	**-**	**-**	**-**	**-**
Prepayments of debt securities	-	-	-	-
Net result of prepayments of debt securities at amortized cost	**-**	**-**	**-**	**-**
SUB-TOTAL LIABILITIES	**-**	**-**	**-**	**-**
TOTAL		**17**		**37**

(1) The notional amount of restructuring of customer loans includes loans affected by the liquidity support measures granted to customers in the cruise industry as part of the export credit activity. Sfil is part of the approach developed jointly by the European export credit insurance agencies to provide liquidity support to these customers who have been particularly affected by the pandemic. This liquidity support consists of deferring the repayment of the principal amount of the credits. As a reminder, these loans benefit from credit insurance issued by BPI AE in the name, on behalf and under the control of the French 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

	2021	2022
Payroll costs	(52)	(55)
Other general and administrative expenses	(31)	(36)
Taxes	(14)	(16)
TOTAL	**(97)**	**(107)**

5.7 Depreciation and amortization, property and equipment and intangible assets

	2021	2022
Depreciation and amortization on tangible assets	(2)	(3)
Depreciation and amortization on intangible assets	(13)	(12)
IFRS 16 impact	(3)	(3)
TOTAL	**(18)**	**(18)**

5.8 Cost of risk

Specific Impairment	2021				
	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)**
OTHER PROVISIONS	**(5)**	**(0)**	**-**	**-**	**(5)**
TOTAL	**(66)**	**(15)**	**18**	**0**	**(64)**

Specific Impairment	2022 January 1	Allocations	Reversals	Losses	December 31
Stage 1	(0)	(0)	0	-	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**(0)**	**(0)**	**0**	-	**(0)**
Stage 1	(0)	(0)	0	(0)	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
LOANS AND ADVANCES TO BANKS AT AMORTIZED COST	**(0)**	**(0)**	**0**	**(0)**	**(0)**
Stage 1	(4)	(2)	8	8	10
Stage 2	(24)	(14)	7	(5)	(35)
Stage 3	(6)	(2)	1	(3)	(10)
LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST	**(33)**	**(18)**	**16**	**0**	**(35)**
Stage 1	(4)	(0)	1	0	(3)
Stage 2	(12)	(1)	1	(0)	(12)
Stage 3	(0)	-	-	(0)	(0)
BONDS AT AMORTIZED COST	**(16)**	**(1)**	**1**	**0**	**(16)**
Stage 1	(2)	(1)	1	-	(2)
Stage 2	(8)	(2)	2	-	(8)
Stage 3	(0)	-	0	-	(0)
OFF-BALANCE SHEET COMMITMENTS AT AMORTIZED COST	**(10)**	**(3)**	**3**	-	**(10)**
OTHER PROVISIONS	**(5)**	**(1)**	**2**	-	**(3)**
TOTAL	**(64)**	**(22)**	**23**	**0**	**(63)**

5.9 Corporate income tax

5.9.1 Breakdown of tax expense

	2021	2022
Current taxes	(31)	(27)
Deferred taxes	(3)	(7)
Deferred tax on previous year[1]	(12)	-
Other income taxes on previous exercise	(0)	0
TOTAL	**(46)**	**(33)**

(1) As a reminder, 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:

	2021	2022
INCOME BEFORE INCOME TAXES	**122**	**119**
Net income from associates	-	-
TAX BASE	**122**	**119**
Applicable tax rate at end of the period	28.41%	25.83%
THEORETICAL CORPORATE INCOME TAX AT THE STANDARD RATE	**(35)**	**(31)**
Tax effect of non-deductible expenses	(2)	(3)
Tax effect of non-taxable income	-	-
Impact of items taxed at a reduced rate	-	-
Other additionnal taxes or tax savings	-	-
Tax audit effects	-	-
Other corporation tax previous year	(0)	0
Revaluation of the stock of deferred taxes[1]	(12)	-
Use of corporate income tax rate applicable to the future fiscal years[2]	3	-
CORPORATE INCOME TAX RECORDED IN THE INCOME STATEMENT	**(46)**	**(33)**

(1) In 2021, Sfil 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.

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

6.1 Regular way trade

	12/31/2021	12/31/2022
Assets to be delivered	-	68
Liabilities to be received	-	67

6.2 Guarantees

	12/31/2021	12/31/2022
Guarantees received from credit institutions	-	-
Enhanced guarantees(1)	10,071	10,689
Loan guarantee commitments received	-	-
Guarantees received from customers(2)	1,557	1,386

(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

	12/31/2021	12/31/2022
Loan commitments granted to credit institutions(1)	9	0
Loan commitments granted to customers(1)	5,117	4,010
Loan commitments received from credit institutions(2)	5,000	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) The commitments on this line correspond 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 latter 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

	12/31/2021	12/31/2022
Commitments given(1)	9	11
Commitments received from the Caisse des Dépôts et Consignations(2)	-	3
Commitments received(3)	223	17

(1) It concerns the irrevocable payment commitment to the Deposit Guarantee and Resolution Fund.
(2) At the end of 2022, Caisse Française de Financement Local signed a partnership with Caisse des Dépôts to offer a new long-term and very long-term fixed-rate offer to local authorities and public hospitals in France. In this context, Caisse Française de Financement Local makes cash advances with CDC corresponding to the amounts of loans granted by the latter. In return, Caisse des Dépôts undertakes to sell the loan to Caisse Française de Financement Local at the end of the drawdown phase of the loan.
(3) These are mainly loans guaranteed by public authorities.

6.5 Impairments on financing commitments and other commitments granted

	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	Total	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)	-	-	(0)	9	-	-
Granted to customers	2,139	2,976	2	5,117	(2)	(8)	(0)	(10)	5,107	-	-
TOTAL	**2,148**	**2,976**	**2**	**5,126**	**(2)**	**(8)**	**(0)**	**(10)**	**5,116**	**-**	**-**

	Financing commitments and financial guarantees under IFRS 9 as of 12/31/2022									Commitments and financial guarantees measured at fair value	
	Gross amount				Impairment						
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Net carrying amount	Nominal amount	Accumulated negative changes in fair value due to credit risk on non-performing commitments
Granted to credit institutions	0	-	-	0	(0)	-	-	(0)	(0)	-	-
Granted to customers	2,142	1,867	-	4,010	(2)	(8)	-	(10)	4,000	-	-
TOTAL	**2,142**	**1,867**	**-**	**4,010**	**(2)**	**(8)**	**-**	**(10)**	**4,000**	**-**	**-**

Financing commitments decreased by EUR 1.1 billion in 2022. This change is mainly due to the decrease in financing commitments given to customers allocated to Stage 2, which is explained by the drawdowns on export credit files in the cruise sector classified in Stage 2. At the same time, impairments remained stable. The decrease in impairment associated with the level of off-balance sheet financing commitments was offset by the Sfil group's decision to increase the level of impairments associated with some of its export credit customers associated with the cruise sector. 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

	12/31/2021		
	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)**

	12/31/2022		
	Book value	Fair value	Unrecognized fair value adjustment
Central banks	1,969	1,969	-
Financial assets at fair value through profit or loss	2,743	2,743	-
Hedging derivatives	2,396	2,396	-
Financial assets at fair value through equity	243	243	-
Loans and advances to banks at amortized cost	87	88	1
Loans and advances to customers at amortized cost	49,956	46,537	(3,419)
Bonds at amortized cost	6,209	5,502	(707)
TOTAL	**63,604**	**59,478**	**(4,125)**

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

	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**

	12/31/2022		
	Book value	Fair value	Unrecognized fair value adjustment
Financial liabilities at fair value through profit or loss	359	359	-
Hedging derivatives	5,134	5,134	-
Due to banks at amortized cost	-	-	-
Debt securities at amortized cost	59,090	55,005	(4,085)
TOTAL	**64,582**	**60,497**	**(4,085)**

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 pay-offs which require an advanced statistical model with variable parameters which are sometimes unable to be seen in the market.

	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**

	12/31/2022			
Fair value of financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Central banks	1,969	-	-	1,969
Financial assets at fair value through profit or loss	-	69	2,674	2,743
Hedging derivatives	-	1,243	1,153	2,396
Financial assets at fair value through equity	243	-	-	243
Loans and advances to banks at amortized cost	19	68	0	88
Loans and advances to customers at amortized cost	-	-	46,537	46,537
Bonds at amortized cost	2,462	1,912	1,128	5,502
TOTAL	**4,694**	**3,292**	**51,493**	**59,478**

	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**

	12/31/2022			
Fair value of financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit or loss	-	220	138	359
Hedging derivatives	-	4,808	326	5,134
Due to banks at amortized cost	-	-	-	-
Debt securities at amortized cost	43,433	5,902	5,670	55,005
TOTAL	**43,433**	**10,930**	**6,134**	**60,497**

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.

	12/31/2021	12/31/2022
Uncertainty inherent in level 3 market parameters	3	4
Uncertainty inherent in level 3 derivatives valuation models	12	35
SENSITIVITY OF THE MARKET VALUE OF LEVEL 3 FINANCIAL INSTRUMENTS	**15**	**39**

7.1.4 Transfer between level 1 and level 2

	12/31/2021	12/31/2022
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
12/31/2021	**3,515**	**226**	**-**	**3,740**
Total gains and losses through profit and loss	-	-	-	-
Total unrealized or deferred gains and losses	(608)	283	-	(326)
Total OCI unrealized or deferred gains and losses	-	-	-	-
Purchase	62	712	-	773
Sale	-	-	-	-
Direct origination	-	-	-	-
Settlement	(294)	(67)	-	(361)
Transfer in activities destined to be sold	-	-	-	-
Transfer to level 3	-	-	-	-
Transfer out of level 3	-	-	-	-
Other variations	-	-	-	-
12/31/2022	**2,674**	**1,153**	**-**	**3,827**

Fair value of financial liabilities	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total financial liabilities
12/31/2021	**58**	**377**	**435**
Total gains and losses through profit and loss	-	-	-
Total unrealized or deferred gains and losses	(19)	193	174
Total OCI unrealized or deferred gains and losses	-	-	-
Purchase	118	22	140
Sale	-	-	-
Direct origination	-	-	-
Settlement	(19)	(266)	(285)
Transfer in activities destined to be sold	-	-	-
Transfer to level 3	-	-	-
Transfer out of level 3	-	-	-
Other variations	-	-	-
12/31/2022	**138**	**326**	**464**

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

	12/31/2021					
				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**

	12/31/2022					
				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	2,466	-	2,466	(1,240)	(67)	1,159
Derivatives (including hedging instruments)	2,673	-	2,673	-	-	2,673
Loans and advances to banks at amortized cost	87	-	87	-	-	87
Loans and advances to customers at amortized cost	49,956	-	49,956	-	-	49,956
TOTAL	**55,182**	**-**	**55,182**	**(1,240)**	**(67)**	**53,875**

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

	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
Derivatives (including hedging instruments)	6,319	-	6,319	(2,259)	(2,105)	1,954
Due to banks at amortized cost	-	-	-	-	-	-
Customer borrowings and deposits	-	-	-	-	-	-
TOTAL	**6,319**	**-**	**6,319**	**(2,259)**	**(2,105)**	**1,954**

	12/31/2022					
				Other amounts in the application scope but not offset		
	Gross amounts before offset ting	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)	5,492	-	5,492	(1,240)	(2,185)	2,068
Due to banks at amortized cost	-	-	-	-	-	-
Customer borrowings and deposits at amortized cost	-	-	-	-	-	-
TOTAL	**5,492**	**-**	**5,492**	**(1,240)**	**(2,185)**	**2,068**

7.3 Exposure to credit risk

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), the exposure ar 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

	12/31/2021	12/31/2022
France	66,310	60,936
Germany	319	26
Belgium	145	91
Italy	5,235	4,159
Spain	328	372
Other European Union countries	438	325
Switzerland	592	564
Norway	262	100
United Kingdom	95	46
United States and Canada	805	694
Japan	39	29
TOTAL EXPOSURE	**74,569**	**67,342**

Analysis of exposure by category of counterparty

	12/31/2021	12/31/2022
Sovereigns	16,662	15,350
Local public sector	55,872	50,470
Other assets guaranteed by public sector entities	243	175
Financial institutions	1,767	1,315
Other exposures	26	31
TOTAL EXPOSURE	**74,569**	**67,342**

Analysis of exposure by category of instrument

	12/31/2021	12/31/2022
Central banks	4,081	3,555
Loans and advances at fair value through profit of loss	3,505	2,670
Hedging derivatives	196	141
Bonds at fair value through equity	403	243
Loans to banks at amortized cost	35	40
Loans to customers at amortized cost	53,073	50,867
Bonds at amortized cost	7,969	6,215
Accruals and other assets	49	124
Financing commitments	5,257	3,487
TOTAL EXPOSURE	**74,569**	**67,342**

7.3.2 Evaluation of asset credit quality

Sfil decided to use the advanced method recommended by the regulators in relation to the Basel III reforms on the capital adequacy ratio and capital requirements. Sfil has developed internal rating models covering the main client segments. These models were validated by the banking supervisors who authorized the Group to use these advanced internal models for the calculation and reporting of equity requirements for credit risk. This enables Sfil to present on December 31, 2022, 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 83% of the portfolio has a weighting of less than 5% and more than 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	3,555	-	-	-	-	3,555
Financial assets at fair value through profit or loss	1,686	643	253	0	87	2,670
Hedging derivatives	2	-	5	99	35	141
Bonds at fair value through equity	63	-	115	65	-	243
Loans and advances due from banks at amortized cost	20	-	5	15	-	40
Loans and advances to customers at amortized cost	33,308	11,176	6,070	7	305	50,867
Bonds at amortized cost	2,251	48	3,478	323	115	6,215
Accruals and other assets	87	-	-	5	32	124
Financing commitments	3,487	-	-	-	-	3,487
TOTAL EXPOSURE	**44,459**	**11,867**	**9,927**	**514**	**575**	**67,342**
SHARE OF TOTAL EXPOSURE	**66.0%**	**17.6%**	**14.7%**	**0.8%**	**0.9%**	**100.0%**

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

7.4 Climate risk

Climate risk is composed of physical risk and transition risk. The physical climate risk can be acute or chronic.

Acute physical risks represent the risk of loss resulting from extreme weather events (floods, storms and hurricanes, forest fires), the resulting damage of which may result in the destruction of the physical assets of local authorities or non-financial counterparties.

Chronic physical risks represent the risk of loss resulting from longer-term changes in climate models (loss of snow cover, sea level rise, shrinkage and swelling of clays, for example).

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

Sfil aims to integrate climate risk into all its risk management processes. The overall impact on credit risk was assessed in 2021, and work continued in 2022 in order to assess the impact on other risk categories (in particular on liquidity risk, market risk and operational risk). Climate risk and its challenges are the subject of particular attention by Sfil's Board of Directors. The Board of Directors meeting of April 15, 2022 validated Sfil's 2022-2023 climate roadmap.

Different work on climate risks that have or may have an impact on the Company's financial statements was carried out in 2022. These include:

- **Preparation of a qualitative mapping of climate-induced risks**, identifying them in accordance with Sfil's risk identification policy, and assessing their materiality.
- **Update of the risk policy for granting loans, by:**
  - taking into account the social and environmental usefulness of the projects financed in the credit granting criteria, with a greater risk appetite when the financing is carried out in the green loan or social loan format;
  - implementation of a policy of excluding sectors exposed to fossil fuels, in accordance with the guidelines of the French export support policy, recently amended by the initial finance law of December 30, 2022 for 2023. This results in the exclusion of projects related to coal and unconventional hydrocarbons. These exclusions do not apply to operations that have the effect of reducing the negative environmental impact or improving the safety of existing facilities or their impact on health, without increasing their lifetime or production capacity, or for the dismantling or conversion of these facilities.

In addition, the Sfil Group carried out two new studies on climate risk in 2022:

- **Transition risks**

  After a first step carried out by Sfil in 2021 *via* a study on the transition risk for local authorities, I4CE, as part of the partnership signed with Sfil, published a new study on October 14, 2022 [1]. The study carried out in 2021 by Sfil was based on three scenarios [2] or transition trajectories (orderly, accelerated and delayed) and made it possible to quantify the investment needs of local authorities as part of the transition to a low-carbon economy. The impact of these investments on the financial position of local authorities was assessed and the risk metrics (RWA and ECL) were simulated on the basis of these stressed financial ratios.

  The objective of the new study carried out in 2022 was to estimate the investment and operating expenses associated with the risk of climate transition of local authorities in France, thus enabling Sfil to deepen the work undertaken in 2021. The methodological approach adopted by I4CE is based on the analysis of five climate expenditure trajectories, including an SNBC scenario and four other scenarios [3] from ADEME. Sfil used the results of this study to integrate the expenses related to the additional investment efforts expected of local authorities to comply with the national low carbon strategy in the forward-looking scenarios used to calculate expected credit losses in accordance with IFRS 9. The impact of updating these forward-looking scenarios had a very limited effect on the level of expected credit losses. It should be noted that the objective of adapting to climate change was not part of the scope of the study and will be the subject of another quantification work by I4CE.

  The partnership between Sfil and I4CE should be renewed, the latter will continue its work on the basis of the new national low carbon strategy (SNBC3), the aim being to clarify the investment needs of local authorities.

- **Physical risks**

  After a first study carried out in 2021 on the impact of acute physical risks on French local authorities, the Risks division carried out a second study on the impact of water stress on French local authorities, in connection with the projected climate change. Water stress is defined as a critical situation that occurs when available water resources are lower than water demand. It is mainly due to a geographical and temporal imbalance characterized by a demand for water that exceeds the quantity of water available and/or a water quality that requires limiting its use.

  The study was based on the Aqueduct Water Risk Atlas, made available by the World Resources Institute. The tool makes it possible to identify and assess water risks around the world using GPS coordinates. The importation of the GPS coordinates of the municipalities (INSEE file) into the tool made it possible to identify the areas according to the level of water stress according to the thresholds defined by the tool and to analyze the exposures in the portfolio (municipalities, regions, departments and GFPs) according to their level of future water stress risk by 2030 or 2040

1) *I4CE, "Local authorities: investment and engineering needs in carbon neutrality", October 2022.*
2) *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 carbon measures to fight against 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.*
3) *ADEME's four scenarios present different trajectories leading to carbon neutrality in 2050.*

7.5 Liquidity risk: breakdown by residual term to repayment date

7.5.1 Breakdown of assets

	12/31/2022							
	Less than 1 month	1 to 3 months	3 months to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Indeter-minate	Total broken down
Central banks	1,969	-	-	-	-	-	-	1,969
Financial assets at fair value through profit or loss	33	27	87	153	903	1,371	8	2,582
Hedging derivatives	5	3	207	-	-	-	-	215
Financial assets at fair value through equity	100	65	0	-	82	-	-	247
Loans and advances to banks at amortized cost	19	0	15	15	45	(5)	-	90
Loans and advances to customers at amortized cost	829	586	1,497	2,227	17,983	28,740	4	51,867
Bonds at amortized cost	139	93	519	312	1,793	2,994	-	5,851
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-	-
Tangible assets	-	-	-	-	-	-	7	7
Intangible assets	-	-	-	-	-	-	21	21
Tax assets	-	-	-	-	-	-	79	79
Accruals and other assets	-	-	-	-	-	-	2,728	2,728
TOTAL	**3,096**	**774**	**2,326**	**2,707**	**20,807**	**33,101**	**2,847**	**65,657**

	12/31/2022		
	Total broken down	Fair value adjustment	Total
Central banks	1,969	-	1,969
Financial assets at fair value through profit or loss	2,582	161	2,743
Hedging derivatives	215	2,181	2,396
Financial assets at fair value through equity	247	(4)	243
Loans and advances to banks at amortized cost	90	(3)	87
Loans and advances to customers at amortized cost	51,867	(1,911)	49,956
Bonds at amortized cost	5,851	358	6,209
Fair value revaluation of portfolio hedge	-	170	170
Tangible assets	7	-	7
Intangible assets	21	-	21
Tax assets	79	-	79
Accruals and other assets	2,728	-	2,728
TOTAL	**65,657**	**951**	**66,608**

7.5.2 Breakdown of liabilities, excluding equity

	12/31/2022							
	Less than 1 month	1 to 3 months	3 months to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Indeterminate	Total broken down
Central banks	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	0	0	24	-	-	-	-	24
Hedging derivatives	8	3	133	-	-	-	-	144
Due to banks at amortized cost	-	-	-	-	-	-	-	-
Customer borrowing and deposits at amortized cost	-	-	-	-	-	-	-	-
Debt securities at amortized cost	1,377	641	3,277	416	23,730	33,503	-	62,944
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	-	2	2
Accruals and other liabilities	-	-	-	-	-	-	219	219
Provisions	-	-	-	-	-	-	19	19
Subordinated debt	-	-	-	-	-	-	-	-
TOTAL	**1,385**	**644**	**3,433**	**416**	**23,730**	**33,503**	**240**	**63,352**

	12/31/2022		
	Total broken down	Fair value adjustment	Total
Central banks	-	-	-
Financial liabilities at fair value through profit or loss	24	335	**359**
Hedging derivatives	144	4,990	**5,134**
Due to banks at amortized cost	-	-	-
Customer borrowing and deposits at amortized cost	-	-	-
Debt securities at amortized cost	62,944	(3,855)	**59,090**
Fair value revaluation of portfolio hedge	-	66	**66**
Tax liabilities	2	-	**2**
Accruals and other liabilities	219	-	**219**
Provisions	19	-	**19**
Subordinated debt	-	-	-
TOTAL	**63,352**	**1,536**	**64,888**

7.5.3 Net liquidity gap

	12/31/2022								
	Less than 1 month	1 to 3 months	3 months to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	Indeter-minate	Not broken down	Total
AMOUNT	1,710	130	(1,107)	2,291	(2,923)	(403)	2,607	(585)	1,720

This table presents the balance sheet at the closing date; it does not take into account the management decisions that will make it possible to manage differences in maturity or the future production of assets and liabilities. Sfil Group's liquidity is provided by its refinancing agreement with its shareholders and by issue Euro medium term notes and certificates of deposit. In addition, the Company may obtain funding from the Banque de France, by giving certain of these assets in guarantee. Caisse Française de Financement Local can thus obtain funding from the Banque de France enabling it to reimburse *obligations foncières* when they arrive at maturity; the assets given in guarantee are therefore excluded (as well as the matured bonds) from the calculation of the coverage ratio.

7.6 Currency risk

	12/31/2021				
Classification by original currency	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	-	-	-	-	-

	12/31/2022				
Classification by original currency	EUR	Other EU currencies	USD	Other currencies	Total
Total assets	61,887	510	3,982	230	66,608
Total liabilities	61,887	510	3,982	230	66,608
NET BALANCE SHEET POSITION	-	-	-	-	-

7.7 Sensitivity to 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 the case of interest rate curve parallel shifts (translation) or 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, 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	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.

Interest rate risk management strategy

The Group has defined a fixed-rate risk appetite for Caffil, which is broken down into a system of limits governing the sensitivity of the net present value (NPV). 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 for Sfil on its own.

Interest rate risk indicators

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

- the measurement of 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 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;
- 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.

At 12/31/2022	Interest rate shock applied	Net income *(EUR millions)*
"Supervisory outlier test" according to the uniform shock +/-200 bp	+/-200 bp Post-shock floor starting with -100 bps	(139) / 147
"Supervisory outlier test" according to the six differentiated shocks	+200 bps	(139)
	-200 bps	147
	Steepening	(22)
	Flattening	(1)
	Rise CT	(44)
	Drop CT	45

- the monthly production of indicators of sensitivity of the net present value (NPV) to an interest rate shock: since January 1, 2022, the Group has implemented a new interest rate risk methodology by basing the calibration of these risks on the maximum loss observed in NPV compared to eight different interest rate scenarios. These eight scenarios correspond to the six scenarios used to calculate the regulatory outlier ratio to which are added two additional internal scenarios defined on the basis of historical changes in interest rates. Unlike regulatory ratios, equity is taken into account in the calculation of these indicators. The maximum loss observed among the eight scenarios must not exceed the limit defined as part of the Group's risk appetite.

EUR millions	Limit	12/31/2021 (*pro forma*)	6/30/2022	12/31/2022
Maximum NPV loss observed	(80)/80	(25)	(31)	(21)

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

Fixed rate gap	Difference between balance sheet and off-balance sheet assets and liabilities for fixed rate transactions or for which the rate has been fixed. It is calculated every month until balance sheet 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, the difference between adjustable rate balance sheet and off-balance sheet assets and liabilities, by fixing date.

These indicators are calculated from a static viewpoint.

- Net interest rate margin sensitivity: 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 reporting 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)*	**12/31/2022**
Parallel increase in rates of 200 bps	(7)
Parallel decrease in rates of 200 bps	4

Outlook and risks related to changes in interest rates

The main risks identified and associated with the current interest rate environment, marked by rapid rate increases and significant volatility, are as follows:

- greater uncertainty about new production volumes: rapid changes in financing conditions and higher cost of credit, as well as uncertainties relating to the macroeconomic environment, could encourage some customers to reduce or postpone their investments. In addition, the decorrelation between the usury rate and the interest rate levels observed on the markets, which penalized the production of fixed-rate loans in 2022, could still have an impact in 2023 if interest rates continued to rise.
- increased interest rate volatility could lead to a greater variation in the interest margin for the fraction of the production that is managed by macro-hedging.

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

Lastly, as the Group does not have any demand deposits, it is not impacted by any impact of changes in interest rates on the level of deposits.

Note 8 Impacts of the Covid-19 health crisis on the financial statements *(EUR millions)*

At December 31, 2022, the impacts associated with the Covid-19 health crisis on Sfil's consolidated financial statements prepared in accordance with IFRS remained very limited.

Firstly, it is recalled that from spring 2020, the Sfil Group decided to deploy two approaches to support borrowers in coping with their difficulties as a result of the health crisis:

- one, proactive, by proposing payment terms to all health institutions in recognition of their exceptional commitment during 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 terms could be renewed at the request of customers;
- the other approach is to respond to requests from local and equivalent authorities facing temporary cash flow difficulties. Sfil thus 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, car parks, thermal baths, etc.).

From the beginning of 2022, all the payment extensions granted have been paid by the concerned customers. It should be noted that the public health institutions had already paid all maturities due before the end of 2021.

In the export credit area, 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 consisted of deferring the repayment of the principal amount of the credits. At the same time, as a reminder, Sfil had 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 throughout 2021 and the provision associated with the cruise sector was EUR 16 million at December 31, 2021. In 2022, given the continuation of the Covid-19 crisis, Sfil decided to increase these impairments for some of its customers by EUR 6 million. Thus, the impairment associated with the cruise sector recorded on the watchlist was EUR 22 million at December 31, 2022.

Lastly, in 2020, it had also decided to set up a provision for risks on the foreign exchange hedging instruments used to refinance export credits in dollars in this sector. This provision was increased to EUR 3.9 million at the end of 2021. In 2022, Caisse Française de Financement Local decided to reduce the amount of this provision by EUR 2.2 million in view of the decrease in the underlying risk. As a result, this provision for risks and charges represented EUR 1.7 million at end-December 2022.

Note 9 Impact of the war in Ukraine on the financial statements of the Company *(EUR millions)*

The foreseeable impacts to date related to the war situation in Ukraine are limited for Sfil. As a reminder, Sfil does not have any operations outside France. Moreover, the Group does not have any exposure in Russia or Belarus and has only one exposure in Ukraine, which as of December 31, 2022 represented balance sheet outstandings of EUR 57 million and an off-balance sheet financing commitment of EUR 2 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 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.

The consequences of the war in Ukraine on the forward-looking macroeconomic scenarios used to calculate the ECLs associated with local authorities in France were also adjusted without significant impact on the level of impairment.

Note 10 Post-closing events

No significant event that influences the Company's financial situation has occurred since the closing on June 30, 2022.

Note 11 Statutory Auditor's fees *(EUR thousand)*

	KMPG SA				PricewaterhouseCoopers Audit			
	Amount including VAT		%		Amount including VAT		%	
	2021	2022	2021	2022	2021	2022	2021	2022
AUDIT								
Audit, certification, examination of company financial statements	343	461	66%	75%	388	457	72%	76%
of which Sfil	*95*	*149*	-	-	*115*	*139*	-	-
other audit tasks	173	152	34%	25%	154	144	28%	24%
of which Sfil	*61*	*59*	-	-	*50*	*47*	-	-
TOTAL	**517**	**613**	**100%**	**100%**	**542**	**601**	**100%**	**100%**

Services other than the certification of accounts mainly include the issuance of comfort letters for the updating of EMTN issuance programs or for syndicated public issues as well as reports relating to the allocation of assets associated with Sfil group's thematic issues. Services other than the certification of financial statements also concern the audit of Caffil's financial statements prepared on a voluntary basis in accordance with IFRS EU.

3.3 Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2022

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, 2022.

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, 2022 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, 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Emphasis of Matter

We draw attention to the change in accounting principles described in Note 1 "Accounting and valuation policies" to the consolidated financial statements relating to the application of IFRS 9 "Financial Instruments" transitional arrangements as regards with hedge accounting. Our opinion is not modified in respect of this matter.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you 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

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, 2022, loans and advances to customers at amortized cost amounted to EUR 50 billion (note 2.4 to the financial statements) and financing commitments granted to customers (off-balance sheet) amounted to EUR 4 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 EUR 30.4 million or impaired outstandings (stage 3) for EUR 4.4 million (note 2.4). Provisions on liability side which are intended to cover expected losses on commitments amount to EUR 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.

The Covid-19 pandemic, the conflict in Ukraine, the hike in interest rates and the high level of inflation in the euro zone are destabilizing the economic environment in Europe and around the world, which is affecting the repayment capacity of borrowers. These elements led the Sfil group to update its Forward Looking scenarios, which has an impact on the determination of expected credit losses.

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, 2022 to be a key audit matter since 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 an economic environement destabilized by the war in Ukraine and high inflation in the euro zone.

Our response

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 actual crisis,
- assessing the appropriateness of the inputs used to calculate impairments as of December 31, 2022;
- assessing the appropriateness of the assumptions with regards to the Forward Looking scenarios;
- 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 non-recovery risk and the determination of the related individual impairment and provisions.

Our work consisted in assessing the quality of the monitoring system for sensitive, doubtful and non-performing counterparties, the credit review process and the guarantee valuation system. In addition, we performed and independent valuation of the provision amounts, on the basis of a sample of files selected on materiality and risk criteria.

We assessed the adequacy of the level of credit risk coverage and the overall level of the associated cost of risk, in particular its appropriateness with regard to the current crisis.

We also assessed the appropriateness of the disclosures provided in the notes to the financial statements in the context of both the continuance of the Covid pandemic and the war in Ukraine, 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

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, 2022, the financial instruments recognized at fair value through profit or loss (including hedging derivatives) represent respectively EUR 5,139 million in the assets (including EUR 2,673 million in loans recognized at fair value through profit or loss) and EUR 5,134 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.

Our response

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;
  - Test of the reliability of a sample of data used in the valuation of structured derivatives as od December 31, 2022.
- We developed an independent expectation of the valuation on a sample of structured derivatives.
- We assesses the methodological changes with regards to the fair value adjustements "xVA".

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;
  - Assessment of the changes to the assumptions "premiums" involved in the valuation of the loans;
  - 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 and the operational implementation of models used in the valuation;
  - Test of the data used in the determination of credit spreads as of December 31, 2022;
- We developed an independent expectation of the valuation on a sample of "non SPPI" loans.

We have aslo assesement of 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, 2022, we were in our 3rd 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 29, 2023	Neuilly-sur-Seine, March 29, 2023

The Statutory Auditors

French original signed by

KPMG S.A.	**PricewaterhouseCoopers Audit**
Jean-François Dandé	Ridha Ben Chamek
Partner	*Partner*

Development of a cycle path network

Beneficiary
Department of Hérault

Region
Occitanie

French GAAP financial statements

04

4.1 Financial statements

4.1.1 Assets

EUR millions	*Note*	12/31/2021	12/31/2022
Central banks	*2.1*	165	161
Government and public securities	*2.2*	22	75
Loans and advances to banks	*2.3*	7,778	6,292
Loans and advances to customers	*2.4*	4,680	6,449
Bonds and other fixed income securities	*2.5*	840	732
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*	23	21
Tangible assets	*2.8*	4	5
Other assets	*2.9*	2,261	2,545
Accruals and other assets	*2.10*	644	811
TOTAL ASSETS	***2.11***	**16,452**	**17,127**

4.1.2 Liabilities

EUR millions	*Note*	12/31/2021	12/31/2022
Central banks		-	-
Due to banks	*3.1*	4,962	6,695
Customer borrowings and deposits		-	-
Debt securities	*3.2*	10,103	9,472
Other liabilities	*3.3*	663	126
Accruals and other liabilities	*3.4*	416	496
Provisions	*3.5*	24	30
EQUITY	***3.6***	**284**	**308**
Subscribed capital		130	130
Additional paid-in capital		-	-
Reserves and retained earnings		103	97
Net income		52	81
TOTAL LIABILITIES	***3.7***	**16,452**	**17,127**

4.1.3 Off-balance sheet items

EUR millions	*Note*	12/31/2021	12/31/2022
COMMITMENTS GRANTED	***4.1***	**15,208**	**14,922**
Financing commitments		5,145	4,239
Guarantees granted		10,059	10,678
Other commitments granted		4	5
COMMITMENTS RECEIVED	***4.2***	**20,168**	**19,678**
Financing commitments		10,097	8,989
Guarantees received		10,071	10,689
Forward commitments		-	-
Other commitments received		-	-
OTHER COMMITMENTS	***4.3***	**45,499**	**47,375**
Foreign currency transactions		8,583	8,853
Interest rate derivatives		36,916	38,522
Commitments related to securities transactions		-	-

4.1.4 Income statement

EUR millions	*Note*	2021	2022
Interest income	*5.1*	49	167
Interest expense	*5.1*	(38)	(151)
Income from variable income securities	*5.2*	49	85
Commission income	*5.3*	4	5
Commission expense	*5.3*	(0)	(1)
Net gains (losses) on held for trading portfolio	*5.4*	3	0
Net gains (losses) on placement portfolio	*5.5*	0	(0)
Other income	*5.6*	97	102
Other expense	*5.6*	(0)	(0)
NET BANKING INCOME		**164**	**207**
General operating expense	*5.7*	(93)	(103)
Depreciation and amortization		(15)	(15)
GROSS OPERATING INCOME		**56**	**90**
Cost of risk	*5.8*	(1)	(6)
INCOME FROM OPERATIONS		**55**	**83**
Gains or losses on fixed assets		-	-
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		**55**	**83**
Non-recurring items		-	-
Income tax	*5.9*	(3)	(3)
NET INCOME		**52**	**81**
Basic earnings per share		5.60	8.68
Diluted earnings per share		5.60	8.68

4.1.5 Equity

EUR millions	**Amount**
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 year	52
Interim dividends	-
EQUITY AS OF 12/31/2021	**284**
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	51
Dividends paid (-)	(57)
Changes in Net income for the period	29
Other movements	-
AS OF 12/31/2022	-
Share capital	130
Additional paid-in capital	-
Commitments to increase share capital and additional paid-in capital	-
Reserves and retained earnings	97
Net income for the period	81
EQUITY AS OF 12/31/2022	**308**

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 n°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 n°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, 2022, were prepared using the same accounting policies as those used in the financial statements as of December 31, 2021. Between these two dates, the applicable regulation has not experienced any development deemed potentially relevant for the Company.

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. These communications were supplemented by a notice dated 7 March 2022 from the CNOEC recommending that the effects of the Covid-19 health crisis on certain liabilities on the balance sheet be presented as an appendix.

This communication and its subsequent updates were taken into account by the Caisse Francaise de Financement local in the preparation since 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.

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 trans-actions 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 Bpifrance Assurance Export, acting on behalf of the French State. Expenses related to these guarantees are recognized prorata temporis in the net interest margin.

1.2.10 Other income

Charges which are not re-invoiced exactly up to the same amount are recognized as Other income.

1.2.11 Employee benefits

Staff expenses include all costs related to employees, particularly expenses of the period related to prof-it-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 con-tract 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 Meth-od, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation.

The defined benefit net liability recognized in the balance sheet is valued by independent actuaries and represents the present value of defined benefit obligations reduced by the fair value of plan assets (if any).

Re-measurements of defined benefit net liability (or asset) and the fair value of its covering assets is subject to adjustments due to changes in actuarial assumptions, which results in revaluating the liability (or asset) recognized under defined contribution plans. Actuarial gains and losses resulting from these adjustments are recognized according the "corridor" method. Under this method, SFIL is allowed to recognize, over the average remaining service lives of employees, only the portion of actuarial gains and losses that exceeds the corridor. The corridor is the greatest of the following two amounts: 10% of the present value of the gross defined benefit plans or 10% of the fair value of plan assets at previous re-porting 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 develop-ment 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).

1.2.16 Identity of the parent company consolidating the accounts of SFIL as of December 31, 2022

Groupe Caisse des Dépôts

56 rue de Lille

75007 Paris

Note 2 Notes to the assets *(EUR millions)*

2.1 Central banks

	12/31/2021	12/31/2022
Mandatory reserve	-	-
Other deposits	165	161
TOTAL	**165**	**161**

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
-	-	-	50	24	-	75

2.2.3 Analysis by listed securities and other securities excluding accrued interest

	Net amount as of 12/31/2021	Gross amount as of 12/31/2022	Impairment as of 12/31/2022	Net amount as of 12/31/2022	Unrealized capital gain or loss as of 12/31/2022(2)
Listed securities(1)	22	75	-	75	(1)
Other securities	-	-	-	-	-
TOTAL	**22**	**75**	**-**	**75**	**(1)**

(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 12/31/2021	Gross amount as of 12/31/2022	Acquisitions, increase	Amortization, redemption or disposals	Others	Foreign exchange variation	Impairment as of 12/31/2022	Net amount as of 12/31/2022(1)	Unrealized capital gain or loss as of 12/31/2022(2)
Trading	-	-	-	-	-	-	-	-	-
Placement	22	22	1	(22)	-	-	-	-	-
Investment	-	-	75	-	-	-	-	75	(1)
TOTAL	**22**	**22**	**76**	**(22)**	**-**	**-**	**-**	**75**	**(1)**

(1) This amount includes a discount/surplus of EUR 1 million.
(2) The unrealized capital gain or loss is after swapping and corresponds to the difference between accounting value and market value.

2.3 Loans and advances to banks

2.3.1 Sight loans and advances to banks

	12/31/2021	12/31/2022
Sight accounts	10	12
Unallocated sums	-	-
TOTAL	**10**	**12**

2.3.2 Time loans and advances to banks

This item includes several loans granted to the Caisse Française de Financement Local for a total amount of EUR 6,195 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 71 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: 15

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
995	1,000	1,811	1,460	1,000	-	6,266

2.3.2.3 Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2021	Gross amount as of 12/31/2022	Impairment as of 12/31/2022	Net amount as of 12/31/2022
Loans of less than 1 year	2,687	3,000	-	3,000
Loans of more than 1 year	5,087	3,266	-	3,266
TOTAL	**7,773**	**6,266**	**-**	**6,266**

2.3.2.4 Breakdown by counterparty

	12/31/2021	12/31/2022
Export credits loans(1)	92	71
Loans to Caisse Française de Financement Local	7,682	6,195
TOTAL	**7,773**	**6,266**

(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: 36

2.4.2 Analysis by residual maturity excluding accrued interest

Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate	Total
(29)	46	425	2,905	3,065	-	6,413

2.4.3 Analysis of commitments by the counterparty's economic sector excluding accrued interest

	12/31/2021	12/31/2022
Export credits loans(1)	4,670	6,413
Other sectors	-	-
TOTAL	**4,670**	**6,413**

(1) Loans benefitting from a guarantee issued by BPI AE in the name, on behalf and under the control of the French Republic.

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2.4.4 Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2021	Gross amount as of 12/31/2022	Impairment as of 12/31/2022	Net amount as of 12/31/2022
Loans of less than 1 year	-	-	-	-
Loans of more than 1 year	4,670	6,413	-	6,413
TOTAL	**4,670**	**6,413**	**-**	**6,413**

2.4.5 Analysis of loans by category of outstanding commitments excluding accrued interest

	Net amount as of 12/31/2021	Gross amount as of 12/31/2022	Impairment as of 12/31/2022	Net amount as of 12/31/2022
Performing commitments	4,670	6,413	-	6,413
Non-performing loans	-	-	-	-
Compromised non-performing loans	-	-	-	-
TOTAL	**4,670**	**6,413**	**-**	**6,413**

2.5 Bonds and other fixed income securities

2.5.1 Accrued interest included in this item: 1

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
170	85	151	248	77	(0)	731

2.5.3 Analysis by the issuer's economic sector excluding accrued interest

	12/31/2021	12/31/2022	Unrealized capital gain or loss as of 12/31/2022(1)
Credit institutions	838	731	1
TOTAL	**838**	**731**	**1**

(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

	12/31/2021	12/31/2022	Unrealized capital gain or loss as of 12/31/2022(2)
Listed securities(1)	838	731	1
Other securities	-	-	-
TOTAL	**838**	**731**	**1**

(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 12/31/2021	Gross amount as of 12/31/2022	Increases	Decreases	Others	Impairment as of 12/31/2022	Net amount as of 12/31/2022[(1)]	Unrealized capital gain or loss as of 12/31/2022[(2)]
Trading	-	-	-	-	-	-	-	-
Placement	378	378	2	(133)	-	(0)	247	0
Investment	459	459	329	(305)	-	-	484	1
TOTAL	**838**	**838**	**331**	**(438)**	**-**	**(0)**	**731**	**1**

(1) This amount includes a discount/surplus of EUR 7 million.
(2) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

2.6 Investments in consolidated companies

Sfil holds 100% of the shares of Caisse Française de Financement Local for EUR 35 million.

2.7 Intangible assets

	Software	Internally developed assets	Construction work in progress	Total
NET CARRYING AMOUNT AS OF AU 12/31/2021	**2**	**15**	**6**	**23**
Acquisitions	1	9	5	15
Cancellations	-	-	(0)	(0)
Transfers	-	-	(5)	(5)
Sales	-	-	-	-
Depreciations and impairments	-	-	-	-
Amortizations	(1)	(11)	-	(12)
NET CARRYING AMOUNT AS OF AU 12/31/2022	**1**	**13**	**6**	**21**

2.8 Tangible assets

	Property and equipment	Construction work in progress	Total
NET CARRYING AMOUNT AS OF AU 12/31/2021	**4**	**0**	**4**
Acquisitions	1	4	4
Cancellations	-	(0)	(0)
Transfers	-	(0)	(0)
Sales	-	-	-
Depreciations and impairments	-	-	-
Amortizations	(3)	-	(3)
NET CARRYING AMOUNT AS OF AU 12/31/2022	**2**	**4**	**5**

2.9 Other assets

	12/31/2021	12/31/2022
Cash collateral granted	2,219	2,500
Other receivables	41	46
TOTAL	**2,261**	**2,545**

2.10 Accruals and other assets

	12/31/2021	12/31/2022
Deferred charges on hedging transactions	335	306
Other prepaid charges	5	6
Accrued interest not yet due on hedging transactions	287	313
Other accounts receivable on hedging transactions	3	139
Other deferred income	14	47
TOTAL	**644**	**811**

2.11 Breakdown of assets by currency

Analysis by original currency	Amount in original currency as of 12/31/2021	Amount in euros as of 12/31/2021	Amount in original currency as of 12/31/2022	Amount in euros as of 12/31/2022
EUR	12,474	12,474	13,115	13,115
CHF	6	6	6	7
GBP	87	104	148	167
NOK	-	-	-	-
SEK	0	0	0	0
USD	4,398	3,867	4,098	3,838
AUD	-	-	-	-
CAD	1	1	1	1
HKD	-	-	-	-
JPY	-	-	-	-
TOTAL	**-**	**16,452**	**-**	**17,127**

Note 3 Notes to the liabilities *(EUR millions)*

3.1 Due to banks

3.1.1 Accrued interest included in this item: 37

3.1.2 Due to banks

	12/31/2021	12/31/2022
Sight accounts	-	-
Current account	-	-
Term borrowing	4,960	6,658
Unallocated sums	-	-
TOTAL	**4,960**	**6,658**

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	12/31/2022
Sight	-	-	-	-	-	-	-
Term	145	46	456	2,964	3,047	-	6,658
TOTAL	**0**	**0**	**456**	**2,964**	**3,047**	**-**	**6,467**

3.1.4 Analysis of term borrowing by counterparty excluding accrued interest

	12/31/2021	12/31/2022
Caisse des Dépôts et Consignations	-	-
Caisse Française de Financement Local	4,960	6,658
La Banque Postale	-	-
TOTAL	**4,960**	**6,658**

(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: 28

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 to5 years	More than 5 years	Indeterminate	12/31/2022
Certificates of deposit	220	573	55	-	-	-	848
EMTN	-	-	1,170	3,930	3,497	-	8,597
TOTAL	**220**	**573**	**1,225**	**3,930**	**3,497**	**-**	**9,444**
Of which net issue premiums	-	-	*(1)*	*(6)*	*(3)*	-	*(10)*

3.2.3 Changes during the year excluding accrued interest

	12/31/2021	Increases	Decreases	Translation adjustments	12/31/2022
Certificates of deposit	797	848	(797)	-	848
EMTN	9,269	1,508	(2,308)	128	8,597
TOTAL	**10,066**	**2,355**	**(3,105)**	**128**	**9,444**

3.3 Other liabilities

	12/31/2021	12/31/2022
Cash collateral received	623	83
Taxes	2	2
Other payables	39	41
TOTAL	**663**	**126**

3.4 Accruals and other liabilities

	12/31/2021	12/31/2022
Deferred income on hedging transactions	140	127
Accrued interest not yet due on hedging transactions	239	311
Other accounts payable on hedging transactions	-	-
Other accrued charges	38	58
TOTAL	**416**	**496**

3.5 Provisions for risks and charges

	12/31/2021	Increases	Decreases	Foreign exchange variation	12/31/2022
Provisions on pensions on credit and engagement[1]	17	6	-	-	23
Provisions on financial instruments	0	-	-	-	0
Provisions on pensions	7	3	(2)	-	7
TOTAL	**24**	**9**	**(2)**	**-**	**30**

(1) As a reminder, in the context of the Covid-19 health crisis, Sfil had decided in 2020 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. This approach was maintained throughout 2021 and the provision associated with the cruise sector was EUR 16 million at December 31, 2021. In 2022, Sfil decided to increase these collective provisions for some of its customers by EUR 6 million. Thus, the impairment associated with the cruise sector recorded on the watchlist was EUR 22 million at December 31, 2022 (see Note 8).

3.6 Equity

	12/31/2021	12/31/2022
Share capital	130	130
Legal reserve	7	9
Retained earnings (+/-)	96	88
Net income (+/-)	52	81
TOTAL	**284**	**308**

Sfil's share capital totaled EUR 130 million, comprising 9,285,725 shares with a face value of EUR 14.

The Ordinary Shareholders' Meeting of May 25, 2022 decided to allocate all of the 2021 income (EUR 52 million) to the legal and general reserves. The Extraordinary Shareholders' Meeting of December 14, 2022 decided to make a distribution from reserves in the amount of EUR 6.18 per share, *i.e.* EUR 57 million. After taking into account this distribution, the legal and general reserves represent EUR 97 million.

3.7 Breakdown of liabilities by currency

	Amount in original currency as of 12/31/2021	Amount in euros as of 12/31/2021	Amount in original currency as of 12/31/2022	Amount in euros as of 12/31/2022
EUR	12,474	12,474	13,115	13,115
CHF	6	6	6	7
GBP	87	104	148	167
NOK	-	-	-	-
SEK	0	0	0	0
USD	4,398	3,867	4,098	3,838
AUD	-	-	-	-
CAD	1	1	1	1
HKD	-	-	-	-
JPY	-	-	-	-
TOTAL		**16,452**		**17,127**

3.8 Transactions with related parties

	Consolidated entity Caffil(1)		Parent Company(2)		Other related parties(3)	
Analysis by nature	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022
ASSETS						
Loans and advances to banks	7,677	6,210	-	-	-	-
Bonds and other fixed income securities	-	-	114	66	65	65
Investments in consolidated companies	35	35	-	-	-	-
Other assets	28	24	-	-	1	2
Accruals and other assets	224	248	1	1	0	0
LIABILITIES						
Due to banks	4,962	6,695	-	-	-	-
Debt securities	-	-	-	-	12	18
Other liabilities	34	102	-	-	0	0
Accruals and other liabilities	118	137	-	-	-	-
INCOME STATEMENT						
Interest income	-	18	-	0	-	0
Interest expense	(25)	(67)	(2)	(2)	(0)	(0)
Commission income	-	-	-	-	4	5
Commission expense	-	-	-	-	(0)	(0)
Net gains (losses) on held for trading portfolio	49	54	-	-	-	-
Net gains (losses) on placement portfolio	-	-	-	-	-	(0)
Other banking income	96	102	-	-	0	0
Other banking expense	-	-	-	-	-	-
General operating expenses	-	-	-	-	-	-
OFF-BALANCE SHEET						
Interest rate derivatives	14,598	15,181	-	-	-	-
Foreign exchange derivatives	519	2,459	-	-	-	-
Financing commitments received	5,097	3,989	4,000	4,000	1,000	1,000
Financing commitments given	50	250	-	-	-	-

(1) Caisse Française de Financement Local
(2) This item includes transactions with Caisse des Dépôts et Consignations.
(3) Other related parties concern La Banque Postale and Bpifrance, subsidiaries of Caisse des Dépôts et Consignations.

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Note 4 Notes to the off-balance sheet items *(EUR millions)*

4.1 Commitments granted

	12/31/2021	12/31/2022
Financing commitments granted to credit institutions(1)	59	250
Financing commitments granted to customers(2)	5,087	3,989
Other guarantees given to banks(3)	10,059	10,678
Other commitments given, assets assigned in guarantee(4)	4	5
TOTAL	**15,208**	**14,922**

(1) This amount corresponds to commitments given by Sfil to Caisse Française de Financement Local.
(2) This amount corresponds to commitments given by Sfil in connection with its export credit activity
(3) This amount corresponds to the sell-back, to the benefit of Caisse Française de Financement Local, of guarantees received from export credit activity.
(4) This amount corresponds to irrevocable payment commitments given to the Single Resolution Fund.

4.2 Commitments received

	12/31/2021	12/31/2022
Financing commitments received from credit institutions(1)	10,097	8,989
Guarantees received from banks(2)	10,071	10,689
Other commitments received	-	-
TOTAL	**20,168**	**19,678**

(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. Regarding CDC's financing 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.
(2) Credit insurances issued by BPI AE on behalf of the French Republic and received by Sfil for the financing of large export credits.

4.3 Foreign currency transactions and commitments on interest rate derivatives

4.3.1 Foreign currency transactions

Cash and forward foreign exchange transactions are recorded at their value in foreign currencies translated at the exchange rate at the end of the period.

The items Currencies to receive and Currencies to deliver are composed of long currency swaps with intermediate payment flows corresponding to hedging transactions.

	12/31/2021	12/31/2022	Fair value as of 12/31/2022
Currencies to receive	4,295	4,566	(57)
Currencies to deliver	4,292	4,426	(67)
TOTAL	**8,587**	**8,992**	**(124)**

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	Total
Unconditional transactions	460	635	1,201	10,859	25,367	-	38,522
of which deferred start	-	-	-	-	*80*	-	*80*

4.3.2.2 Analysis of interest rate transactions by product type

	12/31/2021	12/31/2022
Interest rate swaps	36,916	38,522
Term contracts	-	-
Interest rate options	-	-
TOTAL	**36,916**	**38,522**

4.3.2.3 Analysis of interest rate transactions by counterparty

	12/31/2021	12/31/2022
Caisse Française de Financement Local	14,598	15,181
Other related parties	-	-
Other counterparties	22,318	23,341
TOTAL	**36,916**	**38,522**

4.3.3 Analysis of interest rate and foreign currency transactions by type of transaction

Type of transaction	12/31/2021	Micro-hedge	Isolated open position	12/31/2022	Fair value as of 12/31/2022
Foreign currency transactions – to receive	4,295	2,668	779	3,447	(57)
Foreign currency transactions – to deliver	4,292	2,746	561	3,307	(67)
Interest rate swaps	36,916	23,341	15,181	38,522	(722)
TOTAL	**45,503**	**28,756**	**16,521**	**45,277**	**(846)**

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

5.1 Interest and related income/expense

	2021	2022
INTEREST AND RELATED INCOME	**49**	**167**
Loans and advances to banks	(1)	34
Loans and advances to customers	48	125
Bonds and other fixed income securities	3	7
Macro-hedge transactions	-	2
Other commitments	-	-
INTEREST AND RELATED EXPENSE	**(38)**	**(151)**
Due to banks	(45)	(99)
Due to clients	(18)	(23)
Bonds and other fixed income securities	26	(27)
Macro-hedge transactions	-	(2)
Other commitments	-	-
INTEREST MARGIN	**12**	**16**

5.2 Income from variable income securities

This item records the amount of dividend paid by Caisse Française de Financement Local to Sfil.

5.3 Commissions received and paid

	2021	2022
Commissions received[1]	4	5
Commissions paid	(0)	(1)
TOTAL	**4**	**4**

(1) This concerns mainly servicing commission received from La Banque Postale

5.4 Net gains or losses on trading portfolio

	2021	2022
Provision on financial instruments[1]	3	0
Foreign exchange income	0	(0)
TOTAL	**3**	**0**

(1) As a reminder in 2021, these were 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.

5.5 Gains or losses on portfolio transactions

	2021	2022
Losses on placement portfolio	-	(0)
Gains on placement portfolio	0	-
TOTAL	**0**	**(0)**

5.6 Other income and expense

	2021	2022
Other income	0	0
Rebilled expense[1]	96	102
Other expense	(0)	(0)
TOTAL	**97**	**102**

(1) This item includes expenses billed to Caisse Française de Financement Local.

5.7 General operating expenses

	2021	2022
Payroll expense	(33)	(33)
Social security taxes	(18)	(18)
Taxes	(8)	(9)
Other general operating expense	(34)	(42)
TOTAL	**(93)**	**(103)**

5.8 Cost of risk

	2021	2022
Collective and specific impairments[1]	(1)	(6)
TOTAL	**(1)**	**(6)**

(1) As a reminder, in the context of the Covid-19 health crisis, Sfil had decided in 2020 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. This approach was maintained throughout 2021 and the provision associated with the cruise sector was EUR 16 million at December 31, 2021. In 2022, given the continuation of the Covid-19 health crisis, Sfil decided to increase these collective provisions for some of its customers by EUR 6 million (see note 8).

5.9 Income tax

	2021	2022
Current income tax[1]	(3)	(3)
TOTAL	**(3)**	**(3)**

(1) The tax rate applicable in France for the financial year ended December 31, 2021 was 28.41%. It decreased to 25.83% for financial years ended December 31, 2022.

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	2021	2022
Executive Committee	3	2
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	2021	2022
Executive Committee	-	-
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 (2022)	Profit or loss of last year (2022)	Percentage of capital held	Carrying amount of shares held[1]	Dividends received by Sfil during the year	Loans and ad vances 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	-	216	88	100%	35	85	6,195	-	*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)*

At December 31, 2022, the impacts associated with the Covid-19 health crisis on Sfil Group's financial statements prepared in accordance with French GAAP remained very limited.

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. As a reminder, Sfil has been involved in all French export credit financing transactions concluded since 2016. Within this context, Sfil had 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 consisted of deferring the repayment of the principal amount of the credits.

At the same time, as a reminder, Sfil had 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 throughout 2021 and the provision associated with the cruise sector was EUR 16 million at December 31, 2021. In 2022, given the continuation of the Covid-19 health crisis, Sfil decided to increase these collective provisions for some of its customers by EUR 6 million. Thus, the provisions associated with the cruise sector recorded on the watchlist was EUR 22 million at December 31, 2022.

Note 9 Impact of the war in Ukraine on the financial statements of the Company *(EUR millions)*

The foreseeable impacts to date related to the war situation in Ukraine are very limited for the Sfil Group. As a reminder, the Sfil Group does not have any offices outside France. Moreover, the Group does not have any exposure in Russia or Belarus and has only one exposure in Ukraine, which as of December 31, 2022 represented balance sheet outstandings of EUR 59 million (almost fully drawn down). 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.

Note 10 Post-closing events

No significant event that influences the Company's financial situation has occurred since the December 31, 2022 closing date.

4.3 Statutory Auditors' report on the financial statements

For the year ended December 31, 2022

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, 2022.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2022 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the 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, 2022 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you 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 2022, loans and advances to customers amounted to €6.4 billion and financing commitments granted to customers (off-balance sheet) amounted to €4 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 €23.1 million as at December 31, 2022. The Covid-19 pandemic, the conflict in Ukraine, the hike in interest rates and the high level of inflation in the euro zone are destabilizing the economic environment in Europe and around the world, which is affecting the repayment capacity of borrowers, in particular the cruise lines sector. Given the significant judgement required in determining these collective provisions, we considered that their assessment at 31 December 2022 constituted a key audit matter, in particular in the context of an instable economic environment, 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 assumptions 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; • Wstimate the main assumptions involved in the recovery scenarios; • 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", 8 "Impacts of the Covid-19 health crisis on the Company's financial statements" and 9 "Impacts of the war in Ukraine 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.

Other informations

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.

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, 2022, we were in our 3rd 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 29, 2023

Neuilly-sur-Seine, March 29, 2023

The Statutory Auditors

French original signed by

KPMG S.A.
Jean-François Dandé
Partner

PricewaterhouseCoopers Audit
Ridha Ben Chamek
Partner

Energy renovation of a school complex

Beneficiary
Municipality of Poitiers

Region
Nouvelle-Aquitaine

General information

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5.1 Legal and administrative information

Corporate name

Sfil

Acronym

Sfil

Registered office

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 32 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.

Distribution of profits under the by-laws (article 34 of the by-laws)

Each financial 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 financial 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.

The distributable profit, after deduction of any sums that the Shareholders' Meeting deems appropriate to allocate to any reserve funds or to carry forward, is distributed among the shareholders in proportion to their shareholding in the company.

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 meeting notice.

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 meeting notice shall recall the date of the first one and reproduces its agenda.

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 meeting notice.

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.

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.

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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.*

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, March 29, 2023

Philippe Mills

Chief Executive Officer

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More information on sfil.fr

Headquarter
1-3 rue du Passeur de Boulogne
92130 Issy-les-Moulineaux - France

French limited company (Société anonyme)
with shared capital of EUR 130,000,150
Nanterre Trade and Companies Register no. 428 782 585