Annual financial report 2023

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This annual financial report is intended to describe the Issuer's activity in 2023, in accordance the provisions of article L. 451-2 of the French Monetary and Financial Code, and article 222-3 of the General Regulation of the French Financial Markets Authority (Autorité des marchés). It is filed with the AMF in accordance with the terms and conditions provided for the general regulation, and is available on the issuer's website.

The annual financial report is a copy of the official French version of the Annual Report which has been prepared in XHTML format and is available on the Issuer's website.

This document is a free translation into English of the annual financial report issued and is available on the website of the Issuer.

Interview with the Chief Executive Officer

Philippe MILLS
Chief Executive Officer of Sfil

2023 was marked by a disrupted economic and geopolitical environment. How did Sfil perform?

Philippe MILLS. In 2023, which marked our 10th anniversary, our bank reached an unprecedented level of activity. We achieved EUR 9.3 billion in loan production, more than half our average performance over the last seven years.

Despite a particularly unstable geopolitical context and a volatile financial environment, Sfil once again demonstrated the strength of its public development bank model and the relevance of its purpose: to finance a sustainable future.

Since our creation in 2013, we have financed more than EUR 64 billion in regional development loans.

Without the commitment of our employees, this success would not have been possible. I would also like to warmly thank our reference shareholder, Caisse des Dépôts, our directors, our partners La Banque Postale and Banque des Territoires and all the banks that support us for our bond issues and with which we cooperate on exports.

For the first time since it started, refinancing of large export credits exceeds local public sector lending. What are your views on this trajectory?

P.M. In 2023, our export credit activity was remarkable. I knew that this success was possible and desirable! For the first time in our history, this sector represented more than half of our activity (54% to be precise).

In 2023, Sfil concluded six transactions for a total amount of EUR 5 billion, enabling the conclusion of EUR 7.3 billion in export contracts, involving ten exporters, five of whom benefited for the first time from the financing scheme of Sfil. All of these are records.

These excellent results also demonstrated our continued commitment to sustainability. Indeed, four of the six projects financed contribute to Sustainable Development Goals 7 (Affordable and clean energy), 9 (Industry, Innovation and Infrastructure) and 11 (Sustainable Cities and Communities), in the beneficiary countries. A particularly emblematic project is the Abidjan Metro Line 1, which was crowned "Deal of the Year Africa" at the TXF Global Forum in June 2023. Sfil also contributed to the project led by Vinci Énergies with Senelec to reinforce the electricity grid in Senegal. A project perfectly in line with target 1 of SDG 7 "Universal access to modern energy".

How do you analyze the lending activity to the French local public sector?

P.M. Local public sector lending amounted to EUR 4.3 billion in 2023 (up 4.9% compared to 2022). This is the 5th best year in our history. However, this honorable performance is contrasted depending on the type of borrower. Loans to local authorities increased by 15% to EUR 4 billion, despite an economic context that slowed down investment decisions. In contrast, loans to hospitals fell by 48% to EUR 0.3 billion. This decline was mainly due to the delay in major hospital projects following the sharp increase in the cost of construction, making it necessary to redefine the planned financial budgets.

Other causes for satisfaction in terms of local financing are the reasoned development of our partnership with Banque des Territoires, with nearly EUR 0.2 billion originated. We target future production of EUR 0.5 billion

> "In 2023, our export credit activity was exceptional."

> ## A record level of activity for 10 years

with Banque des Territoires. Another very important element for us in connection with our action in favor of the transition and in support of regional cohesion in France: the new increase in green and social loans. In 2023, these represented 43% of loans granted to the French local public sector compared to 37% last year and 27% in 2021. This positive development was mainly driven by the dynamism of social loans to local authorities with more than EUR 0.6 billion realized, or 14% of our production.

How did Sfil perform from a financial perspective?

P.M. In 2023, Sfil once again was a particularly resilient force for stability, in a disrupted context as mentioned above. Our recurring net income of EUR 65 million (+4.8% compared to 2022) illustrated the relevance of our model.

In addition, our risk metrics were at an all-time low, reflecting the excellent credit quality of our portfolio and the quality of our analysis methods.

In 2023, the Sfil Group issued EUR 6.6 billion in long-term debt with an average maturity of seven years. This illustrates our excellent credit standing, which allows us to offer our local public sector and export clients, regardless of the interest rate environment, financing conditions on long maturities at a competitive cost.

Finally, Sfil's financial strength was also confirmed by excellent ratings, all in line with France's sovereign ratings, reflecting the strategic importance of our public policy mission and our proximity to the French State.

What is the outlook for 2024?

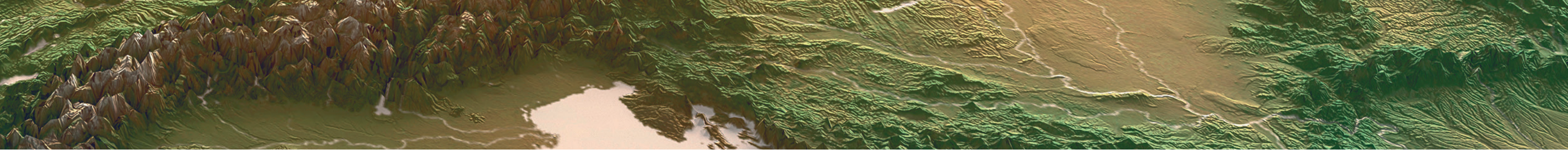
P.M. Despite geopolitical tensions and persistent macroeconomic uncertainties, our strategic positioning as a public development bank offers us great opportunities for 2024 and the coming years, as part of our commitment to the climate transition, while continuing to ensure excellent control of all our risks.

For the coming years, we want to further strengthen our social and environmental impact. In order to achieve these objectives, Sfil will mobilize EUR 17.5 billion in green loans over the period 2024-2030, via its two export credit and local public sector activities, in favor of the ecological and energy transition. In addition, also over the 2024-2030 period, in order to also support our customers on the societal challenges they are faced with, EUR 12 billion will be dedicated to the financing of public hospitals and the social investments of French local authorities.

In a world where changes are accelerating, we are levelling up our innovation capacity. More specifically, we will accelerate our partnership with Banque des Territoires; we will expand our scope of activities if the European authorities decide to allow us to do so, and we are mobilized to achieve this, by continuing the internal transformation momentum that has characterized our journey from the beginning. Our stated objective: maintain our leading position in our two main activities.

In conclusion, 2024 promises to be full of challenges and opportunities. We are ready to seize them with confidence, while remaining true to our commitment to a sustainable future serving the regions and large companies.

> ## Great opportunities for 2024 and the coming years, as part of our climate transition.



Sfil Group

Already 10 years supporting regional growth

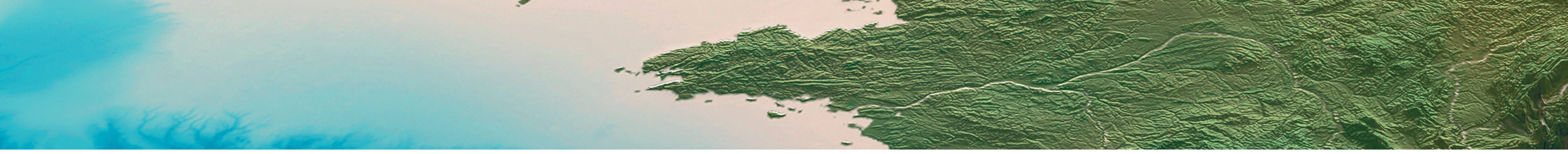
A vision

Financing a sustainable future through a long-term and responsible support to regional development and large exporters

Two public policy missions, serving economic recovery and environmental transition

Long-term financing of local governments and public hospitals in France

Long-term financing of French large export contracts



A powerful financing capacity serving the regions

Two efficient financing instruments

Sfil, a SSA issuer

Caffil, an ECB Premium-labelled covered bond issuer

An exceptional funding capacity

A recognized issuer

Issues awarded internationally

Best Green Covered Bond Issuer
CMD Portal Awards 2023

Best Green Bond – Asset Based & Covered Bonds
Environmental Finance 2023

Excellent standing

High ratings reflecting strong ties with the French Republic

	MOODY'S	S&P	DBRS
République Française	Aa2	AA	AA High
Caisse des Dépôts	Aa2	AA	Non noté
Sfil	Aa2	AA	AA High
Caffil	Aaa	AA+	AAA

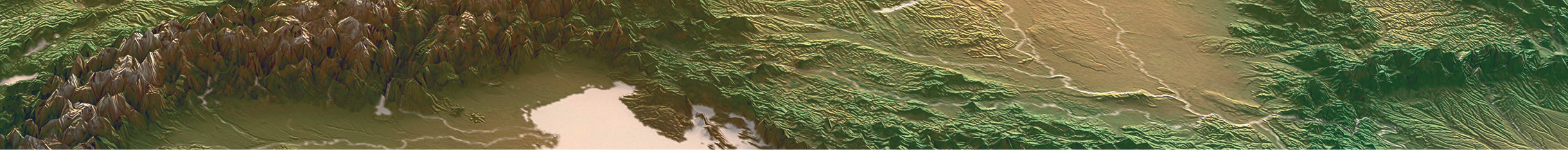
Excellent ESG ratings

For Sfil:

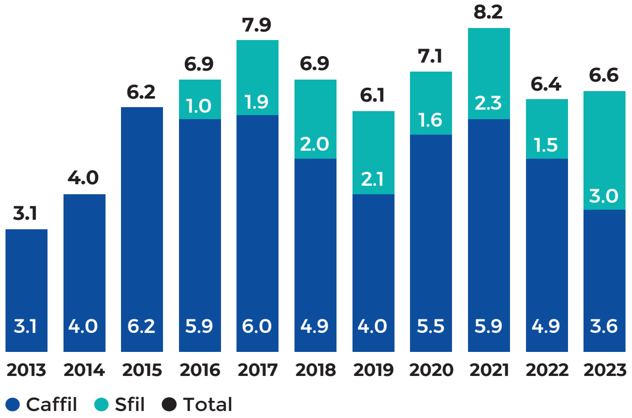
ESG REGIONAL TOP RATED 2023 (Sustainalytics)
ESG INDUSTRY TOP RATED 2023 (Sustainalytics)
ESG GLOBAL 50 TOP RATED 2023 (Sustainalytics)

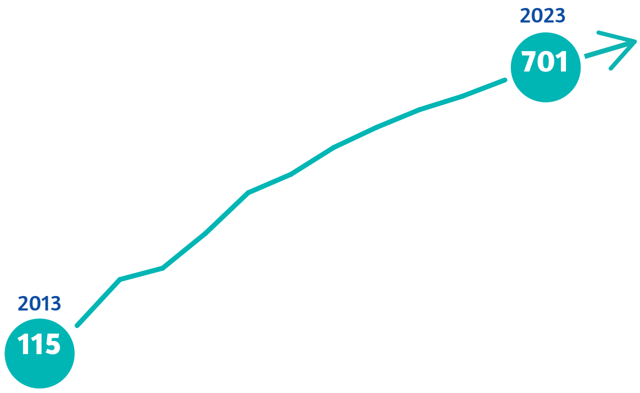
For Caffil:

Corporate ESG Performance
Prime C+
RATED BY ISS ESG



Bond issues since 2013: EUR 69 billion of long-term financing raised





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

One objective: to support the environmental transition and the social cohesion of the regions

New sustainable emissions program

To finance the green and social investments of local authorities and exporters

Social and health issue program

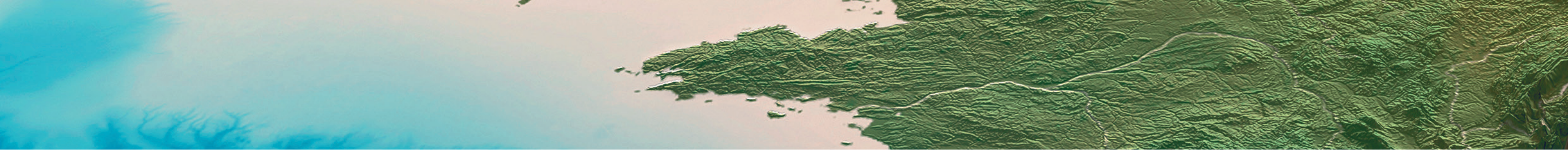
To finance investments in public hospitals

Achievements

2023 :
1 green issue
EUR 0.8 billion

and
1 social issue
EUR 0.5 billion

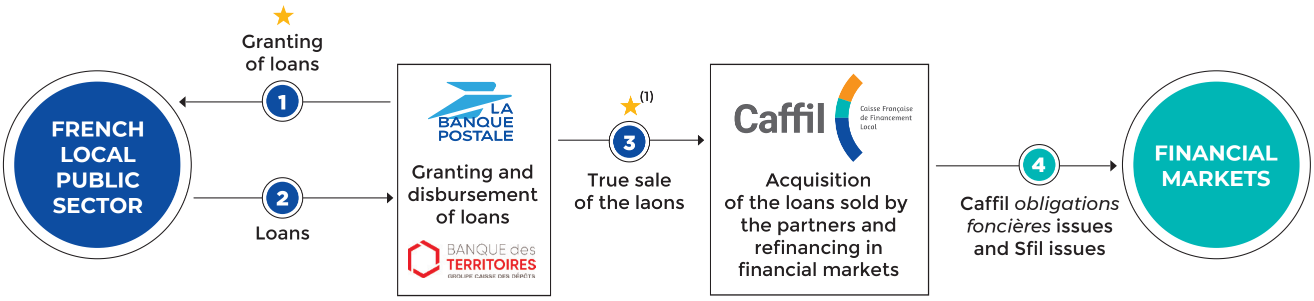
EUR 7 billion
in thematic bonds
issued since 2019



Leader in its two main markets

The leading local public sector financier in France in partnership with La Banque Postale and Banque des Territoires

The Sfil Group refinances medium- and long-term loans marketed by its partners La Banque Postale and Banque des Territoires to local authorities and public health institutions. These loans are refinanced by bond issues aimed at institutional investors.



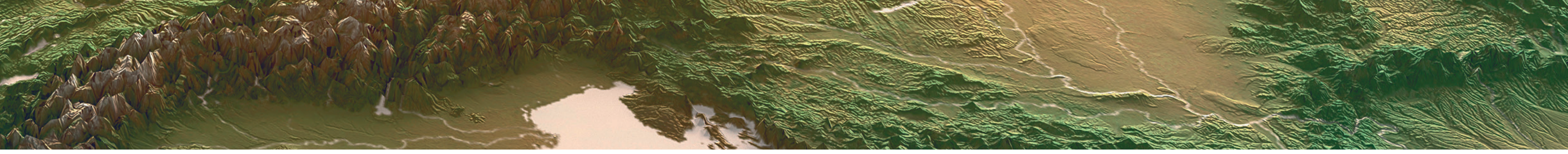
★ *Caffil's credit decision-making process*

[(1)] *Only in the case of the partnership with La Banque Postale*

A commitment to the France Relance Plan and the Green Fund

An **offer of green loans**, broken down into five categories for local authorities:

- Renewable energies
- Sustainable water and sanitation management
- Waste management and recovery
- Soft mobility and clean transport
- Energy efficiency in construction and urban planning



An **offer of social loans**, broken down into five categories for local authorities:

- **Fire and Rescue Service**
- **Health, social and family action**
- **Education and vocational training**
- **Sport, culture and community**
- **Territorial development and cohesion**

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 to serve the needs of all our customers

Local authorities

11,394
borrowers

EUR 38.7 billion
in outstandings

EUR 0.9 billion
in green loans granted in 2023

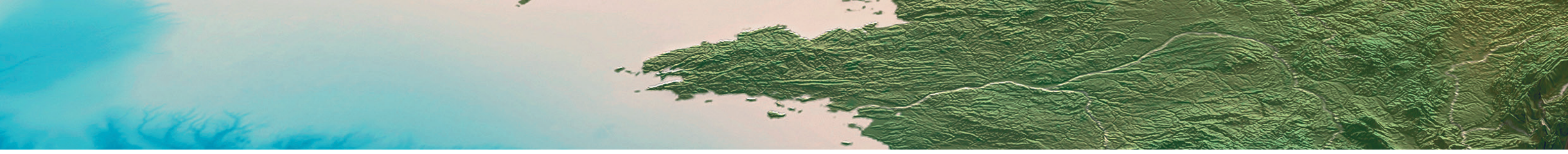
EUR 0.6 billion
in social loans to local authorities granted in 2023

Public hospitals & medico-social sector

735
borrowers

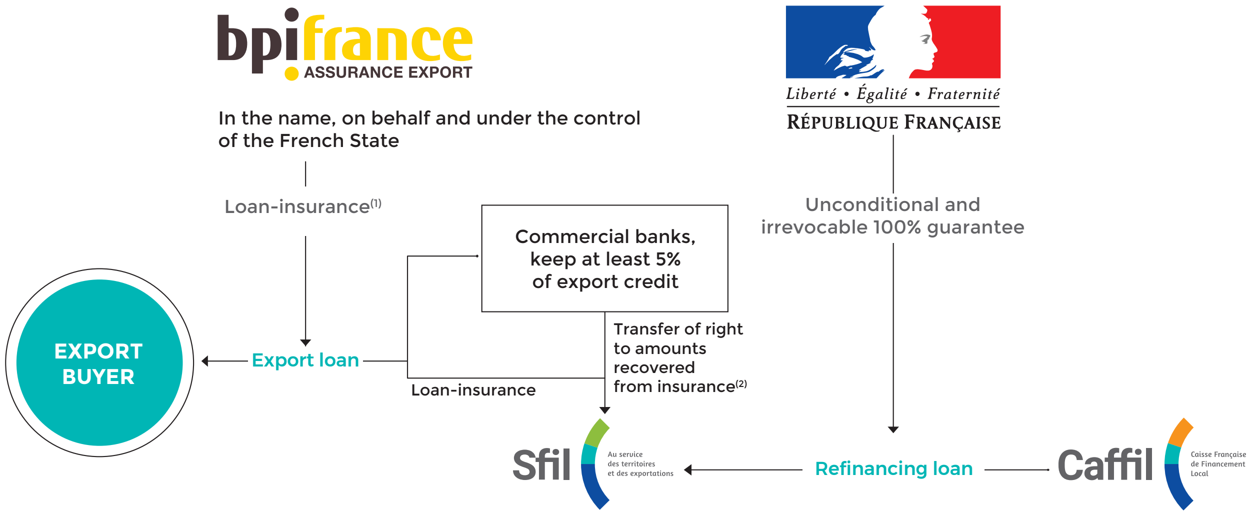
EUR 6.1 billion
in outstandings

EUR 0.3 billion
in loans to hospitals granted in 2023



The leading provider of liquidity in the export credit market

The Sfil Group refinances large export contracts, with the aim of improving the competitiveness of financing associated with French exports. These large export credits are refinanced by bond issues designed for institutional investors.



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

Overview of the export credit activity

Long loans

with maturities of up to 20 years
and an average maturity of 15 years

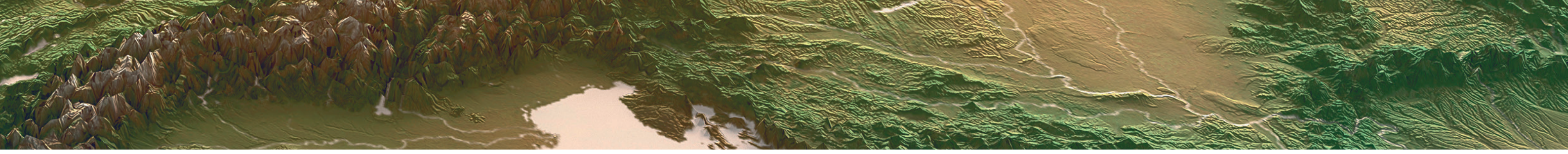
From EUR 70 million and up to several billion euros

28 transactions totaling

EUR 28 billion

16 exporters
supported on 4 continents

40% market share



Key figures

Balance sheet

EUR 69.6 billion
Balance sheet assets

EUR 63.5 billion
of bond issues

Operating result

EUR +65 millions
Recurring net income

57%
Recurring operating ratio excluding the contribution to the Single Resolution Fund

2023 activity

EUR 4.3 billion
Loans granted to the French local public sector

EUR 5.0 billion
Export credit contracts refinanced for EUR 7.3 billion

EUR 6.6 billion
Long-term debt issues

Financial structure

37.5%
CET1 ratio

301%
LCR ratio
EUR 43 billion in mobilizable assets

122%
NSFR ratio

Since 2013, **Sfil has granted over EUR 64.3 billion in financing** for the benefit of the French economy.

01

General business environment

General business environment

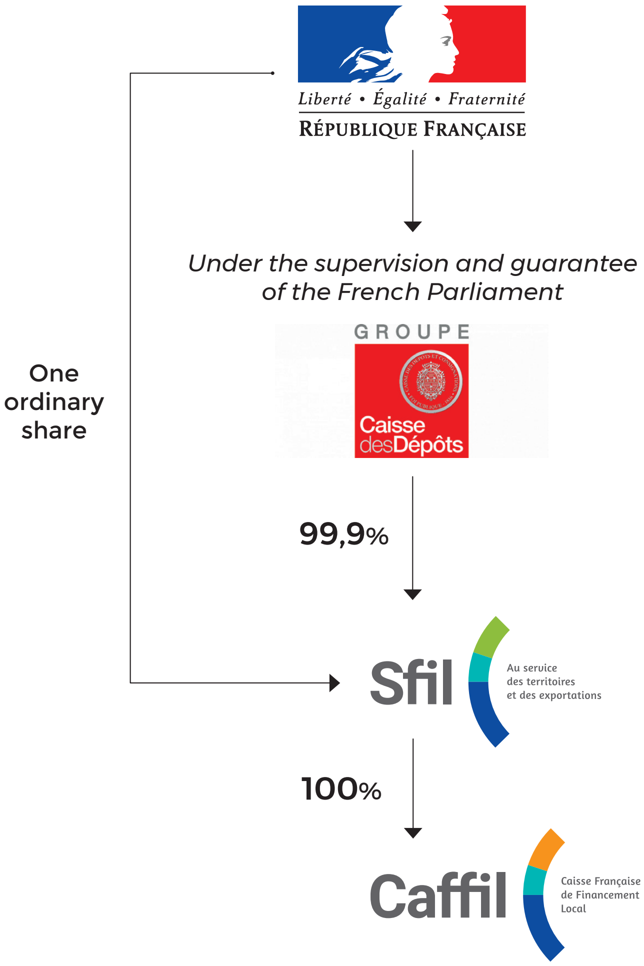
01

The *Autorité de contrôle prudentiel et de résolution*, the administrative authority responsible for the supervision of banking and insurance undertakings, authorized Sfil as a bank on January 16, 2013. Since September 30, 2020, when the French State, with the exception of one share, and La Banque Postale sold their stakes to Caisse des Dépôts, the latter has become the reference shareholder of Sfil. The French State continues to be present on the Board of Directors through a non-voting board member, given the public interest missions entrusted to Sfil.

An entirely public shareholder structure is one of the characteristics of the public development banking model. The objective of public development banks is not to maximize their profit or market share, but to carry out public policy missions entrusted to them by the public authorities (State, region or local authorities) in order to compensate for identified market failures while ensuring their own viability. Thus, Sfil is one of the key components of the financing scheme dedicated to local authorities and public hospitals set up in early 2013 following the European Commission agreement of December 28, 2012. This scheme aims to provide a sustainable response to the scarcity of long-term financing for French local authorities and public hospitals.

From 2015, Sfil was also entrusted with another key mission for refinancing large export credit contracts as part of a public refinancing scheme aimed at strengthening the competitiveness of French companies in the export market. Initially authorized by the European Commission for a period of five years, it 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* governed by articles L.513-2 *et seq.* of the French Monetary and Financial Code (*Code monétaire et financier*). Sfil is the institution that support the activities of Caffil, as specified by regulations concerning its status of *société de crédit foncier*, 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.



1.1 Local public sector lending

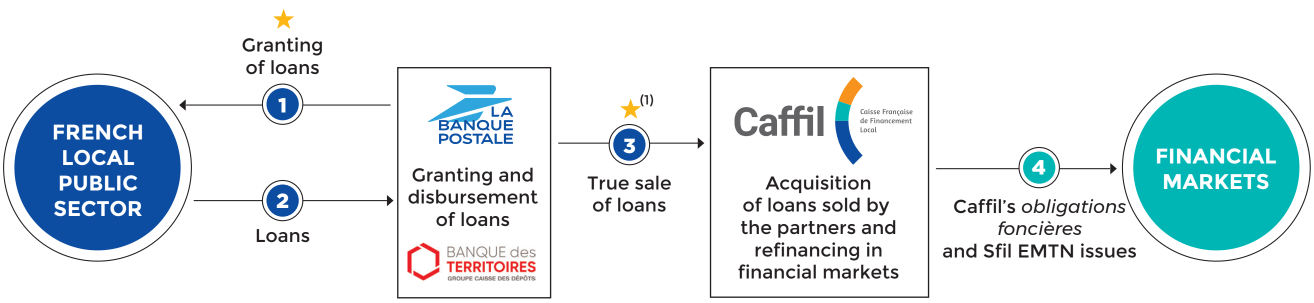
The Sfil Group, fully integrated into the Caisse des Dépôts Group, is at the heart of the system whose objective is to provide French local authorities and public hospitals with sustainable and efficient access to long-term bank financing.

In this context, Sfil finances the investments of French local authorities and public hospitals through two partnerships with La Banque Postale and Banque des Territoires signed in 2013 and 2022 respectively and which are subject to assignment agreements. These schemes share the following characteristics:

- the partners originate loans and then sell them to Caffil, the group's *société de crédit foncier;*
- the 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, as well as to public hospitals;
- deliberately simply designed, these amortizing loans, for a minimum amount of EUR 40,000, are exclusively denominated in euros and bear a fixed interest rate or a single-indexed (EURIBOR + margin) or double-phased (fixed rate then variable rate) interest rate;
- the Sfil Group finances acquired loans *by* issuing *obligations foncières* (covered bonds) and EMTNs. When these are thematic loans (*i.e.* green or social loans to local authorities or loans to public hospitals), they are financed by green, social or sustainable bonds (see 1.3 "Financing of Sfil").

These partnerships enable the Group to maintain control of its credit risk:

- before origination, the two entities involved carry out an initial analysis of the counterparty. The loans that do not meet the credit and eligibility criteria set by the Sfil Group cannot be transferred to its balance sheet. Eligibility criteria are strictly governed by internal management policies;
- in the case of the partnership with La Banque Postale, before each acquisition, a new analysis is carried out. Any loan that no longer meets the criteria may be temporarily or permanently refused before the transfer.



★ *Caffil's credit decision-making process*
(1) *Only in the case of the partnership with La Banque Postale*

More specifically, loans originated by La Banque Postale:

- have maturities mainly between 10 and 30 years;
- since mid-2019, also consist of green loans whose purpose is to finance investments by local authorities that contribute to the environmental transition and sustainability in the fields of renewable energies, sustainable water management and sanitation, waste management and recovery, soft mobility and clean transport, and energy efficiency in construction and urban planning;
- since the end of 2022, La Banque Postale has offered a range of social loans intended to finance the social investments of local authorities in the fields of health, education, sport, culture, development and regional cohesion.

The range of loans marketed by Banque des Territoires:

- cover long periods of between 25 and 40 years;
- are mainly intended for the financing of investments that contribute to the ecological transition, on green themes identical to those developed with La Banque Postale or the financing of public hospitals.

1.2 Refinancing of large export credits

The French State entrusted Sfil and Caffil with a second mission: the refinancing of large export contracts in 2015. Its objective is to improve the competitiveness of financing associated with French exports, according to a public refinancing scheme that also exists in several OECD countries, and this by leveraging on the excellent financing capacities of the Group on the international financial markets.

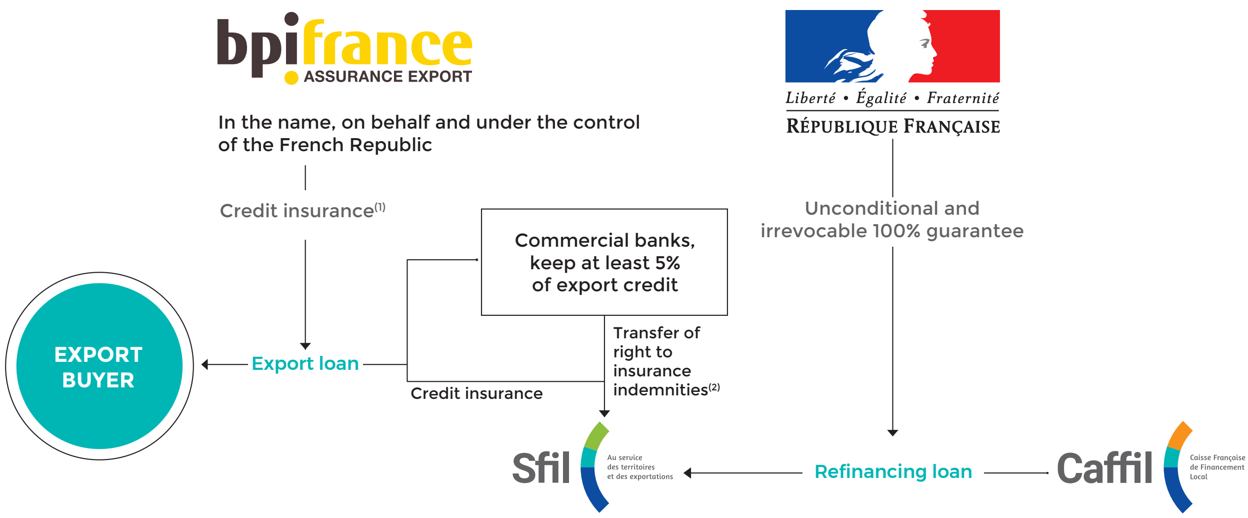
This refinancing scheme is open to all partner banks of French exporters for their loans insured by Bpifrance Assurance Export in the name and on behalf of the French Republic. In this context, Sfil organizes its relations through bilateral agreements with almost all the banks that are active in the French export credit market. Sfil may acquire a portion of the interest of each of these banks in an export credit (maximum 95% of this interest depending on the size of the transactions and the number of lenders involved in the transaction).

1.2.1 Refinancing scheme

The mechanism operates as follows:

- Sfil contributes to the financial proposal prepared by one or more banks of the banking pool granting buyer credit covered by export credit insurance granted by the French Republic (hereinafter referred to as the "State");
- once the export contract is signed, partner banks sell a part of the loans (and the attached rights) to Sfil and keep at least the share of the export credit not covered by the insurance (usually 5%);
- Caffil grants a refinancing loan to Sfil. This loan enables Sfil to match the export credit acquired to the refinancing loan granted by Caffil. This refinancing loan can benefit from an unconditional guarantee and on first demand issued by the French Republic, called an enhanced guarantee [1];
- Caffil finances these loans by issuing *obligations foncières* (covered bonds). When these export credit contracts are eligible, they are refinanced by green, social or sustainable bonds (see 1.3 "Financing of Sfil").

As a part of a simplification process, the Sfil Group plans to change the terms of intervention of Caffil during 2024: in line with the practices of other *sociétés de crédit foncier*, Caffil would no longer use the enhanced guarantee mechanism for newly concluded transactions. The proposed change would not call into question the principle of exposures to public entities or those guaranteed by them in line with the regulations applicable to *sociétés de crédit foncier*.



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

(1) The enhanced guarantee was introduced by law No. 2012-1510 of December 29, 2012 and Decree No. 2013-693 of July 30, 2013. It was then amended by Decree No. 2018-1162 of December 17, 2018 relating to the granting of the French State's guarantee for transactions that are likely to contribute to the development of France's foreign trade or are of strategic interest for its overseas economy.

1.2.2 Public export guarantees

Bpifrance Assurance Export manages these guarantees, in the name, on behalf of, and under the control of the French Republic, pursuant to article L.432.2 of the French Insurance Code. They are,therefore granted directly by the French Republic to encourage, support and secure French exports financed in the medium and long term as well as French investments abroad:

- the Minister of the Economy and Finance takes the decision to grant the guarantee after examination by Bpifrance Assurance Export and the opinion from the Commission for Guarantees and Foreign Trade Credit. Bpifrance Assurance Export manages French Republic guarantees in strict compliance with the international rules of the WTO, the European Union and the OECD;
- Bpifrance Assurance Export issues insurance policies, pure and unconditional guarantees as well as enhanced guarantees, in accordance with the decision made. In this context, it is also tasked with collecting insurance and guarantee premiums, risk management, payments, and recoveries on behalf of the French Republic;
- the French Republic bears the risks associated with these guarantees. All financial flows (premiums, payments, repayments) are recorded in separate accounting entries by Bpifrance Assurance Export. Premiums and recoveries are received directly on the account of the French State, and payments are made directly from the same account, without passing through the accounts of Bpifrance Assurance Export.

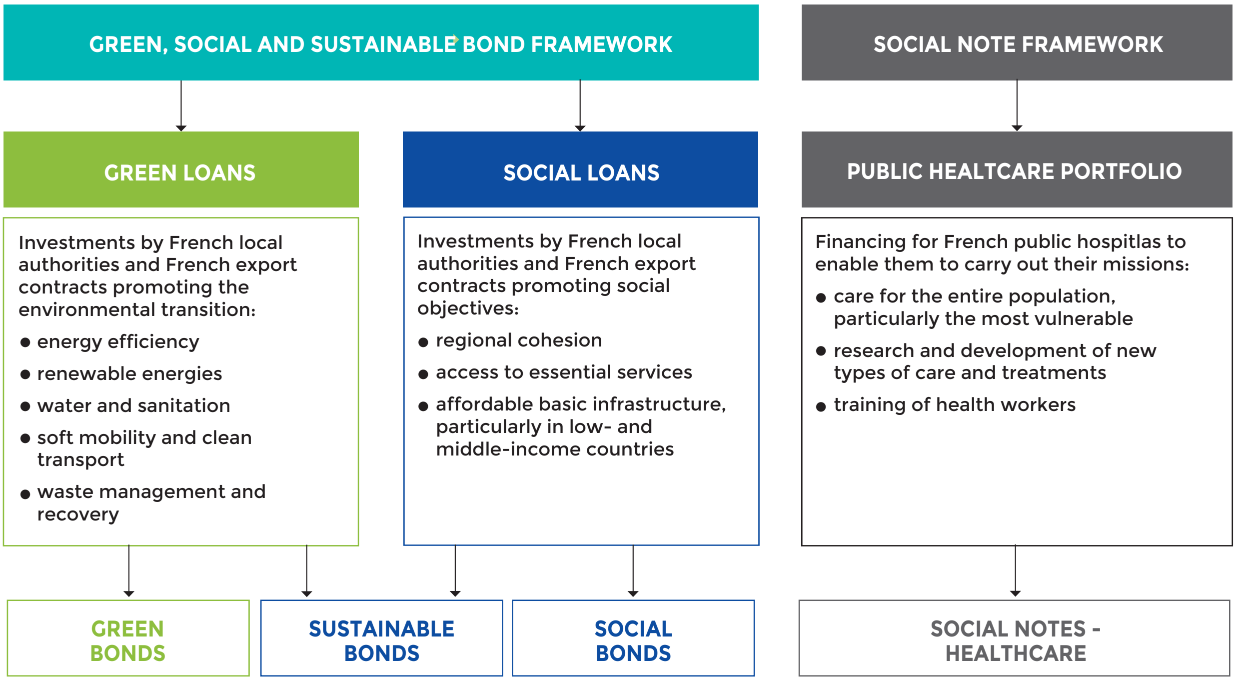
1.3 Financing of Sfil

In order to refinance its two activities, Sfil Group, *via* its subsidiary Caffil, issues *obligations foncières* (covered bonds) in the financial markets 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, as a priority, allocates the sums from the cover pool of Caffil to pay their interest and reimbursements. They carry the European Covered Bond (Premium) label. This source of funding is the main source of liquidity for the Sfil Group.

In addition to and in order notably to diversify the Group's sources of financing and investor base, Sfil itself regularly issues medium-term debt securities 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).

Lastly, in line with its sustainable development policy, in order to support its borrowers in their investments in favor of the ecological transition and social cohesion, the Sfil Group has issued green and social bonds since 2019. Two reference documents govern green, social and sustainable emissions:

- the framework for social issues intended for the health sector, set up in 2018: "Social Note Framework";
- the green, social and sustainable emissions framework in place since October 2022: "Green, Social and Sustainability Bond Framework".


GREEN, SOCIAL AND SUSTAINABLE BOND FRAMEWORK
SOCIAL NOTE FRAMEWORK
GREEN LOANS
SOCIAL LOANS
PUBLIC HEALTCARE PORTFOLIO
Investments by French local authorities and French export contracts promoting the environmental transition:
● energy efficiency
● renewable energies
● water and sanitation
● soft mobility and clean transport
● waste management and recovery
Investments by French local authorities and French export contracts promoting social objectives:
● regional cohesion
● access to essential services
● affordable basic infrastructure, particularly in low- and middle-income countries
Financing for French public hospitlas to enable them to carry out their missions:
● care for the entire population, particularly the most vulnerable
● research and development of new types of care and treatments
● training of health workers
GREEN BONDS
SUSTAINABLE BONDS
SOCIAL BONDS
SOCIAL NOTES - HEALTHCARE

02

Management report

02

2.1 2023 highlights

2.1.1 Ten years serving the regions

Sfil was created on February 1, 2013, a 100% public, French bank fully dedicated to the local public sector, with the aim of providing long-term financial support to French local authorities and public hospitals. Two years later, it started refinancing of large export projects.

In 2018, Sfil joined the United Nations Global Compact, marking its commitment to the themes of environmental transition and social cohesion. This commitment has resulted in developing ranges of green and social loans in 2019 and 2022 respectively, which aim to help French local authorities in the financing of investments that support the environmental transition and social cohesion.

Sfil joined the Caisse des Dépôts Group in 2020 and entered into a second partnership with La Banque des Territoires in 2022, in addition to the one established in 2013 with La Banque Postale. Since then, Sfil has offered local authorities and public hospitals green and social loans, covering all terms, including the longest ones.

These achievements were celebrated in February 2023 for Sfil's tenth anniversary, with all of its partners and clients. Discussions focused on both the role of finance in strategic and environmental transitions and the central role of local authorities in French territories.

Over a period of ten years, Sfil and its subsidiary Caffil have become the leading lender for the French local public sector and the leading export liquidity provider. Since its creation in 2013, Sfil has granted more than EUR 64 billion in loans, including EUR 6.6 billion in green and social loans. More specifically, through its partners, the Group has granted EUR 48.2 billion of loans to local authorities and public hospitals in France. It has also refinanced 28 export credit transactions for EUR 16.1 billion, representing a total amount of EUR 28 billion since the launch of this activity in 2015.

In December 2023, Sfil set ambitious targets for reducing the greenhouse gas emissions of its portfolios by 2030. In this context, Sfil will mobilize nearly EUR 30 billion over the period 2024-2030 to support the ecological transition and socially-related investments (see 2.8.3 "Environmental information" for more details).

In addition, in order to support Sfil in its development, a Transformation division was created in 2023. Its missions include monitoring the strategic plan, pursuing the operational excellence approach, stimulating innovation, particularly in connection with the development of artificial intelligence, and supporting the new initiatives that will result from the synergy with the ecosystem of the Caisse des Dépôts Group.

2.1.2 2023 business activity

A disrupted geopolitical context

2023 was affected by the international context with the continued war in Ukraine and the new conflict in the Middle East, which made the geopolitical uncertainties even more significant at the end of the year.

Central banks continued their monetary tightening policy for much of 2023. After an increase of 250 basis points in the second half of 2022, the European Central Bank increased its deposit rate by 200 basis points in nine months. This interest rate increase was accompanied by a reduction in asset purchases. For its part, the US Federal Reserve increased interest rates by 75 basis points during the first half of 2023. These rate increases induced volatility and an inverted yield curve that have affected the interest rate markets.

Inflation, although it remained at a high level, fell sharply during 2023, from an annual rate of nearly 9% at the beginning of the year to less than 3% at the end of the year in the euro zone, and from 6% to 3.5% in France. The same trend was observed in the United States (3.4% *p.a.* at the end of 2023 compared to 6.5% *p.a.* in December 2022).

Advanced economies, and in particular in the euro zone, experienced a marked slowdown in activity given such conditions. Demand, particularly in terms of investment, was impacted by a level of inflation and interest rates unmatched in recent periods. 2023 also saw the resurgence of traditional banking crises, affecting certain institutions with specific vulnerabilities in the United States and Europe, which were however quickly contained.

A record level of activity for Sfil

In response to these changes, Sfil fully carried out its missions in accordance with its strategic objectives by continuing to demonstrate the solidity and relevance of its public development bank model. Sfil Group thus generated an historical level more than EUR 9.3 billion of financing granted, characterized by a more marked balance between local public sector lending and refinancing of export credits. Sfil also carried out its funding program under satisfactory conditions despite the market environment that prevailed in 2023.

Recurring net income reached EUR 65 million in 2023 (+4.8% year-on-year), thanks in particular to tight control of operating expenses (+1% compared to 2022) despite the inflationary context and a cost of risk for financial assets at amortized cost (-2 basis points) illustrating the high quality of the assets in the porfolio. Furthermore, it is highlighted that the impacts of the war situation in Ukraine remain very limited for the Sfil Group, which has no exposure in Russia or Belarus. Sfil has only one exposure in Ukraine, which at December 31, 2023 represented balance sheet outstandings of EUR 46 million. This exposure is part of the refinancing of export credits guaranteed at 100% by the French Republic. Therefore, the Sfil Group has no direct exposure to credit risk on Ukraine.

Local public sector lending

In 2023, loans to French local authorities and public hospitals, grated through its partners La Banque Postale and Banque des Territoires, increased by 4.9% to EUR 4.3 billion.

With regard to local authorities and their affiliates, the year was marked, particularly in the first half of the year, by a complex macroeconomic context that has persisted since 2022 with interest rates at a persistently high level compared to the previous period of low interest rates as well as sustained inflation. This situation had an impact on operating and capital expenditure and caused some uncertainty on the evolution of income (decrease in the income from Transfer Fees [*droits de mutation à titre onéreux*] and slowdown in VAT revenue in particular). Despite this unfavorable context, Sfil and its partners granted EUR 4 billion in loans to French local authorities in 2023. Activity was mainly marked by:

- loan production strongly driven by regions (+180%) and departments (+35%) and to a lesser extent by inter-municipal grouping with own-source tax revenue (+4%) compared to 2022. These types of local authorities had a greater need for financing than the municipalities for which the financing needs remained stable;
- a gradual start of the partnership between Sfil and Banque des Territoires with EUR 195 million grated over this first full year of marketing.

A significant decline in the use of borrowing characterized 2023. This change was due, in particular, to the delay in major hospital projects given the sharp increase in the cost of construction, making it necessary to redefine the planned financial budgets, a situation exacerbated by the recruitment difficulties in this sector, which did not allow hospitals to return to a full level of activity. In this context, the amount of financing granted to this type of customer decreased to EUR 322 million compared to EUR 622 million in 2022. According to the report of the *Cour des Comptes* published in October 2023 [(1)], the financial situation of public health institutions deteriorated overall in 2022 at the end of the pandemic. The restoration of their financial capacities initiated by the Ségur Plan has not yet fully produced its effects, which may explain the difficulties in reviving the investment momentum of these players.

Supporting the ecological and energy transition and supporting regional cohesion

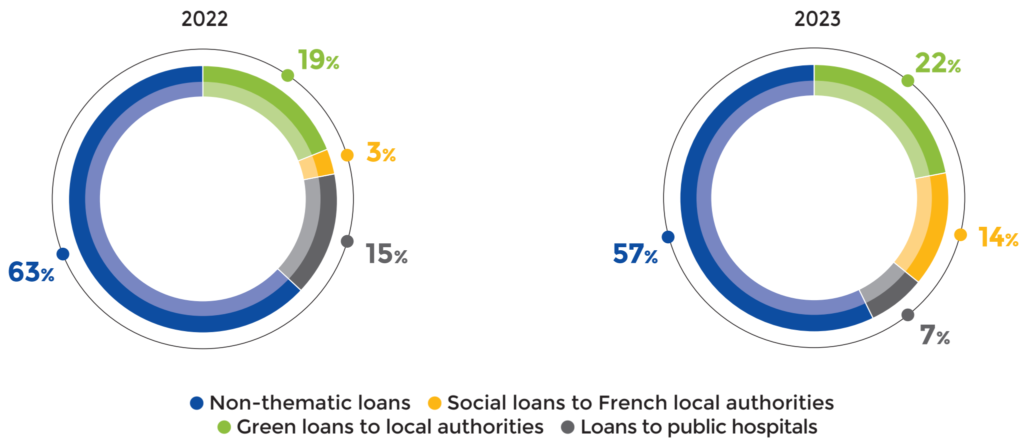
The context of inflation and uncertainty continued to constrain local authorities in their search for financing to accelerate climate action, while the Institute of the Climate Economy (I4CE) has estimated that "Climate financing" to be conducted within metropolitan local authorities needs to double each year to meet France's intermediate commitments by 2030 to achieve carbon neutrality by 2050. To finance these very significant investments, the use of borrowing seems to be an essential lever, as detailed in the new I4CE study on the various financing scenarios [(2)].

At the same time, to accelerate the ecological and energy transition in the regions and, in particular, to achieve its greenhouse gas reduction targets, in 2023, the French government created the "Green Fund" focusing specifically on three areas: energy efficiency, climate change adaptation and improvement of the living environment. Like "France Relance", this new support mechanism is intended to be a catalyst for "climate investments".

In this context, Sfil continued to support French local authorities in investments in favor of the ecological and energy transition. As a result, EUR 946 million in green loans were granted in 2023, up 22% compared to 2022.

In addition, the range of social loans for local authorities has found its place since its launch in October 2022. In 2023, the volume of social loans represented EUR 602 million, or 14% of production.

These trends reflect the growing proportion of thematic loans (green and social loans to local authorities, loans to public hospitals) in the activity. They represented 43% of the production of loans to the local public sector in 2023 compared to 37% in 2022.



(1) *Public thematic report of the Cour des Comptes (October 2023) "The financial situation of public hospitals after the health crisis".*
(2) *I4CE study of November 7, 2023: "Local authorities: How to finance the acceleration of climate investments?".*

As stated in December 2023 when announcing its 2030 targets to reduce financed emissions, Sfil will continue to support the efforts of its clients in favor of the energy and environmental transition and social cohesion by an even stronger mobilization of thematic loans over the 2024-2030 period (see 2.8.3 "Environmental information" for more details on the decarbonization of portfolios).

Consolidation of the customer relationship

In 2023, Sfil continued its institutional actions to promote its role in financing the local public sector and its thematic loan offer:

- a presentation on July 4, 2023 at a web conference organized by idealCO with I4CE for local decision-makers on the theme "The investment needs of local authorities in the ecological transition: how to meet the challenge?";
- the launch of the "Territorial Transition Observatory" on November 23, 2023 with the completion of a study by OpinionWay for Sfil, on a representative sample of the French population, presenting an overview of the expectations of French people in terms of the ecological transition and their level of satisfaction with the actions undertaken by the public authorities;
- the completion of a new study by I4CE [1] and the research department of La Banque Postale in partnership with Sfil continuing to reflect on the necessary doubling of the "climate investments" that local authorities will have to make to achieve France's climate objectives [2]. This new publication aims to identify the financing levers to be activated in order to achieve this;
- the first participation in the National Convention of Intercommunalities in October 2023 and participation in the *Salon des Maires et des Collectivités Locales* in November 2023 during which two conferences were organized (presentation of the new I4CE study mentioned above and the results of OpinionWay Observatory).

Alongside these actions, Sfil continued to roll out DIGISfil and support its borrowers in the digitization of exchanges (nearly 2,500 borrowers covering 69% of outstanding loans compared to 58% in 2022).

Refinancing of large export contracts

The global export credit market covered by ECAs (export credit agencies) experienced very strong growth in both volume and number of transactions in 2023 (respectively +67% and +36% compared to 2022). This growth was mainly due to the transport sector, the leading sector worldwide with 18% of volume and 23% of transactions (compared to 15% in volume and 19% in number of transactions in 2022). Infrastructure, the leading sector in 2022 with 17% of volume, declined in 2023 with only 7% of the total volume. Renewable energy represented around 12% of the total as in 2022, but the amounts financed in absolute value doubled from USD 11.5 billion in 2022 to USD 24 billion in 2023.

In this fast-growing environment, the average amount of transactions increased from USD 232 million to USD 320 million, while transactions above USD 500 million increased by 9% compared to 2022.

In this context, 2023 was a record year in terms of contracts signed, amounts committed and the number of exporters supported since the activity started. Six contracts were signed for EUR 5.0 billion compared to EUR 652 million in 2022 and EUR 2.2 billion in 2021, the year of the previous record. These transactions - three in Africa and three others in Asia - resulted in the conclusion of EUR 7.3 billion in export contracts involving ten exporters, five of which benefited from the Sfil scheme for the first time.

2023 also demonstrated the continued commitment of Sfil in terms of sustainability: four of the six projects financed were in the transport infrastructure and equipment sector. They thus contributed to SDG 7 "Affordable and Clean Energy", SDG 9 "Industry, Innovation and Infrastructure" and SDG 11 "Sustainable Cities and Communities". In particular, the "Abidjan Metro Line 1" operation, aimed at increasing the quantity and quality of public transport in the Ivorian capital, received the "Deal of the year Africa" award at the TXF Global export forum in June 2023. The other operations were carried out in the defence sector.

As stated in December 2023 when announcing its 2030 targets to reduce financed emissions, Sfil will continue to support the efforts of its clients in favor of the energy and environmental transition in the countries of destination by an even stronger mobilization of thematic loans over the 2024-2030 period (see 2.8.3 "Environmental information" for more details on the decarbonization of portfolios).

Bond issuance activity

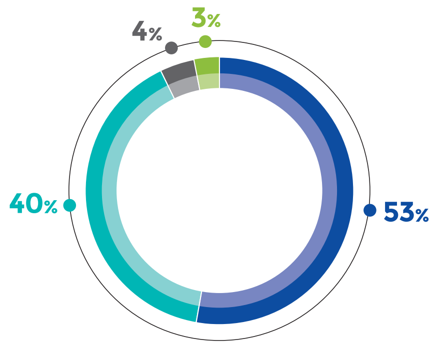
In 2023, the bond market was marked by the rapid normalization of the monetary policies of the main central banks (Federal Reserve and European Central Bank) in response to inflation, combined with a significant increase in the volumes of bond issues on the sovereign, agency and covered bond segments. This context resulted in an adaptation of the maturities issuers requested on the primary market and a generalized movement towards the consolidation of spreads against swaps, thus maintaining a good overall level of investor demand.

In 2023, the Sfil Group achieved a total volume of long-term issues of EUR 6.6 billion with:

- EUR 5.7 billion on the public primary market;
- EUR 0.4 billion *via* two matching transactions carried out on Sfil's and Caffil's existing reference lines;
- EUR 0.474 billion in the private placements segment.

The average maturity recorded for issues and private placements carried out during 2023 was seven years.

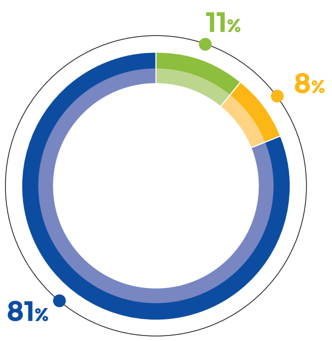
(1) I4CE study of November 7, 2023: "Local authorities: How to finance the acceleration of climate investments?".
(2) I4CE study of October 14, 2022: Local authorities: investment and engineering needs in carbon neutrality.



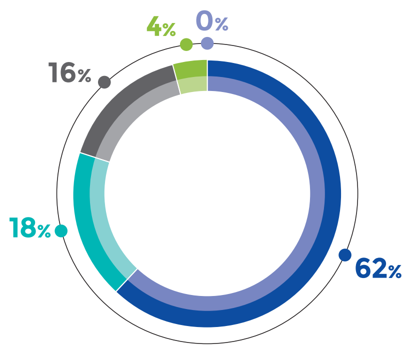
The Sfil Group carried out seven public issues *via* its two issuers, Sfil and Caffil:

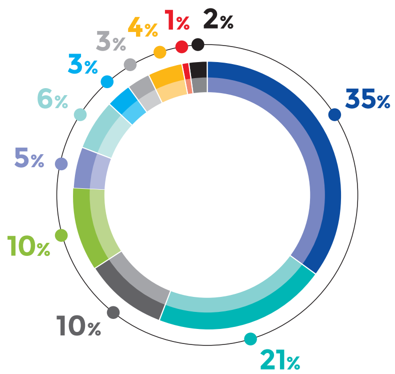
- a Sfil bond with a maturity of five years in January 2023 in the amount of EUR 1.5 billion;
- a Caffil *obligation foncière* with a maturity of seven years in January 2023 in the amount of EUR 1 billion;
- a Caffil *obligation foncière* with a maturity of nine years in March 2023 in the amount of EUR 0.75 billion;
- a Sfil bond with a maturity of seven years in April 2023 for EUR 0.75 billion;
- a Sfil dollar-denominated bond with a maturity of five years in September 2023 for USD 0.5 billion;
- a Caffil green *obligation foncière* with a maturity of five years in October 2023 in the amount of EUR 0.75 billion;
- a Caffil social *obligation foncière* with a maturity of five years in November 2023 in the amount of EUR 0.5 billion.

Sustainable bonds thus represented 19% of the financing raised in 2023 by Sfil Group in line with the strategic objective of reaching 25% by 2024.



The breakdown of public issues carried out in 2023 is presented below:





In addition, Sfil continued to use its program for issuing debt securities at less than one year (NeuCP issuance program). As of December 31, 2023, outstanding debt securities of less than one year amounted to EUR 833 million.

2.1.3 Financial ratings

The financial strength of Sfil is illustrated by its financial ratings, which were confirmed in 2023. These are all aligned with the sovereign rating of France.

	Moody's	DBRS	Standard & Poor's
Long-term rating	Aa2	AA (high)	AA
Outlook	Stable	Stable	Negative
Short-term rating	P-1	R-1 (high)	A-1+
Date of update	December 27, 2023	May 26, 2023	June 5, 2023

2.1.4 Regulatory environment

Transposition of the Basel III Agreement

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. An agreement between the European Commission, the European Parliament and the Council of the European Union was announced on June 27, 2023.

On December 6, 2023, the Board approved the inter-institutional agreement on the banking package (CRR3/CRD6). Following this agreement, the European Parliament adopted these texts (CRR3/CRD6) in the Committee on Economic and Monetary Affairs.

This agreement stipulates that, for IRBA credit models, an LGD input floor of 5% will be applied to local authorities not assimilated to their sovereign. This change has a limited impact for the Sfil Group.

Publication of extra-financial information

Directive (EU) 2022/2464 of December 14, 2022 on the publication of sustainability information by companies (CSRD directive) was transposed in France by Order No. 2023-1142 of December 6, 2023. In addition, Delegated Regulation (EU) 2023/2772 of July 31, 2023 establishing disclosure standards on sustainability (ESRS) was published on December 22, 2023. These twelve cross-sector technical standards specify the information that subject companies must publish in their management report in accordance with the CSRD directive.

As Sfil is a large company with fewer than 500 employees, the provisions of the CSRD and ESRS standards will be applicable from January 1, 2025. From this date, Sfil will also have to publish information required by Regulation (EU) 2020/852 of June 18, 2020, which introduces a framework for identifying environmentally sustainable activities (Taxonomy Regulation).

2.2 Changes in the balance sheet

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

- loans and securities;
- cash collateral paid in respect of the derivatives portfolio;
- cash assets in the form of cash deposited at the Banque de France.

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

- bond issues (*obligations foncières* and registered covered bonds issued by Caffil and bonds issued by Sfil under its EMTN program);
- the certificates of deposit issued by Sfil;
- cash collateral received;
- equity and other resources.

The main items on Sfil Group's consolidated balance sheet (management data) [1] as of December 31, 2023, are presented in the table below:

(EUR billions, equivalent value after currency swaps)

ASSETS	LIABILITIES
69.6	**69.6**
of which main balance sheet items in notional amount	of which main balance sheet items in notional amount
66.3	**66.3**
Cash assets 3.0	Bond issues 63.5
Securities 7.5	Certificates of deposit 0.8
Loans 53.7	Cash collateral received 0.1
Cash collateral 2.1	Equity 1.7
	Others 0.1

(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.*

2.2.1 Assets

The net change in Sfil Group's main assets in 2023 financial year was of EUR +2.4 billion.

This change can be analyzed as follows:

(EUR billions, equivalent value after currency swaps)	2023
Beginning of year	**63.7**
Acquisition and disbursement of loans to the local public sector and export credit	5.4
Amortization of loans and securities to the local public sector and export credit	(5.5)
Change in cash collateral	(0.4)
Change in cash investment securities	2.1
Change in cash assets	1.0
Other	(0.1)
End of year	**66.3**

In 2023, Sfil acquired EUR 3.4 billion in loans to the French local public sector originated by La Banque Postale and Banque des Territoires. The decline in acquired loans compared to 2022 (EUR 4.8 billion) was mainly due to a production in 2022 which was strongly constrained by the setting mechanism of the usury rate. The export credit activity resulted in EUR 2.0 billion of drawdowns on off-balance sheet financing commitments.

Sfil paid EUR 2.1 billion in cash collateral at the end of 2023, a decrease of EUR 0.4 billion compared to the end of 2022.

Cash and cash equivalents constituted by the balance of the Banque de France account as well as the portfolio of securities acquired to invest surplus cash increased by EUR 1.0 billion and EUR 2.1 billion respectively. At December 31, 2023, this portfolio, made up of securities from the banking sector (mainly covered bonds) and European public sector securities, represented EUR 4.0 billion.

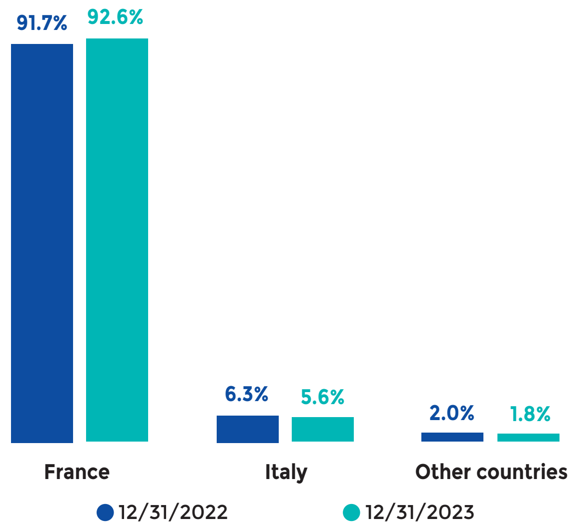
Breakdown of outstanding public sector loans and securities

The outstanding loans and securities on Sfil Group's balance sheet totaled EUR 61.2 billion, of which EUR 57.8 billion to public sector. After taking into account the granted guarantees, France was largely predominant with nearly 93% of total outstandings to the public sector in 2023.

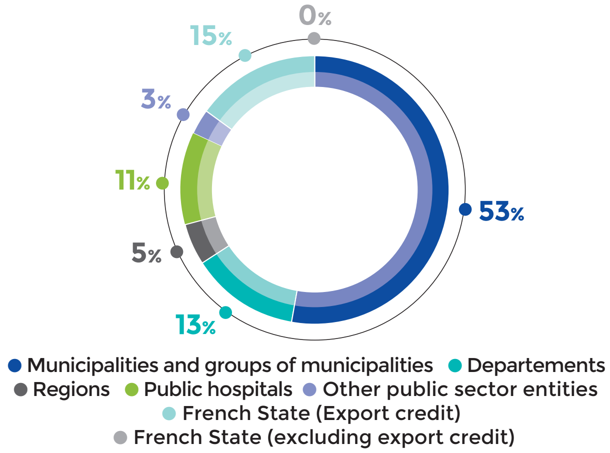
New loans are exclusively originated with the French local public sector or fully guaranteed by the latter. Outstanding loans for the export credit activity amounted to EUR 7.9 billion at the end of 2023 and represented 14% of the outstanding loans and securities on the balance sheet. Other assets with or guaranteed by the local public sector in France represented approximately 79% of the loans and securities on Sfil Group's balance sheet.

Excluding France, the two largest exposures were local authorities in Italy and sovereign exposures in Italy (less than 6%) and Switzerland (0.5%). These loans and securities, now under run-off management, correspond to granular and geographically diversified exposures to public authorities.

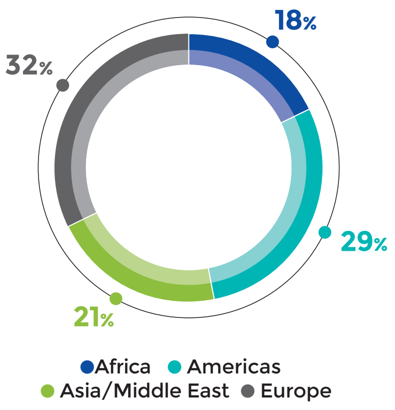
France's relative share was up compared to 2022 (92.6% compared to 91.7%).



The chart below shows the breakdown by type of counterparty of loans and securities granted to the French public sector:



For the relative share of 15% of export credit activity in 2023, the graph below shows the geographical breakdown of importers.



Exposure to banks

Four types of exposures to banks are recognized the consolidated balance sheet:

- cash assets deposited with the Banque de France, which totaled EUR 3.0 billion as of December 31, 2023;
- cash invested in bank securities (mainly covered bonds) amounting to EUR 3.3 billion, compared with EUR 1.2 billion as of December 31, 2022;
- collateral payments made in the form of cash, in the total amount of EUR 2.1 billion at December 31, 2023, to banking institutions or clearing houses to hedge the counterparty risk on the derivative portfolio;
- in a much more marginal proportion, deposits in demand bank accounts opened with credit institutions.

2.2.2 Liabilities

The net change in Sfil Group's main liabilities in 2023 financial year was EUR +2.4 billion.

This change can be analyzed as follows:

(EUR billions, equivalent value after currency swaps)	2023
Beginning of year	**63.7**
Bonds	2.3
of which new issues	6.6
of which amortization	(4.2)
of which buybacks	(0.1)
Change in outstanding certificates of deposit	(0.0)
Change in cash collateral received	0.1
Equity and other items	0.4
End of year	**66.1**

The change in outstanding bonds was related to EUR +1.8 billion for Sfil and EUR +0.5 billion for Caffil. More specifically, in 2023, the new issues of Sfil for EUR 3.0 billion offset the amortization of the stock of EUR 1.1 billion. Over the same period the new issues of covered bonds by Caffil for EUR 3.6 billion also offset the amortization of the stock of EUR 3.1 billion and the early repayment of a private placement for EUR 0.1 billion.

At December 31, 2023, 96.5% of the Group's outstanding bonds were issued in euros.

Finally, the cash collateral paid by derivative counterparties remained stable overall and reached a balance of EUR 0.1 billion at December 31, 2023.

2.3 Net income

2.3.1 Consolidated net income

The consolidated net income of Sfil, prepared in accordance with IFRS, was EUR +56 million at December 31, 2023, a 34% decrease from December 31, 2022 (EUR +86 million). This change was entirely due to non-recurring items [(1)] which represented an income of EUR 23 million in 2022 compared to an expense of EUR 9 million in 2023, as explained in the table below.

Non-recurring items are more specifically related to (i) the volatility of the valuation of the derivative portfolio for EUR 4 million, (ii) the impacts of the valuation of non-SPPI loans in application of IFRS 9 for EUR -24 million and (iii) an exceptional tax income of EUR 6 million in 2023 (see section 2.7.3 "Management of the main risks" and more specifically the sub-section dealing with legal and tax risk).

	12/31/2022					12/31/2023				
	Accounting income	Restated non-recurring items			Recurring income	Accounting income	Restated non-recurring items			income Recurring
		Fair value adjustment hedging	Fair value adjustment of non-SPPI financial assets	Net income from early repayments of assets managed in run-off mode			Fair value adjustment of hedging	Fair value adjustment of non-SPPI financial assets	exceptional tax income	
Net banking income	243	3	11	18	211	178	4	(24)	-	198
General operating expenses	(125)				(125)	(118)	-	-	-	(118)
GROSS OPERATING PROFIT (LOSS)	**118**	**3**	**11**	**18**	**86**	**60**	**4**	**(24)**	**-**	**80**
Cost of risk	0				0	11	-	-	-	11
PROFIT (LOSS) BEFORE TAX	**119**	**3**	**11**	**18**	**87**	**70**	**4**	**(24)**	**-**	**91**
Income tax	(33)	(1)	(3)	(5)	(25)	(14)	(1)	6	6	(25)
NET INCOME	**86**	**2**	**8**	**13**	**62**	**56**	**3**	**(18)**	**6**	**65**

Restated for these non-recurring items, recurring net income as of December 31, 2023 amounted to EUR +65 million, up EUR 3 million compared to December 31, 2022.

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

- net banking income amounted to EUR 198 million for 2023 compared to EUR 211 million in 2022, *i.e.* a limited decrease of EUR -13 million or -6%, despite the increase in funding costs in a context of significant volatility on the financial markets and the delayed effect of the usury rate on the 2022 production of loans to the French local public sector;
- the Group's operating expenses and depreciation amounted to EUR 118 million, down by EUR 7 million from 2022. This change was mainly due to the reduction in the contribution to the Single Resolution Fund and a reduction in taxes. Without taking these items into account, operating expenses increased very slightly by +1% in 2023 compared to 2022 despite a high level of inflation until the very end of the year;
- the cost of risk recovered by EUR 11 million at December 31, 2023, reflecting the excellent quality of exposures, and in particular the improvement in the financial health of the cruise sector for export credit exposures. Cost of risk from financial assets at amortized cost represented a reversal of 2 basis points.

This very solid performance was in line with the objectives of the public development bank model of Sfil. The EUR 3 million increase in recurring income also reflects its resilience despite a volatile macroeconomic context and the continuation of central banks' monetary policies aimed at combating inflation.

(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 or loss;
• the changes in the valuation of a portfolio of non-SPPI loans (recognized at fair value through profit or loss under IFRS 9 although intended to be retained) due to the change in its credit spread;
• 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;
• in 2023, the effects of the signing of a memorandum of understanding with Dexia in respect of the sums claimed by the latter following the tax adjustment of the 2012 profits made by the Caffil branch in Dulin, which was closed in 2013 (see section 2.7.3 "Tax risk").

2.3.2 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 2023, this ratio was equal to +0.08% for the consolidated financial statements.

2.4 Post-closing events

No event that had a material impact the Company's financial position has occurred between the closing on December 31, 2023 and the date of the management report.

2.5 2024 outlook

In 2024, the Sfil Group will continue to implement its "Objectif 2026" strategic plan, with the following main priorities:

- maintain leadership in its two activities;
- maintain a low risk profile and improve its economic performance;
- continue to support its clients in their efforts to promote the transition;
- strengthen its innovation and transformation approach.

These priorities will take place in an uncertain geopolitical and economic environment that could adversely affect the evolution of interest rates and funding conditions for Sfil Group, which provides for a program of issues on the primary market for between EUR 7.5 and EUR 10 billion in 2024, including 25% of green and social thematic issues.

Lending to the French local public sector is expected to grow in 2024 due to:

- an increase in local investments in the last phase of the electoral cycle with a corresponding increase in financing needs related in particular to the challenges of climate change mitigation and adaptation;
- more favorable financial conditions that should encourage borrowing;
- an acceleration in loan volumes from the partnership between Sfil and Banque des Territoires;
- increased investment in hospitals to achieve the objectives of *Ségur de la Santé*.

The volume of thematic loans, particularly green loans, should increase further, driven by several factors:

- the strengthening of the Green Fund in 2024 (EUR 2.5 billion or +20%), extended until 2027. This increase should encourage "climate investments";
- the new greenhouse gas reduction targets by 2030 (-55%) provided for by the National Low Carbon Strategy in its version 3 and expected in early 2024. These should call for an upward reassessment of the investment effort of local authorities as initially estimated in the I4CE study of October 14, 2022 [(1)] and which already provided for the necessary doubling of "climate investments" to EUR 12 billion per year;
- the obligation for local authorities with more than 3,500 inhabitants to implement a "green budget" approach, particularly for capital expenditure. This transparency measure should make it possible to better identify investments favorable to the transition and to make the efforts undertaken more objective;
- the increase in the share of loans marketed by Banque des Territoires, the vast majority of which are for green themes identical to those developed with La Banque Postale;
- an increase in social loans in line with investments by local authorities in support of public policies for social and regional cohesion.

The business outlook for export-credit refinancing is also very positive. Indeed, the number of consultations and projects under review posted an all-time high of 195 consultations for indicative offers for 2023, the previous reference dating back to 2016 with 178 requests. 59% of requests received during the last quarter of 2023 were for repayment maturities beyond 14 years in accordance with the latest OECD arrangement adopted in July 2023. The Sfil refinancing scheme should therefore be in great demand for future transactions on this type of maturity. In addition, 176 cases at different stages of negotiation were active at December 31, 2023 for a total amount of EUR 62.4 billion, which bodes well for a particularly active financial year in 2024.

In addition, discussions are underway with the European authorities in order to expand the typology of public assets that could be financed in line with the current mandates of the Group Sfil.

(1) I4CE study of October 14, 2022: Local authorities: investment and engineering needs in carbon neutrality.

2.6 Information on internal control

2.6.1 General description of permanent control

Sfil is one of the banks that is under the direct supervision of the European Central Bank (ECB) since November 2014 within the Single Supervisory Mechanism (SSM).

Caffil has delegated its internal control functions to Sfil which is its designated managing financial institution, under a management agreement. Consequently, internal control at Sfil, as described below, also fulfills the regulatory obligations of Caffil in this regard.

Missions and general architecture of the internal control system

The objectives and organization of the internal control system that Sfil has set up 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 in particular the principles relating to:

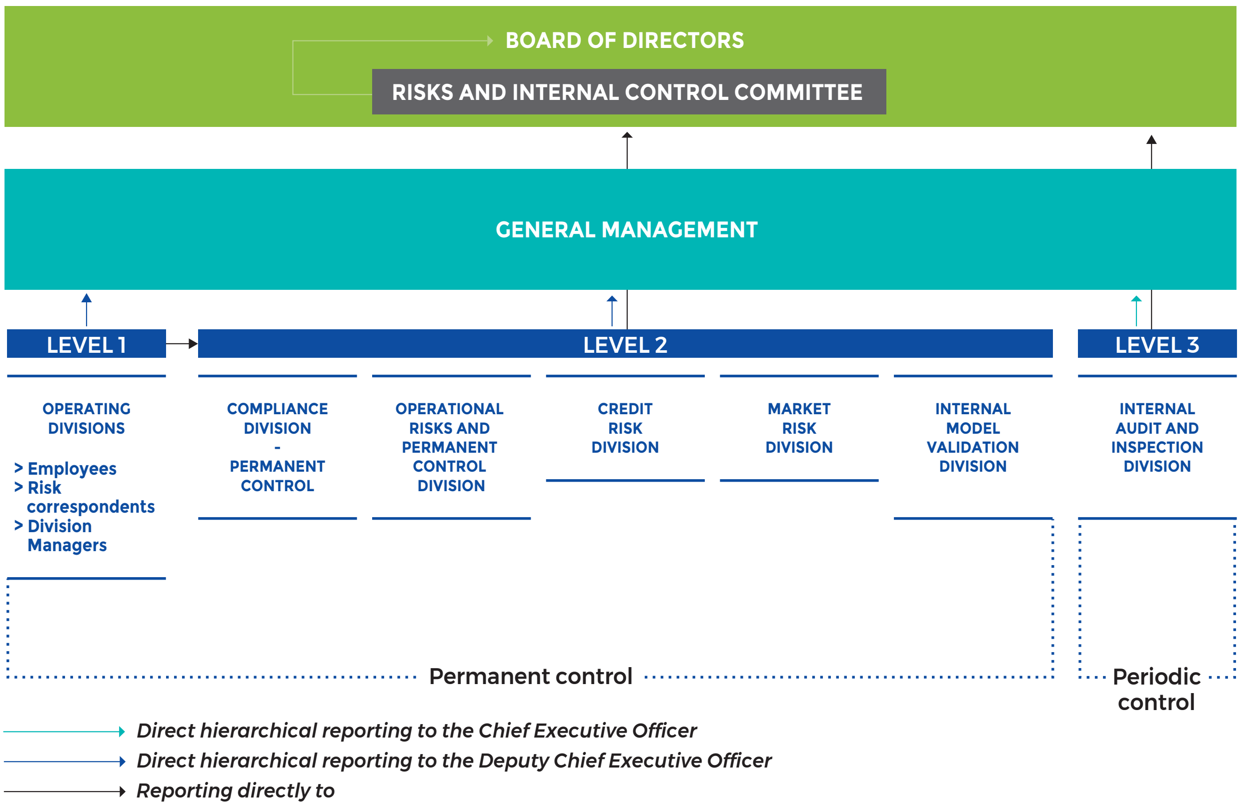
- the systems to control transactions and internal procedures;
- accounting organization and data processing;
- risk measurement systems and their results;
- risk monitoring and control systems;
- the verification of compliance;
- the internal control documentation and information system.

Its main purpose is to ensure the overall control of risks and to provide reasonable, but not absolute, assurance of the attainment of the objectives that the Group Sfil has set in this area.

More specifically, the objectives of the 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 lines of defence, under the ultimate responsibility of the General Management and the supervision of the Board of Directors of Sfil:



The permanent control is provided by the first two levels, which allow the internal control procedures to be implemented without interruption. 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 lines of defence are independent control functions.

These three functions report directly to the General management of Sfil. 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 the Deputy Chief Executive Officer of Sfil, 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 the Chief Executive Officer of Sfil, 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 of Sfil. At their request, they can be heard by this committee and by the Board of Directors of Sfil. They also have the right of initiative and may directly contact the Board of Directors of Sfil or Risks and Internal Control Committee if they consider that an event that could have a significant impact must be submitted to it.

The players in the second and third levels of internal control meet as needed in the Internal Control Coordination Committee, which coordinates the Sfil Group's internal control system.

Supervisory body and effective managers

Board of Directors

The internal control system is placed under the supervision of the Board of Directors of Sfil. It directly exercises key responsibilities in terms of internal control:

- firstly, it ensures that an adequate and effective framework exists with a clear organizational structure and independent and effective risk management, compliance and audit functions;
- 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.

The heads of the internal control functions provide the Board of Directors of Sfil 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 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.

Risks and Internal Control Committee

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 the Board of Directors and proposing, as necessary, additional actions in this respect;
- carrying out the monitoring of 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, in particular if they are compatible with the Company's situation with regard to the risks to which it is exposed.

The reports of the internal control functions are presented and discussed within the Risks and Internal Control Committee.

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.

The first line of defence: controls 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, these employees, correspondents and persons responsible 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 the Board of Directors of Sfil.

The second line of defence: permanent control excluding compliance

The Risks division and more specifically the Operational Risks and Permanent Control division 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 the following section dedicated to permanent compliance control.

Objectives

The permanent control system of Sfil, excluding compliance, is designed to ensure:

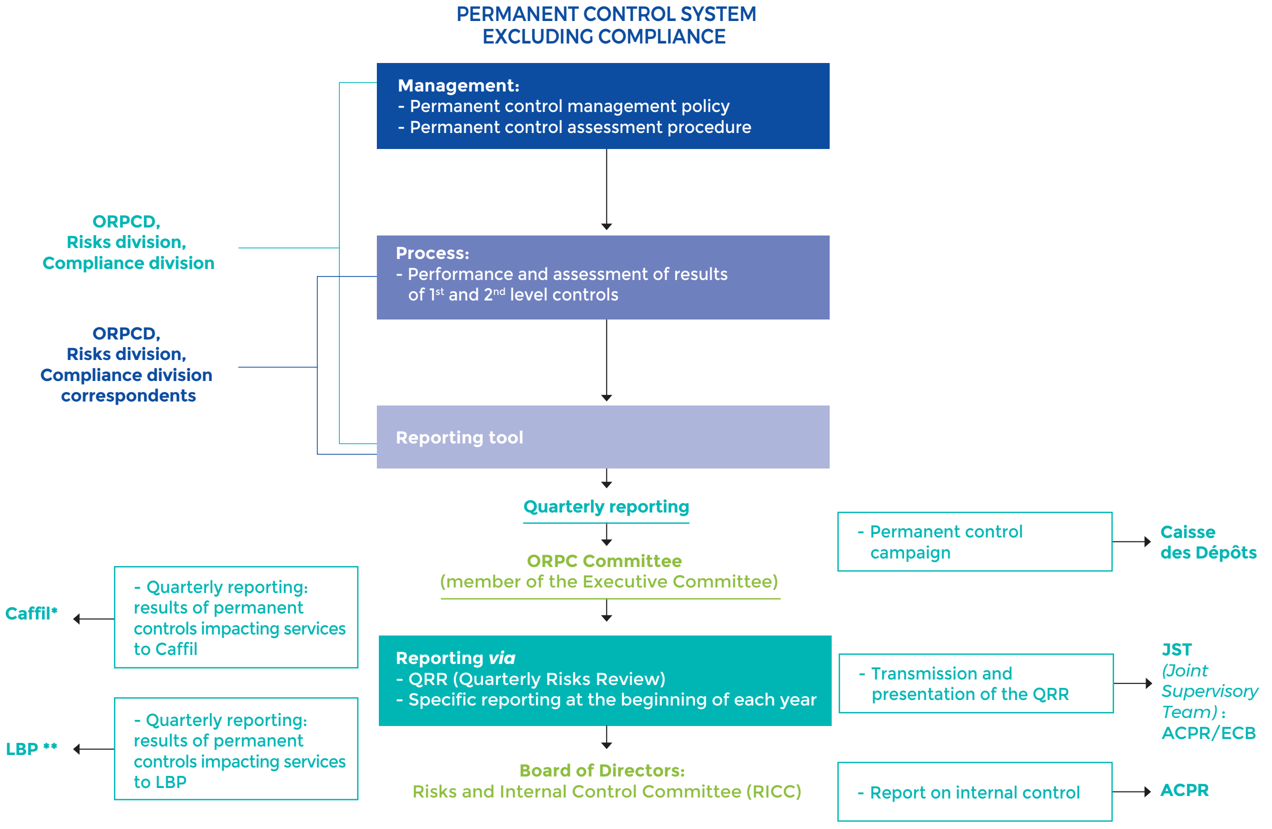
- effectiveness and solidity of the risk control system (excluding non-compliance risk);
- effectiveness of the operational control system and internal procedures;
- quality of the accounting and financial information and quality of the information systems.

The permanent control system applies to all Sfil Group's divisions, activities and processes.

Organization and governance

The system is steered by the Operational Risks and Permanent Control division which is composed of eight 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.



(*) Within the framework of the Sfil/Caffil agreement.
(**) Within the framework of the Sfil/La Banque Postale agreement.

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.

Missions	2023 activities and results
Performance and assessment of permanent controls	Permanent control plan consisting of 167 controls; Completion of a permanent control campaign by the Caisse des Dépôts Group.
Monitoring key operational risk indicators	74 key operational risk indicators monitored and analyzed.
Regular monitoring of the action plans	13 action plans were open as of December 31, 2023; Over the period, 22 action plans were implemented.
Internal and external reporting	7 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.

The second line of defence: compliance

Objectives

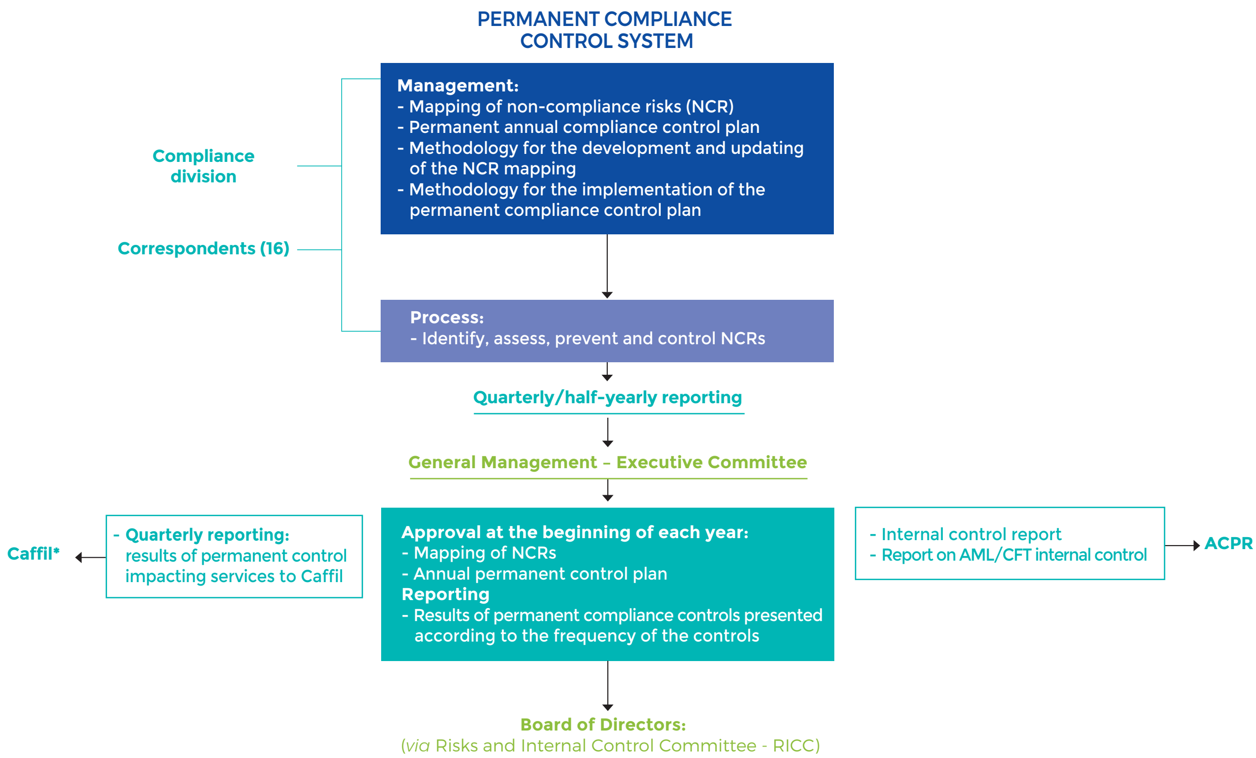
The permanent compliance control system, applicable to all Sfil Group divisions, activities and processes aims for:

- compliance with laws, regulations, ethics rules and internal instructions;
- protection for reputation of the Sfil Group;
- ethics in professional behavior;
- prevention of conflicts of interest;
- protection of the interests of investors and clients and the integrity of the markets;
- the fight against money laundering, corruption and the financing of terrorism;
- compliance with financial sanctions or embargoes.

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 same applies to the identification and monitoring of compliance with regulations relating to certain specific areas (accounting standards, prudential ratios, control of major counterparty risks, information system security, etc.) which are the responsibility of the other functions of the second line of defense.

2

Organization and governance



(*) *Under the Sfil / Caffil agreement*

Preparation of the annual permanent compliance control plan is the responsibility of the Compliance division, which is independent of the operating divisions. More specifically, the permanent compliance control system is implemented by the “permanent control” department of the Compliance division, to which dedicated resources are allocated (for a more precise description of the organization and governance of the compliance system, see section 2.7.3 "Management of the main risks - Risks of non-compliance" of the management report). The system that applies to Sfil also covers Caffil, a subsidiary of Sfil, which has delegated its management to it pursuant to article L.513-15 of the French Monetary and Financial Code.

To perform its duties, the Compliance division also relies on internal systems that enable the detection and reporting of reports, breaches, violations or malfunctions, *via*:

- the network of 16 permanent correspondents and 16 alternates appointed; and
- a professional or ethical whistleblowing procedure. No alert was sent in 2023 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 activities that Sfil carries out, 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 two other 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 the General management of Sfil.

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

The effective managers and the Board of Directors of Sfil as well as the governance bodies of Caffil are regularly informed of the compliance control system. The General Secretary, Director of Compliance, presents the results of the permanent compliance controls to the Executive Committee of Sfil, the Executive Board of Caffil, and to the Risks and Internal Control Committee according to their completion frequency. 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 permanent compliance controls, decide on any improvements to be made, and, more generally, rule on the key challenges connected with the compliance system.

Permanent control activities carried out by the Compliance division

In 2023, the Compliance division carried out the following work in the context of its missions in relation to permanent compliance controls:

Missions	2023 Performance
Identifying and assessing non-compliance risk	• Presentation of the updated non-compliance risk map and including the corruption risk map to the Risks and Internal Control Committee on January 26, 2023; • a total of 85 non-compliance risks were mapped in 2022 compared to 86 in 2022.
Controlling the risks of non-compliance	• The 2023 control plan was presented to the Risks and Internal Control Committee on January 26, 2023. It included 60 controls to be carried out on a quarterly, half-yearly or annual basis; • permanent compliance controls implemented in accordance with the 2023 control 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 2023. • 12 new action plans were launched during the period; • at December 31, 2023, 10 action plans remained open compared to 21 at December 31, 2022, this decrease attesting to the maturity of the main compliance systems in place.
Inform General management and the governance bodies	The results of the permanent compliance controls as of December 31, 2022 and for the first three quarters of 2023 as well as the monitoring of the action plans were presented to: • effective managers at the Executive Committees of March 21, May 23, September 5 and November 28, 2023; • the Risks and Internal Control Committee of March 22, May 30, September 6 and December 6, 2023; • highlighting the main risk points identified, the actions completed and those still to be addressed.
Reporting to the banking supervisor	• Contribution to the 2022 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 24, 2023 and Caffil’s Supervisory Board of March 23, 2023.

The third line of defence: periodic control

Organization and governance

The periodic control function is performed by the Internal Audit division of Sfil. 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 the Chief Executive Officer, independence and efficiency of the Internal Audit 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 of Sfil to carry out these missions;
- the respect of the principles of integrity, objectivity, confidentiality and competence (in particular through a permanent training plan on audit techniques and regulatory developments) on the part of the staff of the Internal Audit division.

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

At December 31, 2023, the division had nine members (and two work-study members), including six auditors. The General Auditor supervises all the division's audit activities and reports. He is assisted in his missions by his deputy, who is also in charge of the team of auditors and supervises the performance of the audits carried out by the auditors and managed by one of them, who then has the role of mission head. Furthermore, every auditor is responsible for a specific field, reflected in their responsibility to update permanent documentation, sit on some of the committees of the Sfil Group as an observer, risk monitoring and the following up of recommendations for implementation by operating divisions.

Internal Audit division's activities

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 [1] and are mapped in a dedicated process.

Missions	2023 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.	The consolidated risk mapping of the Sfil Group was prepared during the fourth quarter by the Risks division. It complies with the Caisse des Dépôts Group's methodology. The annual risk assessment was based on this overall mapping, whereas it was previously based on a mapping of major risks specifically prepared by the Internal Audit division. The Internal Audit division checked the consistency between the mapping of last year's major risks and the new mapping in terms of criticality and probability of risks. The overall level of criticality is fairly stable compared to the previous assessment.
The preparation and structure of the multi-yearly audit plan	
The multi-year plan is prepared from the results of the annual risks assessment and the coverage objective of all activities of Sfil over a four-year cycle. The annual audit plan is divided into audit missions which run from February 1 of the reference year to January 31 of the following year. The four-year duration of the multi-year audit cycle remains shorter than the regulatory duration, set at five years by the *arrêté* of November 3, 2014. This duration is justified by the risk environment and the activities of Sfil.	The 2024 annual audit plan was validated in December 2023 by the Board of Directors of Sfil and the Executive Board of Caffil, after a favorable opinion from Sfil's Risks and Internal Control Committee. It provides for the performance of 21 audits, four of which will be carried out jointly with the Internal Audit division of Caisse des Dépôts and one will be carried out solely by the audit of Caisse des Dépôts (in its role as shareholder). Under the 2023 audit plan implemented by the Internal Audit division of Sfil, 12 audits had been carried out at the end of January 2024, *i.e.* a completion rate of 100%. In addition, four missions out of the 16 initially planned for 2023 were postponed to 2024 for strategic reasons. The missions carried out in 2023 focused on: • key operational processes (management of loan outstanding to the local public sector, management of derivatives, origination of export financing); • support processes (committee procedure, external communication, management of standards, management of IT projects); • risk monitoring, including the risk of non-compliance excluding AML-FT, risks related to internal models and information system security and the audit of essential outsourced services.

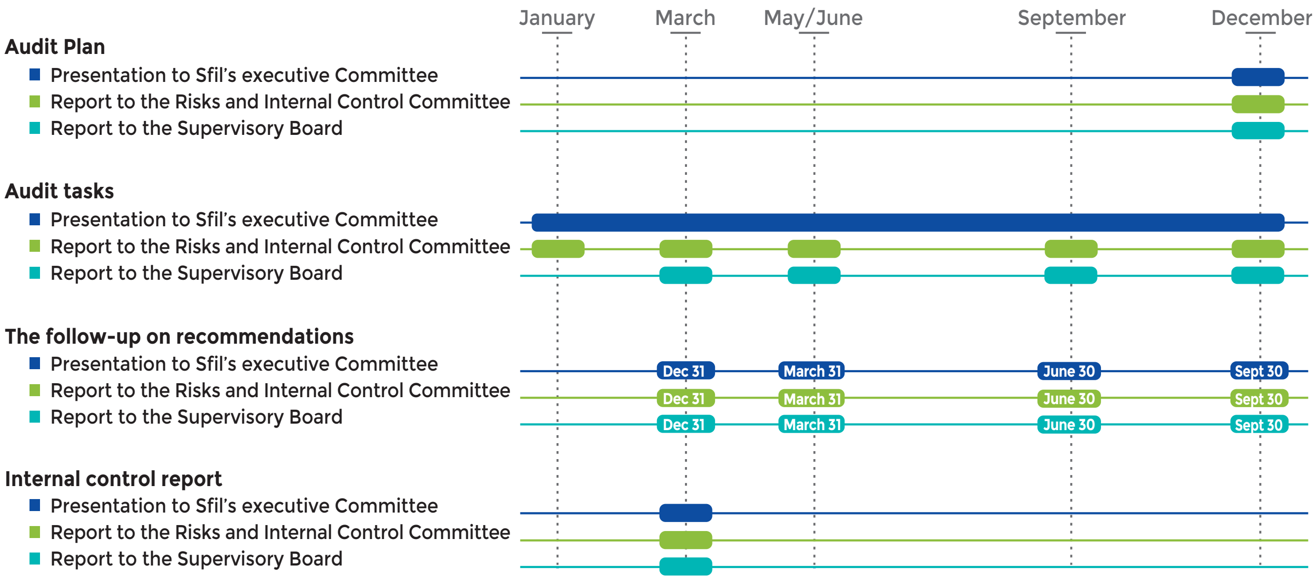
(1) *Institut Français de l'Audit et du Contrôle Interne (IFACI).*

Missions	2023 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 2024 inspection plan was prepared during the fourth quarter 2023; it stipulates two inspection controls. Under the 2023 inspection plan, all planned controls have been completed.
Monitoring the recommendations made following missions by the Internal Audit and Inspection division or the supervisory authorities	
This monitoring is performed *via* an automated monitoring process to implement the action plans resulting from these recommendations. This implementation is under the responsibility of the persons that received the recommendations, and the follow-up is under the responsibility of the auditors 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 deputy.	All of these recommendations gave rise to continuous monitoring during 2023 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, in 2023, the Internal Audit division organized the meetings of these committees and monitored the actions decided upon during meetings. This responsibility will be transferred to the General Secretary of Sfil for 2024.	Five risk and Internal Control Committees and six Accounts Committees were organized.

Indicators dedicated to monitoring the effectiveness and performance of the Internal Audit division's activities are monitored on a quarterly basis.

Internal Audit division reporting

The supervision of the periodic control by the Board of Directors of Sfil and Risks and Internal Control Committee is based on a system of structured and recurrent reporting of all of the Internal Audit division's activities. The effective managers of Sfil, and in particular the Chief Executive Officer 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 the Executive Committee of Sfil.



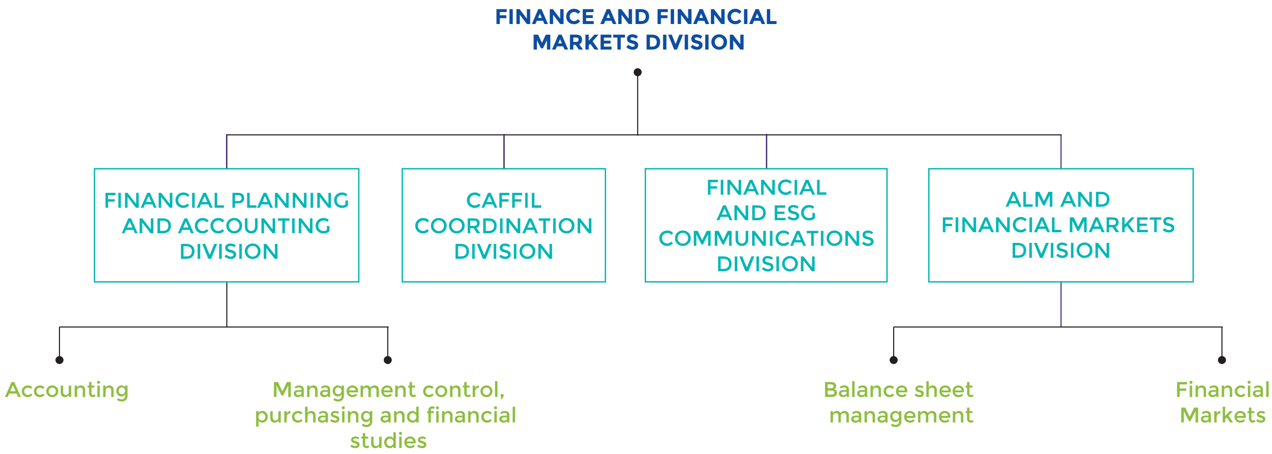
2.6.2 Procedures for controlling accounting and financial publications

Financial statements

The main aim of the company's annual financial statements, as well as all the financial data produced by the Accounting division is to give a true and fair view of its assets, financial position and results. The *arrêté* of November 3, 2014, on internal control highlights in its accounting chapter that the organization adopted should guarantee the existence of procedures called audit tracks. They make it possible to establish a link between accounting data and the original supporting document, and *vice versa*. All these items should make it possible to reconstitute, justify and explain any and all financial items produced for accounting or regulatory purposes. This principle grounds the organization of accounting practices in the Sfil Group and also applies to both Sfil and Caffil.

Mission and organization of the Accounting division

The Accounting division reports to the Financial Planning and Accounting division, which itself reports to the Finance and Financial Markets division. It interacts with numerous divisions within Sfil, providing it with a cross-sectional overview of the Group's business activities.



The Accounting division revolves around four teams:

- the business line accounting team, which provides first-level control over transactions related to clients 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. It also validates the implementation of accounting procedures for activities and specifically reviews new, complex or unusual transactions.

The Accounting division is tasked with analyzing and verifying accounting data. It relies, in particular, on a process of reconciling this data in a contradictory approach with the other Sfil teams, notably the management control, in particular as regards to product control and balance sheet and off-balance sheet amounts. This approach is also applied to the accounting data which are reconciled with the data used to calculate the prudential indicators and reporting by the Risks division.

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. This organization makes it possible to ensure continuous improvement in terms of process quality and efficiency and reliability of financial information.

Preparation of the separate and consolidate 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 clients 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 is able to manage double accounting according to French standards and IFRS as adopted by the European Union. 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. 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. Lastly, management control performs consistency checks on net banking income and may, if necessary, conduct more in-depth analyzes in the event of significant discrepancies.

To ensure thorough implementation of its control plan, the Accounting division has a monitoring tool at its disposal with which it can verify the deployment of key controls and their validation. The validation of key controls is carried out by the line manager of the staff who carried out the control. 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 financial statements are prepared by aggregating 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 produced based on accounting data that may be enhanced by management information. Qualitative analyzes are then carried out through a cross-review of the summary data within the Finance and Financial Markets division. Cross-referenced controls are also conducted between the financial statements and the notes to the financial statements.

Financial statements reporting process

The financial statements are prepared by Sfil's divisions, in particular the Finance and Financial Markets division, the Risks division and the General Secretary. The financial statements 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 Sfil's 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 limited review by the Statutory Auditors.

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 Company's internet site. They are also filed with the French Financial Markets Authority (AMF - *Autorité des Marchés Financiers*) through the regulated information distributor Intrado. The annual financial statements under IFRS are published in ESEF format in accordance with the regulations in force.

Role of the Statutory Auditors

Financial statements are audited by a panel of two Statutory Auditors. who are common to Sfil and Caffil.

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 also are provided with the documents that enable them to carry out their due diligence. These include, in particular, the Internal Audit division's mission reports and the accounting treatment or closing summary notes prepared by the Accounting division.

Their work also 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.

Management reporting

The financial statements that Sfil provides to its shareholders and the public are supplemented by management reports. This management information includes items relating to the acquisition of loans originated by the two partners or the refinancing of large export credits. This management information is mainly prepared by the Accounting and Financial Planning division on the basis of management data reconciled with the accounts. The outlook and risk assessments included in the financial reports are prepared 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 verify the consistency of this information during their review or audit of the management report section of the half-year and annual financial reports.

Sfil also acts as manager for Caffil 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 Caffil, an economic analysis and a justification of the distribution of costs between the two entities.

2.7 Management of the main risks

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 ultimately approved 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. Levels to be monitored or respected have been set for most of these indicators. In the event of non-compliance with the limits, a system for reporting and/or correction is provided.

2.7.1 General description of risk management

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 relevantcommittees 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 Sfil's Risks and Internal Control Committee. This presents a summary of the main risks of the Sfil Group and their evolution during the past quarter as well as the regulatory changes during the quarter.

Governance

To monitor compliance with the risk appetite, policies have been defined for the entire scope of the Sfil Group's activities as well as limits and rules for delegating decisions. The Risks division monitors these limits and, where appropriate, proposes measures to General Management to ensure compliance therewith.

The Risks division relies on several committees, whose missions and composition have been approved by Sfil's Risks and Internal Control Committee. There are cross-functional committees - the Risk Committee, the Validation of Methods and Models Committee, and the New Products Committee - and committees specializing in credit risks, climate risks, balance sheet and market risks and operational risks:

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

Validation of Methods and Models Committee

Chaired by the Chief Risk Officer, this Market Validation committee is responsible for validating and implementing the market risk and derivatives valuation models. The Credit Validation and Quality Control Committee is 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 application.

New Products Committee

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 opinion from the Compliance division which is submitted to it. The Chief Risk Officer informs the Executive Committee of the decisions taken by the New Products Committee.

Regulatory Watch Committee

Chaired by the Chief Risk Officer, the Regulatory Watch Committee is responsible for identifying regulatory texts in the areas of Risk and Finance likely to impact Sfil and/or Caffil, and, if necessary, for mobilizing expert employees for an in-depth analysis.

Quality of Data Committee

The main duties of this operational committee are to exchange all useful information in the context of the preparation of the forthcoming quarterly closing statement and to monitor work relating to data governance in the scope of credit risks and credit models.

Internal Control Coordination Committee

Chaired by the Chief Executive Officer or the Deputy Chief Executive Officer, the purpose of this committee is to contribute to the consistency and operational efficiency of the internal control system within Sfil (internal audit, compliance and permanent control).

2.7.2 Sfil Group's risk profile

Ratios	CET1 ratio	Total capital ratio	Leverage ratio	LCR	NSFR
Minimum requirement	7.92% (SREP)	11.75% (SREP)	3%	100%	100%
as of December 31, 2023	37.5%	37.5%	9.7%	301%	122.2%

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.

As of December 31, 2023, Total Capital equity requirement was 11.75%, 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), of which 56.25% in Common Equity Tier 1 (CET1) capital and 0.75% in Tier 1 capital;
- 2.50% for the capital conservation buffer, the level applicable to all entities;
- 0.50% in respect of the countercyclical buffer on relevant exposures.

In addition, as of December 31, 2023, the CET1 Capital requirement was 7.92% and the T1 capital requirement was 9.56%.

Following the SREP assessment conducted by the ECB in 2023, Total Capital equity requirement that the Sfil Group will have to comply with from the first quarter of 2024 on a consolidated basis is 12.5% (due to the transition from the P2R to 1% and the countercyclical buffer to 1%).

At December 31, 2023, Sfil's consolidated CET1 and Total capital ratios both stood at 37.5%, a level representing respectively almost five and nearly four times the minimum requirement set by the European supervisor at that date. The CET1 ratio declined by 2.8 points compared to the level of 40.3% recorded at December 31, 2022. This decrease is mainly due to the increase in risk-weighted assets related to the investment of part of the cash surpluses in banking sector securities, mainly in the covered bonds format.

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 9.7% as of December 31, 2023 and thus comfortably exceeds this minimum 3% requirement.

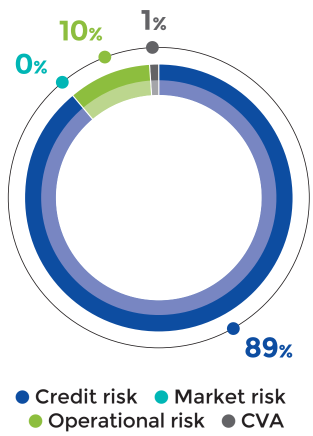
MREL

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 consolidation scope.

Risk profile

The Group's risk-weighted assets increased slightly at the end of 2023 (EUR 4.1 billion compared to EUR 3.8 billion at the end of 2022). They mainly arise from credit risk.

Sfil Group's risk profile is low as indicated in the analysis below.



Credit risk

Exposures to credit risk, measured using the EAD (Exposure At Default) metric, amounted to EUR 73.4 billion as of December 31, 2023 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 2.9% 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. This level of loss mainly reflects payment delays.

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 45.2 billion in EAD as of December 31, 2023. These outstandings are diversified, both in terms of number of counterparties, distribution over the territory and types of customer.

The Italian portfolio amounted to EUR 3.8 billion and included exposure to Italian local authorities (EUR 2.3 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.

Export credit exposures amounted to EUR 15.3 billion. They benefit at 100% from the Bpifrance Assurance Export policy covering both political and commercial risk, thus making the residual risk for Sfil extremely low.

Exposures to banks including derivatives and surplus cash investments went from EUR 1.3 billion to EUR 3.2 billion.

Climate and environmental risks

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

2023 was marked by significant progress in this area, with the construction of a methodology for rating climate and environmental risks for the local public sector. Sfil thus assessed all the climate and environmental risks of local authorities (municipalities, groups with their own tax system, groups without their own tax system, departments and regions) in its portfolio on an individual basis. Overall, Sfil's exposures to local authorities present a low level of physical risk and an average level of transition risk and environmental risk. The methodology was also applied to public health institutions. The operational deployment of this rating methodology will take place in 2024, with the integration of the climate and environmental rating in the credit granting system and in the risk management processes.

Meanwhile, the climate risks of export credit transactions will also be assessed as of the beginning of 2024.

Balance sheet risk

Exposure to balance sheet risks breaks down as follows:

- given the low appetite for interest rate risk and its application in terms of hedging policy, the Sfil Group's exposure to interest rate risk is low overall. In 2023, the management of interest rate risk was characterized (i) by a decrease in the relative share of fixed-rate commercial production in favor of that of adjustable-rate production due to the cap imposed by the usury rate and (ii) the sharp reduction in the floor risk due to the rise in interest rates;
- liquidity risk is low overall due to (i) a strict control of exposure to liquidity risk using internal and regulatory stress scenarios and (ii) a commercial pricing policy consisting of taking into account the Group's funding costs observed at the time of the commercial offer. In 2023, the economic and financial context was marked by the continuation of the anti-inflation policies begun in 2022 and a sharp rise in interest rates. In Europe, this took the form of (i) a 200 bp increase in key rates by the European Central Bank, before it paused at the end of the summer at 4.5% and (ii) the withdrawal of the ECB's quantitative easing measures. The consequence was a widening of credit spreads and greater volatility in funding conditions as markets anticipated the end of monetary tightening policies. Issues of *obligations foncières*, which had been extremely dynamic during the first part of the year, gradually declined and returned to their long-term trend at the end of the year. In this context, the Sfil Group carried out a total volume of long-term issues of EUR 6.6 billion;
- foreign exchange risk is marginal, outstandings in foreign currencies being systematically hedged when taken onto the balance sheet and until their maturity.

Market risk

Sfil 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 2023 only generated four incidents that exceeded the collection thresholds, of which two operational incidents with a cumulative financial impact of EUR 1.5 million, 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 in respect of structured loans, the number of borrowers who had brought suit at December 31, 2023 was stable, with one borrower as at the end of 2022.

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

As of December 31, 2023, 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 Group's financial position or profitability.

2.7.3 Main risks of the Sfil Group

Credit risk

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:

a) in line with the risk appetite of Sfil and Caffil, definition of the credit risk policies and directives, the various concentration limits and the delegations to be granted;

b) management of the process of granting loans (new commitments and restructurings) through credit analysis and giving ratings;

c) monitoring of existing portfolios by carrying out annual reviews, annual re-rating of portfolios, identification of assets whose risk has deteriorated (watchlist, defaulting or contract in forbearance), estimation of provisions to be implemented, proactive monitoring of limits and the performance of stress tests;

d) development of expert models and contribution to the development of quantitative models.

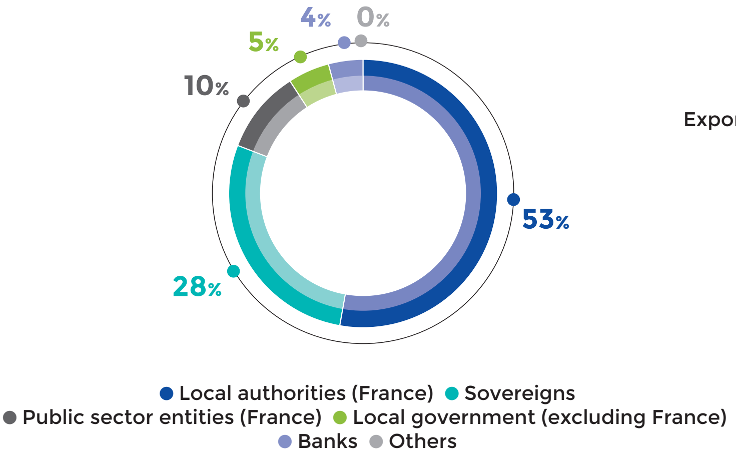
Governance

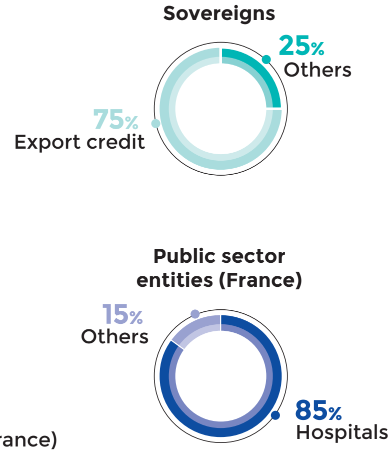
Credit risk governance is structured around specialized committees which meet quarterly except for the Credit Committee which meets weekly:

- 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;
  - notes the commitments made within the framework of delegations granted (to the Risks division, the Local public sector and Operations division, the Finance and Financial Markets division);
- the Watchlist Committee monitors assets subject to particular attention in view of 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 determines the amount of expected credit losses, in accordance with IFRS 9;
- the Rating Committee (organized by the "credit validation and quality control" team to guarantee the independence of the control process) ensures the correct application of the internal rating systems and the appropriateness of the rating processes.

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

Exposure to credit risk



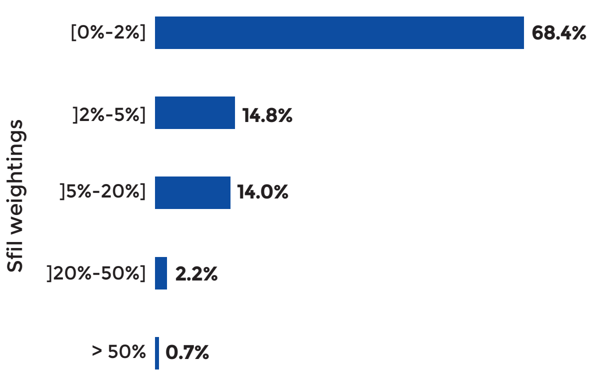


Credit risk exposures, which is measured using the EAD (Exposure At Default) metric, amounted to EUR 73.4 billion as of December 31, 2023:

- over 53% of this exposure is concentrated in French local public authorities (regions, departments, municipalities and groups of municipalities, etc.);
- almost 28% of this exposure is included in "sovereign" items including 75% as a result of the export credit activity;
- almost 10% of this exposure comes from public sector entities, including 85% from public stakeholders in the hospital sector.

The quality of Sfil Group's asset portfolio is illustrated by the risk weighting assigned to its assets for the calculation of the solvency ratio. For most of its outstandings, the Group has opted for the advanced method of calculating regulatory equity requirements.

As of December 31, 2023, 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:



This analysis confirms the excellent quality of the assets, as, excluding property, plant and equipment, 83% of the portfolio has a weighting of less than 5% and 97% of the portfolio has a weighting that is less than or equal to 20%.

The amount of risk-weighted exposures (RWA) stands at EUR 3.6 billion for credit risk, including overlays.

Impact of the geopolitical and macroeconomic context

As a reminder, the Covid-19 epidemic had an adverse impact on the export credit portfolio and in particular on the financing of cruise ships (whether under construction or already in operation), due to the interruption of cruise operations. As a result, exposures to the cruise sector impacted by the health crisis were placed on a watchlist in 2020. Since that date, it has been decided to keep them on the watchlist even if the sector's activity has recovered strongly and as a result the financial health of the players has improved significantly.

In addition, from February 2022, the export credit exposure to the Republic of Ukraine had also been placed under supervision and classified as restructured (Forbearance) following the lifting of contractual provisions due to the consequences of the conflict. As a reminder, the effects of the war in Ukraine are very limited for the Sfil Group, which has no exposure in Russia or Belarus. Sfil has only one exposure in Ukraine which represented, at December 31, 2023, an outstanding amount of EUR 46 million. This export credit is 100% guaranteed by the French Republic and Sfil is not therefore directly exposed to credit risk on this issue.

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

Arrears, doubtful loans and provisions

Arrears (excluding technical arrears)	Carrying amount before impairment of financial assets and financing commitments classified as Stage 3	Non-Performing Exposures
EUR 2 million	**EUR 155 million**	**EUR 168 million**
	(of which loans without arrears EUR 149 million)	(of which loans without arrears EUR 162 million)

Arrears (excluding technical arrears) reached a very low residual level and amounted to EUR 2 million at December 31, 2023. This is the lowest level of arrears recorded since the creation of Sfil in early 2013. They are down significantly by EUR 2 million, or -50%, compared to December 31, 2022 (EUR 4 million) and are concentrated only on a few French counterparties.

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 (ECL). 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 clients:

- 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).

	Gross carrying amount (before expected credit losses)		Expected credit losses	
EUR millions	12/31/2022	12/31/2023	12/31/2022	12/31/2023
Stage 1	52,221	59,053	(11)	(14)
Stage 2	8,134	7,092	(45)	(33)
Stage 3	200	155	(5)	(5)
TOTAL	**60,556**	**66,300**	**(60)**	**(52)**
Non-Performing Exposures	234	168		

Gross carrying amounts increased significantly between December 31, 2022 and December 31, 2023 due in particular to the strong refinancing of export credit transactions. At the same time and despite the volatile and disrupted macroeconomic context throughout the year, expected credit losses decreased significantly from EUR 60 million to EUR 52 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, 2023, it was decided to maintain these historical exposures in Stage 2. Nevertheless, the financial health of this sector improved during 2023, which led to a reversal of part of the impairments. At December 31, 2023, a significant portion of these loans had not yet been drawn down and therefore corresponded to financing commitments given. At the same date, the impairments associated with this portfolio represented EUR 16 million compared to EUR 23 million at December 31, 2022.

The carrying amounts allocated to Stage 3 as well as the Non-Performing Exposures are limited and amounted to EUR 155 million and EUR 168 million respectively at December 31, 2023. They are down compared to December 31, 2022. These amounts are once again the lowest levels observed since the beginning of 2018 and the implementation of IFRS 9. The ratio of expected credit losses to gross carrying amounts and the ratio of Non-Performing Exposures to gross carrying amounts reached 8 basis points and 25 basis points respectively, also testifying to the very high quality of Sfil Group's asset portfolio.

Climate and environmental risks

Definition of climate and environmental risks

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

Acute physical risks are defined as the risk of loss resulting from extreme weather events (floods, storms, hurricanes, forest fires), the resulting damage of which may result in the destruction of the physical assets held by 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).

Physical risks can also be induced by environmental factors such as water stress, resource scarcity, biodiversity loss or other.

Transition risk is the financial loss resulting from the process of transitioning to a low-carbon and environmentally sustainable economy and may be attributable to climate or environmental factors, such as policy changes, regulations, technologies or market sentiment.

Governance

Sfil Group has set up a Climate Risk Committee chaired by the Chief Risk Officer. It comprises representatives of the various divisions that are concerned and is responsible for managing and implementing the work carried out as part of the Group's climate roadmap. The work examined by the Climate Risk Committee is then briefly presented to the Sustainability Committee.

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

In addition, as part of the new Sustainability Committee set up in 2023 (see section 2.8.1 "General principals"), a working group dedicated to climate risks and impacts, led by the Risks division, aims in particular to discuss work to detect, assess, monitor and manage climate and environmental risks.

Sfil aims to integrate climate and environmental risks into all of its risk management processes. The challenges related to climate and environmental risks are the subject of particular attention by the Board of Directors, which validated the 2024 climate roadmap at the end of 2023.

Climate and environmental risk management

The management of transition risks by Sfil Group is based in particular on:

- the exclusion of sectors exposed to fossil fuels;
- taking into account the social and environmental usefulness of the projects financed in the lending criteria, with a greater risk appetite for green and social loans;
- monitoring decarbonization pathways and production targets for green loans.

The management of physical risks is based, in particular, on the implementation of specific analysis and rating methodologies for borrowers subject to particular climatic hazards (mountain resorts, coastal municipalities, municipalities and island communities, etc.) and the priority support of these borrowers in their investments related to climate change adaptation.

With regard more specifically to the rating of climate and environmental risks, in 2023, Sfil developed a rating tool for the local public sector (municipalities, inter-municipal grouping with or without own-source tax revenue, departments, regions and public health institutions) on the basis of studies already carried out since 2021. This rating tool will eventually be systematically used for granting loans and monitoring risks.

The methodology implemented incorporates both direct and indirect risks (vulnerability of the local economic fabric) and includes three distinct components forming an overall climate and environmental rating. The three components of this rating are:

i) A score measuring transition risk that is intended to assess transition challenges for local authorities and drawn up on the basis of the various studies carried out to date:
   - a study carried out in 2022 [1] by the Institute for the Climate Economy (I4CE), sponsored by Sfil and ADEME, in order to quantify investment needs of local authorities as part of the transition to a low-carbon economy, as defined by the National Low Carbon Strategy (SNBC);
   - measurement of the carbon footprint of local public sector borrowers and financed emissions.

ii) A score measuring acute and chronic physical risks based on various studies conducted to date, and respectively covering:
   - the impact of acute physical risks on French local authorities;
   - the risk of loss of snow for the ski resort communities;
   - the impact of sea level rise.

This work was supplemented and integrated into the climate and environmental risk rating methodology and made it possible to cover acute risks (earthquakes, cyclones, forest fires, floods, drought, heat waves) and chronic risks (loss of snow cover, shrinkage and swelling of clays, coastal erosion and sea level rise).

iii) A score measuring chronic environmental risks. The rating, expressed in the form of an outlook, covers risks related to air, water and soil pollution, scarcity and depletion of resources (waste), water stress and loss of biodiversity. The rating work will continue with an operational implementation phase in 2024.

(1) In 2023, Sfil again took part in an I4CE/La Banque Postale study on the methods of financing local authority investments.

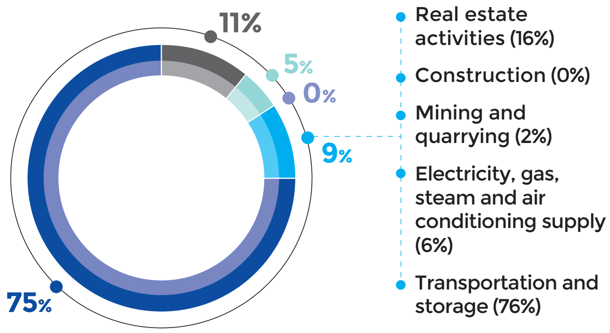
In addition, without being exhaustive, Sfil implemented various actions in 2023:

- a first use of climate and environmental ratings in the construction of the 2024 ICAAP;
- an analysis of the natural risks likely to affect its sites and those of its essential outsourced service providers;
- the assessment of the impact of climate risks on market and liquidity risk;
- the mapping of environmental risks for the local public sector and climate risks according to the sectors of intervention for export credit. With regard to export credit, in-depth analysis of the portfolio was also undertaken based on the climate risk rating tool and an ESG analysis grid developed by the Caisse des Dépôts Group;
- the definition of decarbonization targets by 2030 for the local public sector loan portfolios and certain sectors for export credit transactions (see section 2.8.3 "Environmental information" of the management report);
- participation in the EBA Fit for 55 stress test;
- the mapping of reputation risk related to ESG issues.

Exposure to climate and environmental risks

Transition risk

Direct exposures to the economic sectors considered to emit the most greenhouse gases amounted to EUR 5.8 billion at December 31, 2023 (*i.e.* 9% of outstandings).

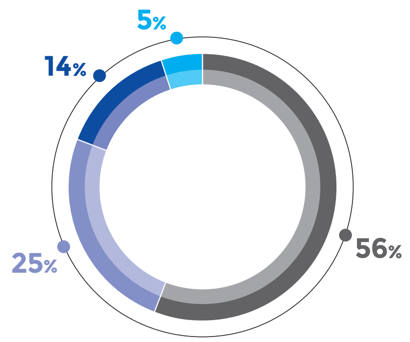


Exposures to public administrations and similar (75% of outstandings at December 31, 2023) include investments by local authorities in construction, transport, water management and sanitation.

Physical risk of French local authorities

Sfil's portfolio mainly consists of exposures to French local authorities. The rating work carried out on physical risk described above made it possible to quantify this portfolio's exposure to physical risk. The IPCC RCP 8.5 scenario (the most pessimistic) is used whenever possible.

French local authorities represented EUR 37.1 billion at December 31, 2023 out of a total outstanding of EUR 61.8 billion. Their exposure to acute and chronic physical risks is presented below:



Sfil is continuing its work on physical risk in order to cover its entire portfolio, and in particular exposures to social housing organizations or related to export credit transactions.

Market risk

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 therefore 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 2023, 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 25 basis points year-on-year. Apart from this negative impact, in 2023 there were no other effects related to the 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 negative by EUR 12 million over 2023. The sensitivity of the portfolio value to a change in credit spread of one basis point was EUR 1.30 million at December 31, 2023, down 15% 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).

As of December 31, 2023, the OCI (Other Comprehensive Income) reserve is not significant and will become zero in 2024. The portfolio of securities that can be held or sold, recognized at fair value through other comprehensive income, is in run-off and the securities currently remaining will mature in June and December 2024. Its sensitivity to changes in credit spreads (PV01) is less than EUR 5,000.

Market risk governance and monitoring

Market risk monitoring is governed by the Market Risk and Guidelines Committee, which monitors on a quarterly basis:

- the valuation of assets recognized at fair value through profit or loss or equity and provisions for investment securities under French accounting standards;
- the change in value of derivatives and cash collateral paid/received;
- management indicators subject to limits;
- export credit activity indicators.

This Committee is also responsible for approving policies, directives and procedures relating to 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.

Balance sheet risk

The beginning of 2023 was an extension of 2022 with a continuation of monetary policies to combat inflation, leading to a rise in bond rates and a widening of credit spreads. As inflation stalled and activity indicators began to weaken, markets anticipated the pause, then the end of monetary tightening, a scenario confirmed by the US and European central banks at the end of the summer.

Liquidity risk was therefore managed in this market context characterized by both a rise in interest rates and an increase in volatility. Sfil Group's financing plan had to be adjusted several times in terms of both volume and maturity. In the end, the Sfil Group issued EUR 6.6 billion of new securities with an average maturity of seven years.

However, interest rate risk management, for which the objective is always to limit exposure to interest rate risks, was not particularly impacted by this situation.

Governance

Balance sheet risk management is structured around three committees:

- the Asset-Liability Management Committee (ALM Committee or Alco), 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 implemented by monitoring management indicators;
- the "Rate ALM" and "Liquidity ALM" Committees prepare the files presented to Alco and the operational implementation of Alco's decisions.

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.

Liquidity risk

Definition

Liquidity risk is defined as the risk of not being able to meet its commitments, within a determined period and at a reasonable cost, due to unfavorable market conditions or idiosyncratic factors.

For the Sfil Group, this risk breaks down as follows:

- a risk of illiquidity related to the inability to repay its bond issues or to meet its financing commitments (commercial activity or margin calls); and
- a risk of loss in NBI due to the increase in its funding costs.

Financing requirements and sources

The Sfil 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, 2023, the sources of financing used, other than the 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.

In addition, the Sfil Group holds assets eligible for refinancing operations by the European Central Bank or the Banque de France.

Mobilizable assets as of December 31, 2023

EUR millions, nominal values	Caffil	Sfil	TOTAL
Deposits in central bank	1,053	1,925	2,978
High Quality Liquid Assets (HQLA) – exposures to credit institutions	1,678	131	1,809
High Quality Liquid Assets (HQLA) – excluding exposures to credit institutions	2,498	25	2,523
Other eligible available securities in central bank	923	263	1,186
Eligible private loans in central bank	34,456	0	34,456
TOTAL LIQUIDITY RESERVES	**40,608**	**2,344**	**42,952**

The total amount of assets that can be mobilized to meet a liquidity requirement amounted to EUR 43.0 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 short-term liquidity ratio (LCR) is capped at the amount of net cash outflows over 30 days, in accordance with 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 Sfil 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 Sfil 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 Sfil Group's liquidity risk is also subject to compliance with regulatory liquidity ratios supplemented by internal liquidity indicators.

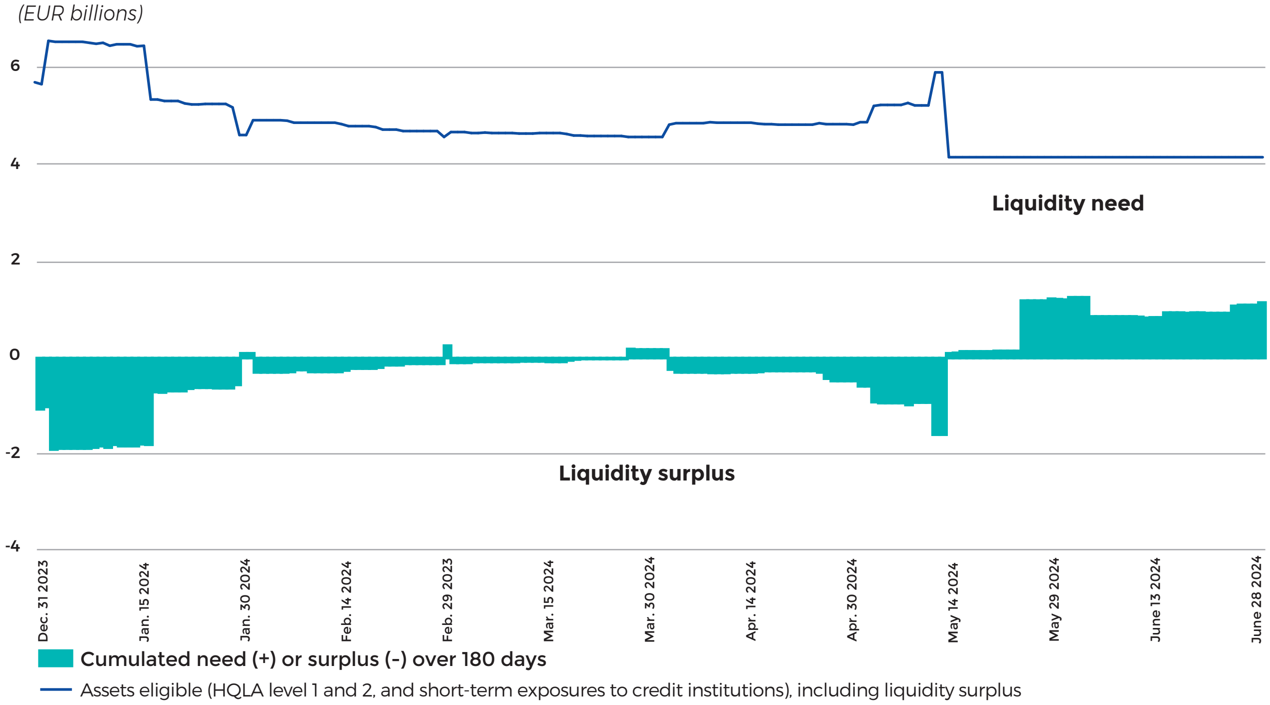
The risk of loss in NBI is controlled through the implementation of a commercial pricing policy that takes into account the level of the Group's funding costs.

Regulatory liquidity indicators

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

- the regulatory over-collateralization ratio: this represents the ratio between assets in the cover pool and debts benefiting from the legal privilege on *sociétés de crédit foncier*, 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.



- 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 short-term LCR (Liquidity Coverage Ratio): as of December 31, 2023, the LCR stands at 7,684% for Sfil on a parent-company basis, and 301% 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, 2023, Sfil's NSFR was 122.2% on a consolidated basis.

Internal liquidity indicators

Sfil 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 Sfil 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, 2023, it stood at 0.63 years;
- sensitivity of the net present value of the consolidated static liquidity gap to an increase in the Sfil Group's funding 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).

Interest rate risk

Definition

Interest rate risk is defined as the risk weighing on the net banking income or economic value (NPV) of so-called "banking book" activities (*i.e.* excluding trading portfolios) due to an unfavorable fluctuation in interest rates. As Sfil has no trading activity, the scope subject to interest rate risk is therefore limited to all activities falling within the scope of the business model, namely the refinancing of the local public sector and export credit loans through bond issues.

Among the various interest rate risks, the Group is exposed to three types of risk, namely fixed interest rate risk, floating rate risk (base and fixing) and option risk related to the existence of floors on commercial loans.

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.

These risks are hedged either by matching assets and liabilities of the same type, or by using derivatives:

Hedging Strategy

The Sfil 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 €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. There is, therefore no interest rate risk at the level of the parent company, or only a temporary exposure related to the desynchronization between the hedged item and the hedging item.

Interest rate risk indicators

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

- the sensitivity of the net present value (NPV), calculated for eight stress scenarios. These eight scenarios correspond to the six scenarios used to calculate the regulatory NPV sensitivity indicator (see below), plus two additional internal scenarios defined on the basis of historical changes in interest rates. The maximum loss observed among the eight scenarios must not exceed the limit defined as part of Sfil Group's risk appetite. These calculations are carried out on a consolidated basis, on a static basis and taking into account the investment of equity.

EUR millions	Limit	12/31/2022	6/30/2023	12/31/2023
Maximum NPV loss observed	(80)/80	(21.1)	(25.5)	(15.4)

- the regulatory sensitivity of the NPV, calculated, in accordance with the instructions in force, for six scenarios of translation, flattening and steepening with application of a floor at -100 bp. These sensitivities are calculated on a consolidated basis, on a static basis and excluding the investment of equity.

At 12/31/2023	Interest rate shock applied	Operating results *EUR millions*
Regulatory sensitivity of NPV	+200 bps	(141.2)
	-200 bps	175.8
	Steepening	(0.5)
	Flattening	5.8
	Short-term increase	(38.7)
	Short-term decrease	40.7

- adjustable rate gaps broken down by tenor indexes to monitor base, floor and fixing risks. These gaps are calculated on a static basis, on a consolidated basis:

Euribor gaps	For each index tenor, difference between assets and liabilities at adjustable rates. These gaps are calculated each month until the balance sheet is extinguished.
Floored Euribor gaps	For each index tenor, the difference between assets and liabilities at adjustable rates with floor on the index or coupon. These gaps are calculated each month until the balance sheet is extinguished.
Fixing gap	For each index tenor, the difference between adjustable rate balance sheet and off-balance sheet assets and liabilities, by fixing date.

- the sensitivity of the net interest margin (NIM): the risk in terms of income is monitored through the sensitivity indicator of the NIM, calculated for (i) a parallel shock of +200 bp and (ii) a parallel shock of -200 bp floored at -100 bp. The sensitivity of the NIM is calculated on a like-for-like basis over a one-year horizon, by offsetting each transaction amortization by a new transaction of the same amount, maturity and type of rate and carried out at the market conditions observed at the calculation date. At December 31, 2023, the sensitivity of the Sfil Group's NIM was as follows:

Sensitivity of the net interest margin over 12 months *EUR millions*	**12/31/2023**
Parallel increase in rates of 200 bps	(3.8)
Parallel decrease in rates of 200 bps	2.0

Outlook and risks related to changes in interest rates

After two years of almost continuous rise in interest rates, 2024 could mark the end of this trend. The confirmation by the European Central Bank of the end of monetary tightening and the announcement by the Federal Reserve of a rate cut in 2024 opened the door to a scenario of rate cuts, validating the inversion of the yield curve observed for the last year. However, reactive forces could emerge. Firstly, inflation, which slowed sharply at the end of 2023 due to the erasure of the sharp increases of 2022, will not benefit from such favorable base effects in 2024, limiting the possibilities of a rate cut by central banks. In addition, the increase in financing requirements for the ecological transition coupled with the increase in government debt service could exert upward pressure on long-term rates. These contradictory forces are likely to result in markets hesitating between stabilizing and lowering rates. The consequence would be:

- greater uncertainty about new loan volumes: rapid changes in financing conditions and higher cost of credit, as well as uncertainties relating to the macroeconomic environment, could encourage some clients to reduce or postpone their investments;
- 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.

Foreign exchange risk

Definition and monitoring

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 generally 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.

Operational risk

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.

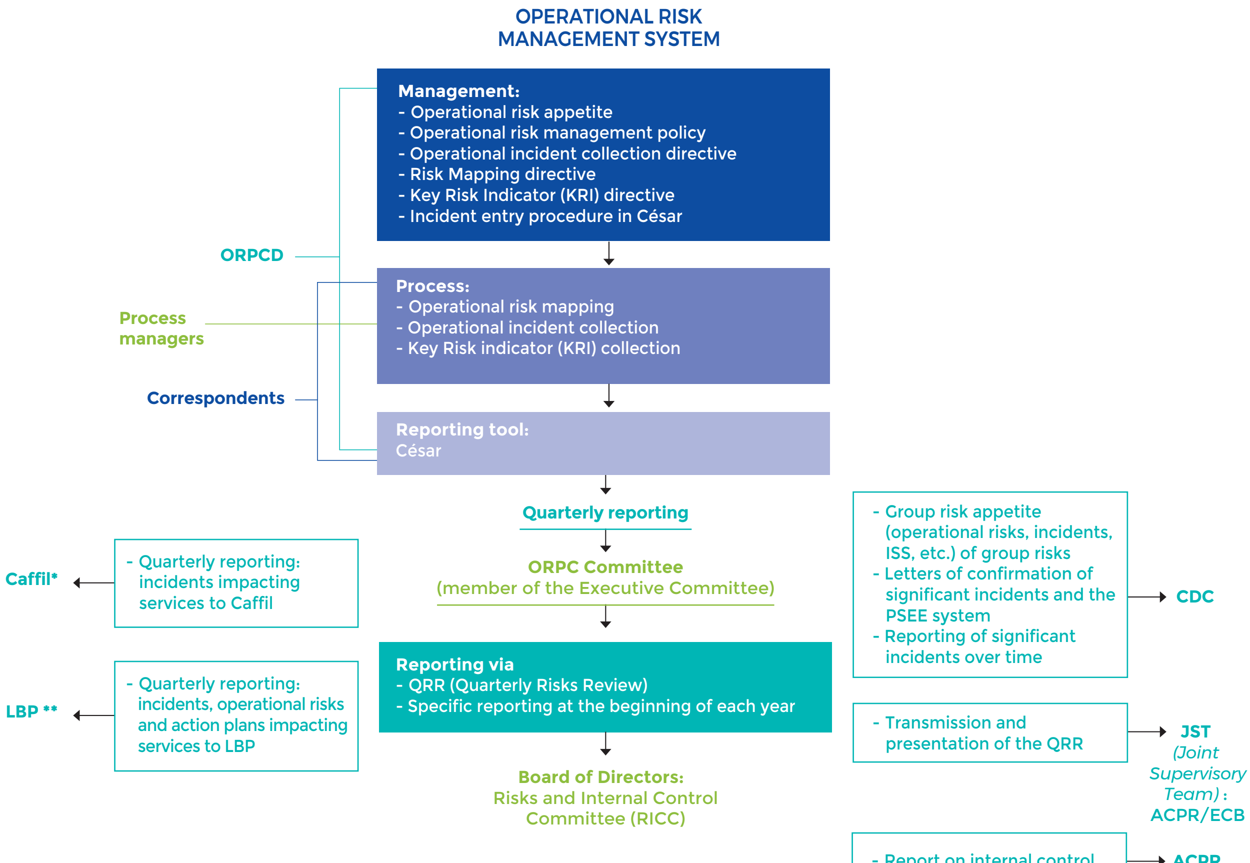
The operational risk management processes apply to all Group divisions, activities and processes.

Organization and governance

Sfil Group 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.

The management of operational risks and permanent control is organized around three 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.
- a PSEE (provision of essential outsourced services) Committee set up in 2023. It meets on an *ad hoc* basis when the business line identifies a new service that it pre-qualifies as a PSEE in order to validate this qualification.



(*) *Within the framework of the Sfil/Caffil agreement.*
(**) *Within the framework of the Sfil/La Banque Postale agreement.*

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

Operational risk measurement and management

The Sfil Group has opted for the standard method of calculating the regulatory equity requirement for operational risk. This requirement amounts to EUR 32.8 million as of December 31, 2023.

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

Missions	2023 activities and results
Definition of operational risk appetite and IT security	2 indicators for operational risks. 2 indicators for IT security. 1 indicator on the risk related to outsourcing.
Operational incident collection	4 incidents in 2023 that led to losses in excess of the collection threshold (EUR 10,000) and whose financial impacts in 2023 were limited.
Operational risk identification and assessment	Operational risks were mapped for 100% of Sfil's processes (see following item on operational risk identification). As part of the overhaul of the internal control system initiated at the end of 2021, 78% of the processes had been reviewed at the end of 2023.
Definition and monitoring of action plans	Half-yearly monitoring carried out in the quarterly risk review (QRR) and presentation to the Risks and Internal Control Committee (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	Deployment of the three-year plan (2023-2026) to strengthen IT security. Response to 3 self-assessment questionnaires (standard or requested by the IT security supervisory authority - SWIFT, Banque de France and Joint Supervisory Teams [JST]). 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. Information systems security (ISS) is monitored on the news and vulnerabilities of information system components as well as on potential fraudulent use of the Sfil and Caffil brands.
Business continuity and crisis management	2 functional tests (backup sites); 1 test of the IT backup plan; 1 crisis unit test (cyber crisis exercise); Participation in the first crisis unit exercise of Caisse des Dépôts (market exercise on the theme of global warming).
Internal and external reporting	4 Information Systems Security and Emergency and Business Continuity Plan Committees (ISS) held; 7 Operational Risk and Permanent Control Committees (ROCP) held, including 3 *ad hoc*. Contribution to 4 Quarterly Risk Reviews (RTR) for the Risks and Internal Control Committee (CRCI). Preparation of a document presented to the Risks and Internal Control Committee (CRCI) in January dedicated specifically to internal control. Reporting to Caisse des Dépôts *via*: ● Caisse des Dépôts' risk appetite for OR/PC, IS/ISS; ● the Caisse des Dépôts control plans (ISS and PC); ● operational risk mapping; ● reporting of incidents.

Operational incident collection

Sfil Group has defined an operational incident and loss collection process governed by guidelines and procedures. This operational incident and loss collection process allows Sfil Group 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 identification and analysis of incidents is the responsibility of the risk correspondents with the support of the Operational Risks and Permanent Control division, by 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, as well as the mitigation factors of these risks (systems or controls in place), to 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 252 operational risks. The risk mapping by process and its updates are validated by the Operational Risks and Permanent Control Committee (ORPC).

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. At the end of 2023, this overhaul had been carried out on 76% of the processes and will continue in 2024.

Monitoring key operational risk indicators

In addition to the mapping of operational risks which provides a periodic instantaneous picture of the risk profile, the Sfil Group has defined 74 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 Quarterly Risk Review.

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 Risks and Internal Control Committee through the quarterly risk review 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.

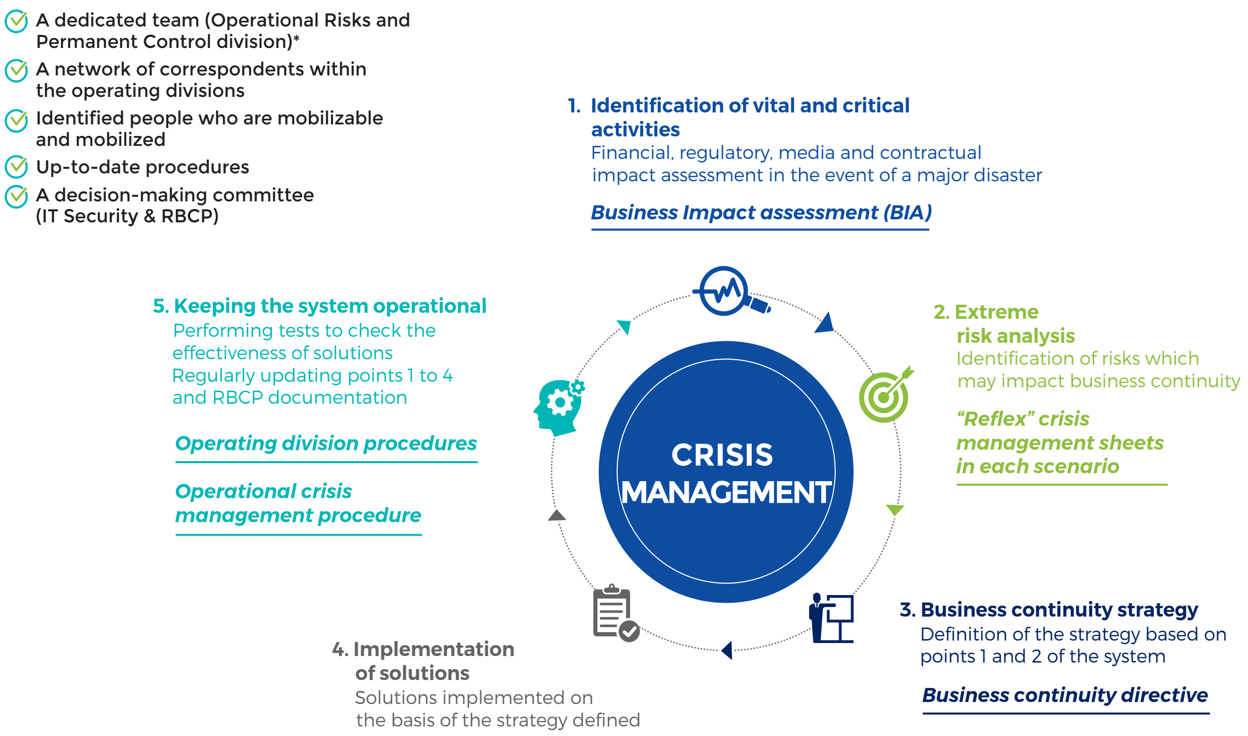
In addition, to improve existing systems a three-year (2023-2026) information system security strengthening plan has been defined and is regularly monitored. A SOC (Security Operation Center) system was set up to prevent and manage IT security warnings and threats.

In 2023, the Sfil also deployed micro-segmentation on its internal network to isolate the production IT system from the non-production IT system, and to isolate the Swift IT system from the rest of the IT system.

Business continuity and crisis management

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

This system has five key parts and a specific governance:



** 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 borrowers 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 clients 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.

Risk of non-compliance

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 clients, 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 the Ethics and Professional Conduct Code of Sfil.

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			
Professional conduct and prevention of conflicts of interest	Integrity of markets	Protection of customer interests	Fight against corruption	Protection of personal data	Customer knowledge (KYC)	AML-FT	Sanctions, asset freezes and embargoes	Export rules

The non-compliance risk management processes apply to all the Sfil Group's divisions, activities and processes.

Organization and governance

Sfil Group has defined and implemented a non-compliance risk prevention system that is up-to-date, adequate and proportionate to its activities, which is based on a shared responsibility between:

- all the operating divisions, which must incorporate into their daily actions respect for laws and regulations, rules of proper professional conduct as well as Sfil Group's internal procedures/rules, and they must implement level 1 controls of their activities;
- 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 four divisions: a "permanent compliance control" division, an "AML-FT/financial security" division, a "compliance/professional conduct" division and a "cross-functional management and standards" division reporting to the General Secretary, Chief Compliance Officer and member of Sfil's Executive Committee. It reports directly to the Deputy Chief Executive Officer and has direct and independent access to the Risks and Internal Control Committee and the Board of Directors.

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

- employees identified as points of contact with the business lines for all compliance issues (16 risk correspondents);
- a division dedicated to permanent compliance control.

Reports on the compliance system are submitted to the governance bodies.

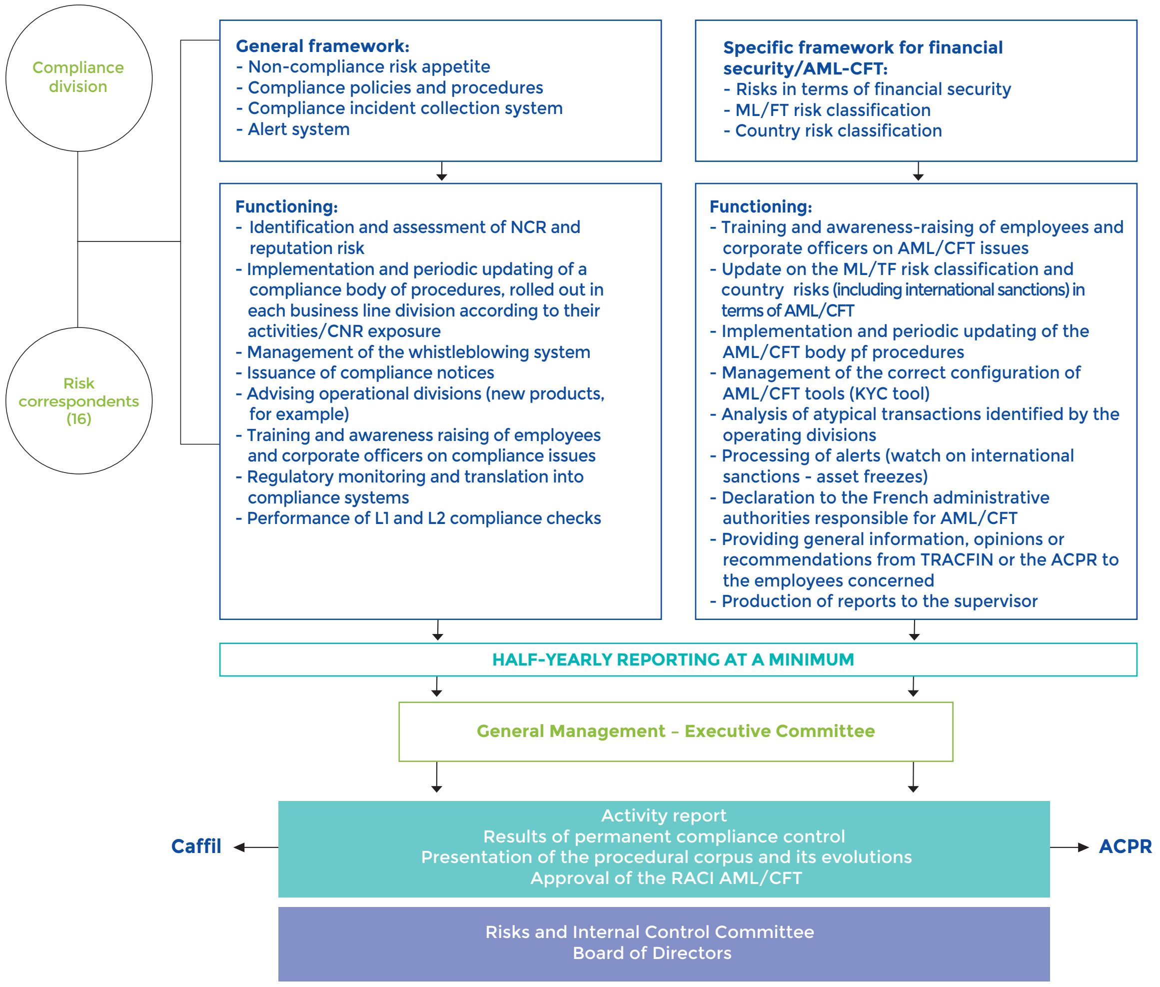
The General Secretary thus presents biannually an activity report and the results of the permanent compliance controls and the progress of compliance action plans to the Executive Committee on which Sfil's effective managers sit and to the Risks and Internal Control Committee. The results of permanent 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 Caisse des Dépôts systems, which must be adapted to those of its subsidiaries, according to their activities and specificities.

NON-COMPLIANCE RISK (NCR) MANAGEMENT SYSTEM



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 the 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.

Implementation of the compliance system

During 2023, Sfil continued to implement its compliance system, through the following initiatives:

- in terms of financial security/AML-FT, Sfil, as part of the project to manage money laundering and terrorist financing risks by the Caisse des Dépôts Group, has undertaken a complete review of its body of standards for consistency with the reference body of its parent company. The AML-FT/financial security procedural corpus will be presented to the Risks and Internal Control Committee during the first quarter of 2024. In 2023, 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 Risks and Internal Control Committee and reported to the Compliance division of Caisse des Dépôts. Sfil's Compliance division is now a member of the Caisse des Dépôts AML/FT Steering Committee. In this respect, since November 1, 2023, a "Cross-functional Management and Standards" division has been set up;

- concerning the financial security tool for the business relationship screening system, it was updated in 2023 to include the new regulatory requirements of the 2023 Anti-Money Laundering Questionnaire (QLB) to be reported to the ACPR;
- in terms of the fight against corruption: 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, it has also taken into account the recommendations of the French Anti-Corruption Agency insofar as they are relevant to these activities. The new mapping was presented to the Risks and Internal Control Committee on January 25, 2023.

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 the behavior of employees, in order to guarantee internal and external relations guaranteeing compliance with the rules on probity and corruption. Finally, a new supplier monitoring tool was put into production at the end of 2023.

The internal whistleblowing system complies with the regulatory requirements of the European Banking Authority's guidelines transposed by the "Waserman" laws and the implementing decree of October 3, 2022:

- in terms of protecting customer interests, risks are mapped and the permanent control system is satisfactory. The latest compliance actions with respect to the complaints processing system have been implemented. Finally, *ad hoc* "customer protection" training was rolled out and provided 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 the protection of personal data, in a more cross-cutting manner, Sfil strives to continuously maintain its compliance system with the GDPR regulation through solid governance. This makes it possible to manage the various actions to be implemented. The 2022 annual report on the protection of personal data drafted by the Data Protection Officer was presented to the governance bodies during the first half of 2023;
- the evolution of the annual permanent compliance control plan for 2023 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 and 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 2023 continued with a view to aligning Sfil's 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 2023 was rolled out in line with the objectives defined at the beginning of the year. 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 provides for a program dedicated to corporate officers on governance and compliance. The training courses or training materials deployed were updated and enriched in 2023.

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.

Legal and tax risk

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 Financing Legal division, which covers the financing of the local public sector and the financing of export credit;
- the Financial Markets Legal division;
- the Legal Affairs and Governance division, dedicated to the social life of Sfil and its subsidiary Caffil and their governance.

These three 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 Financing 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 three divisions;

- the review and negotiation of contracts, in particular the contracts governing the partnership between Sfil/Caffil and La Banque Postale as well as La Banque des Territoires, 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. In this context, the Financing Legal division participates in defining 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 New Products Committee, the two Legal divisions advise, as necessary, on the cases presented to them;
- the Financing Legal division analyzes, where applicable, the legal risks associated with the cases presented to 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 Financial Markets 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, the Financing Legal division reviews the cases under litigation and the progress of the proceedings. It is also involved when a sensitivity reduction operation is planned for a borrower in dispute and when a legal risk is identified as part of a debt management transaction.

Sfil's effective managers and Board of Directors, as well as the Supervisory Board of Caffil receive regular updates on significant events in the above areas.

Concerning judicial developments, as of December 31, 2023, Sfil has five borrowers who had brought suit for non-material amounts.

As of December 31, 2023, 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.

Tax risk

Sfil's Finance division is responsible for tax declarations and may consult the General Secretariat for tax advice.

There is no change during 2023 concerning the file linked to the treatment of the taxation in Ireland of the income of the former Dexia Municipal Agency (Caffil's former name) branch in Dublin, which closed in 2013. Caffil and Dexia SA are still awaiting a decision from the French and Irish tax authorities. However, at the end of 2023, Caffil and Dexia SA signed a memorandum of understanding to set the amount of sums due between the entities while including provisions to take into account the finalization of discussions between the competent authorities. As a result of this agreement, a tax income of EUR 6 million, corresponding to the difference between the amount provisioned and the amount paid, is recognized in Sfil's consolidated income for 2023 at December 31, 2023.

2.8 Social, environmental and societal information

2.8.1 General principles

With the founding principle of serving the public interest, Sfil adopted its corporate purpose statement in 2018: financing a sustainable future through a long-term and responsible support to regional development and large exporters by mobilizing international capital, with an objective of positive and moderate profitability as part of a controlled risk-taking and a balanced social model.

The *#Objectif2026* strategic plan is a tangible expression of this corporate purpose statement, by placing sustainability at the heart of our actions. This is reflected in commitments that aim to make a significant contribution to the United Nations Sustainable Development Goals (SDGs), sustainability-related governance and finally the exclusion policy the Sfil Group has adopted.

Contribution to SDGs

In 2018, Sfil joined the United Nations Global Compact, which aims to propose solutions to global challenges, in close connection with the Sustainable Development Agenda and the 17 United Nations SDGs by 2030. In line with its purpose, Sfil has taken ten commitments to make a significant contribution to the SDGs.

The sustainability policy [1] details these commitments.

Ecological transformation

Gradually align financing portfolios with the objectives of the Paris Climate Agreement

Accelerate the ecological and energy transition through our financing activities and the support provided to our clients

Make progress in measuring and taking into account the impact of our financing on biodiversity

Social and regional cohesion

Support regional development by ensuring stable financing for local authorities

Promote social cohesion through our financing and sponsorship activities

Act in favor of health by supporting the investments of public health institutions

Development and economic sovereignty

Contribute to the reindustrialization of the regions, the improvement to France's strategic autonomy and the development of essential infrastructure by supporting major French exporters

Internal exemplarity

Engage in an increased search for extra-financial performance

Be a responsible employer that engages and protects its employees by valuing their diversity

Manage the environmental impact of our internal operations

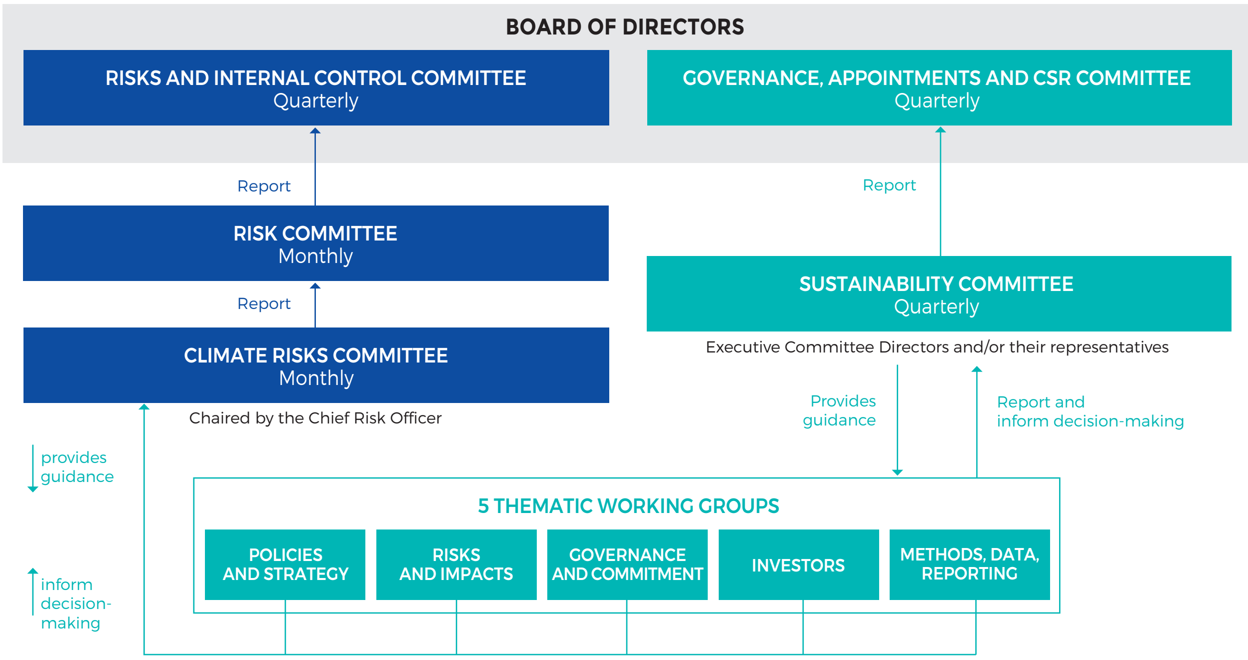
(1) *https://sfil.fr/wp-content/uploads/2024/02/Sfil_rse_020224.pdf.*

Governance

The strategic planning and actions of Sfil in terms of sustainability are supervised by the Board of Directors, which is assisted by a Governance, Appointments and CSR Committee. An update on the actions carried out is included in the activity report presented each quarter to the Board of Directors.

To steer the implementation of its sustainability strategy, Sfil relies on a cross-functional organization with:

- a director in charge of CSR from among the members of the Executive Committee to which a sustainability division reports;
- a quarterly Sustainability Committee;
- 5 working groups managed by different divisions according to the themes addressed and made up of sustainability contact points.



In coordination with the Sustainability Committee, Sfil has also set up a Climate Risk Committee (see the sub-section dedicated to climate risks in section 2.7.3 "Main risks of the Sfil Group").

Exclusion policy

Sfil does not finance the production of or trade in any illegal product, as well as any illegal activity under the laws of France or the country of destination. The following sectors are therefore excluded:

- prostitution;
- activities involving forced labor, child labor or human trafficking;
- illicit activities on human organs, tissues and products or genetic engineering activities prohibited by the national bioethical standards of France, the host country, European or international standards applicable in this area;
- the trade in, production, breeding or keeping of animals, plants or any natural products that do not comply with the provisions of the Convention on International Trade in Endangered Species of Wild Fauna or Flora;
- the production, use or sale of any product as soon as they are prohibited from production or use or subject to progressive prohibition under the regulations of the country of destination or international;
- cross-border trade in waste, except for waste compliant with the Basel Convention and its underlying regulations;
- illicit trade or activities that facilitate the illicit traffic of cultural property;
- projects for which a forced eviction within the meaning of the United Nations took place on the impact site of the proposed project, for which a causal link can be established with the purpose of this project and for which it is physically impossible to provide compensation.

In addition, Sfil excludes the financing of the following activities due to their controversial nature and their negative societal impact:

- any activity related to pornography;
- the tobacco sector [1];
- the gaming business [1];
- non-conventional weapons covered by international treaties ratified by France;
- speculation on agricultural commodities, which has a direct impact on food prices, as well as the exploitation and trading of raw materials contrary to the national strategy to combat imported deforestation;
- the manufacture, storage and sale of pesticides banned on French territory.

In terms of fossil fuels, in accordance with the guidelines of the French export support policy, Sfil does not finance:

- the exploration, production, transportation, storage, refining or distribution of coal or liquid or gaseous hydrocarbons;
- coal-fired power generation.

These exclusions do not apply to operations that will reduce the negative environmental impact of or improve 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.

The cash investment business is governed by:

- an exclusion of countries with a high level of risk or prohibited according to the country risk classification of Sfil;
- the existence for bank issuers of a green, social or sustainable framework and their ESG rating;
- the average of the World Bank's global governance indicators [2] with regard to sovereign issuers and public sector entities and their signing of the Paris Climate Agreement.

2.8.2 Social information

Employment information

Total headcount and breakdown of employees by gender, age and geographic area

As of December 31, 2023, Sfil had a total of 397 employees, of which 342 were under permanent contracts. In 2023, Sfil recruited a total of 90 employees, including 37 permanent, 11 fixed-term and 26 on work-study contracts. It also took on 16 interns on work placement plans.

Staff present	2022	2023
Men	205	210
Women	186	187
TOTAL	**391**	**397**

2023	< 25 years	25 to 29 years	30 to 34 years	35 to 39 years	40 to 44 years	45 to 49 years	50 to 54 years	55 to 59 years	60 years and +	Total
Managers	7	28	36	59	50	61	50	37	19	347
Non-managers	34	8		1	2	3		2		50

All employees are located in France: 379 were based at the Paris site and 18 at the Lyon site at the end of 2023.

(1) Main activity only: this does not include urban development plans, which may subsequently include sales projects.

(2) The World Bank's global governance indicators measure the performance of countries on six dimensions: civic voice and responsibility, political stability and absence of violence, effectiveness of public authorities, quality of regulation, rule of law and fight against corruption.

Staff movements on permanent or fixed-term contracts

	2022	2023
Permanent contracts	25	30
Mobility of permanent contracts to the employment area	5	8
Dismissals/contractual termination of permanent contracts	8	4
Resignation from permanent contract	13	15
Transfer from fixed-term or work-study contracts to permanent contracts	8	7
Hires on fixed-term contracts (including work-study students and interns)	54	48
Dismissals/resignations from fixed-term contracts (including work-study students)	7	3
Retirement	6	3
End of trial period for permanent/fixed-term contracts (including work-study students)	1	1
End of fixed-term contract (including work-study students)	42	38
Transition from work-study contract to fixed-term contract	4	5

Compensation

Compensation policy

The Compensation Committee reviews all items related to the compensation policy. Its proposals are put to the 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 current regulations;
- ensure equal opportunities;
- ensure a balance between fixed and variable compensation and motivate employees;
- be in line with the risk appetite of the Group Sfil.

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.

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.

Compensation of the Chief Executive Officer

The compensation of the 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 2023, the weighting of objectives incorporating ESG criteria was 30%.

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. Cumulative clauses based on the two financial years preceding the termination of the term of office condition the payment of this indemnity.

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

The compensation policy includes specific provisions for an identified group of employees whose work could potentially impact the risk profile of Sfil.

These employees 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 2023, the weighting of cross-functional objectives incorporating ESG criteria was 30%.

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 deferred variable compensation applies to all Sfil employees (including members of the Executive Committee and the General Auditor).

In 2023, the gross compensation paid to the abovementioned group of people totalled EUR 8.03 million for 52 employees (compared with EUR 7.46 million for 48 employees in 2022).

Gross payroll distributed

In 2023, the annual gross payroll was EUR 32.2 million (in 2022, this amount was EUR 30.9 million).

The annual fixed compensation of employees with permanent contracts as of December 31, 2023 was EUR 74,433 (compared to EUR 71,242 in 2022).

At the end of 2023, Sfil signed a mandatory annual negotiation agreement with its social partners including a general fixed salary increase.

Incentives and profit-sharing

The profit-sharing agreement renewed in May 2023 and signed with the social partners has strengthened the weighting of the ESG criteria included in the calculation formula since 2020. They now represent one-third of the calculation formula determining the collective performance. Thus, the achievement of the objectives concerning the reduction of the volume of IT data storage, the level of the professional equality index and the proportion of green and social loans granted to the French local public sector each year are taken into account for the calculation of the collective performance of Sfil determining 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.

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.

Labor relations

Organization of social dialog

The 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.

The current agreement applicable provides that the social and economic committee (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 2023, the employee representative bodies were convened according to the statutory, regulatory and contractual provisions in force and as required, including:

- 15 meetings of the SEC;
- 6 C2SCT meetings;
- two meetings respectively of the Social Committee and of the Economic and Strategic Committee;

The meeting of the CSA commission was postponed to the beginning of 2024 following the membership of the Sfil SEC in the COSOG of the Caisse des Dépôts Group. The mission of this association is to manage the social and cultural activities of Caisse des Dépôts and its subsidiaries that choose to join it.

At the end of the information/consultation process, the employee representative bodies had unanimously issued three favorable opinions:

- on the economic situation;
- on strategic orientations;
- on the social policy for the year 2022.

Elected officials were also fully involved in the structuring projects of 2023: notably the completion of the move to the BIOME site.

In addition, three employee representatives sit on the Board of Directors.

In the last quarter of 2023, elected officials and management met to take stock of the four-year term of office in correlation with the professional elections held in November 2023. These resulted in the election of 12 permanent members and 9 alternates, with a participation rate of 84% in the first round. At the same time, the renegotiation of the current agreement was launched in December 2023.

Collective bargaining agreement review

Numerous negotiations took place in 2023, resulting in the unanimous signing of the following seven agreements:

- agreement on the integration of workers with disabilities;
- agreement on the conditions and procedures for voting by electronic means for professional elections;
- pre-electoral memorandum of understanding relating to the 2023 SEC elections and its amendment No. 1;
- Sfil profit-sharing agreement for the years 2023-2026;
- 2024 annual mandatory negotiations agreement at October 1, 2023;
- amendment No. 1 to the PAP (September 19, 2023);
- amendment No. 1 to the agreement on the SCA (social and cultural activities) budget of the SEC (December 19, 2023).

Work organization and absenteeism

2023	Number of employees	% of employees
Part-time employees	31	8%
Employees benefiting from the remote working agreement	397	100%
Employees with flat daily rate	340	86%
Employees with hourly rate	57	14%

In 2023, the absenteeism rate (related to illness, work/commuting accidents) was 0.9% down from 1.6% in 2022.

Health and safety

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

In 2023, Sfil renewed the agreement on the integration of workers with disabilities. This agreement defines the main areas for pursuing an employment policy for workers with disabilities:

- recrutment actions;
- collaboration with the sheltered and protected sector;
- awareness-raising actions and training of stakeholders;
- actions to maintain employment and anticipate situations of professional incapacity.

Numerous actions such as prioritization of training and coaching, adaptation of remote working or an adapted retirement plan are provided for in this new agreement.

In addition, employees are informed of existing systems to prevent human risks, in particular the Allodiscrim/Allosexism hotlines, a 24-hour listening unit, an internal mediator, or the new Sfil Benevolent network, the SEC contacts and Sfil as an employer in the fight against harassment and discrimination.

Work health and safety conditions

In 2023, Sfil reported six commuting accidents and two workplace accidents (no serious accident).

Building on its success in previous years, a new flu vaccination campaign took place for the fourth year at the BIOME site in Paris 15, which saw nearly 80 employees get vaccinated.

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

2023	Number of employees	Frequency rate	Severity rate
Workplace accident	2	3.08	0.04
Commuting accident*	6	9.25	0.04
Occupational illnesses	0	-	-

* *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.

Training

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.

Four areas of development were prioritized in 2023:

- contributing to Sfil's social responsibility;
- cooperating and working together in a new phase of our internal transformation;
- contributing to the reputation of Sfil;
- developing business line and regulatory skills;

457 employees were trained in 2023 for a committed amount of EUR 540,000, of which 40% was intended for business line training. The 2023 training offer combined various forms of learning: e-learning training, virtual classroom training and face-to-face training.

In 2023, 9,216 training hours were provided by Sfil, *i.e.* 1,316 days of training (on a basis of seven hours per day), which represented an average of 2.93 days of training per employee over the financial year.

These elements show that the training activity decreased compared to that of 2022 (9,216 hours *vs.* 11,435 hours in 2022). This decrease was due to the relocation, which impacted the training activity. Indeed, change support strongly mobilized all employees in the first half of 2023.

Equal treatment

Policy against harassment, discrimination and sexist behavior

The mechanism set against 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;
- inspired by best practices observed in other companies, Sfil has also rolled out its new Sfil Benevolent network made up of trained employees whose role is to detect employees experiencing difficulties, to welcome them, listen to them and direct them towards the system best suited to their situation;
- the long-term partnership with Allodiscrim/Allosexism, an external structure made up of lawyers who offers listening (free of charge, entirely anonymous and confidential to the employer) and advice to employees, regardless of their legal status who experience a situation perceived as "discriminatory";
- 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 helpline and support managed by external psychologists from PROS-CONSULTE, a partner of the Caisse des Dépôts Group.

The objective of these systems 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, cases of racist or discriminatory abuse and sexist behavior.

In addition to the "Act against sexism" e-learning program launched in 2022, managers were invited to attend awareness-raising workshops on the fight against harassment, discrimination and sexist behavior with the aim of encouraging people to speak out.

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, *SOS homophobie*.

Sfil organized various events aimed at combating violence against women (including the visit of Dr. Ghada Hatem, founder of "La Maison des Femmes", in connection with the diversity networks, AVEC'L at Sfil and Alter Egales of the Caisse des Dépôts Group.

In 2023, Sfil continued its exchanges of best practices within the network of officers in charge of combating harassment and discrimination of the Caisse des Dépôts Group. This network brings together the public institution and the subsidiaries.

Measures taken to promote gender equality

In 2023 as in 2022, 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, at the beginning of 2024, Sfil published the level of its Gender Equality Index for 2023, which reached 93 points out of a maximum of 100 points. The level of the index was above 90 points for the fourth consecutive year.

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

Since its creation, there has been a disability officer at Sfil, as now provided for by the Pénicaud law. In 2023, Sfil signed a fourth three-year company agreement which was approved by the French State. At the end of 2023, the employment rate of people with disabilities was 3.4%.

The three previous agreements and the current agreement have enabled Sfil to:

- increase the employment rate from 1.2% in 2013 to 2% in 2019 and then to 3.4% in 2023;
- hire 10 people with disabilities (6 on a permanent contract, 1 on a fixed-term contract, 2 work-study students and a high school intern);
- facilitate the disability declaration of two Sfil employees in 2023 and support employees with disabilities in their professional mobility;
- outsource contracts to various accessible companies (SOTRES 92, HASC, 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 Duoday initiative launched by the public authorities;
- provide disability awareness training for all elected staff members and the HR development team.

2.8.3 Environmental information

Climate and environmental risks

Sfil, as a financial institution, is exposed to climate and environmental risks. Taking them into account is key issue for financing activities, in particular to support the borrowers concerned in the expected investments for their ecological and environmental transition.

The measures thatSfil has implemented to manage climate and environmental risks are described in more detail in section 2.7.3 "Management of main risks".

Financed emissions

In 2023, Sfil completed the work to measure the carbon footprint of its loans to the French local public sector and its export credit refinancing operations, which had begun in 2022.

The methodology usedwas based on the international standards developed by the Greenhouse Gas (GHG) Protocol and the Science Based Targets (SBTi) initiative. Within the GHG Protocol, the PCAF (Partnership for Carbon Accounting Financials) framework specifies the principles applicable by financial players for the calculation of indirect Scope 3 emissions generated by their financing and investments (category 15). Emissions can be communicated in absolute emissions or intensity, depending on the relevance of the approach for each scope.

Carried out on the basis of the portfolio at December 31, 2021, the measure covered 82% of exposures (1) at that date.

	Emissions financed in $ktCO_2e$	% of portfolio covered
French local public sector	6,327	77%
Export credit	1,016	5%
TOTAL	**7,343**	**82%**

The indicators presented are based on the best information available at the measurement date. The measure of financed emissions is based on multiple data sources, and in particular public information that is extrapolated in order to be applied to a part of the portfolio (on different customer types and levels). The lack of available data and their timeliness can have a very significant impact on the reference indicator. Based on the lessons learned from this initial measure, Sfil will update its methodology as the underlying data and calculation methodologies specific to each scope are improved.

The methodologies and results at the end of 2021 are detailed below. Sfil is measuring financed emissions at the end of 2022 and the end of 2023: in addition to new transactions entered into the portfolio, these will be extended to loans to the local sector outside France and to cash investments.

French local public sector

Methodology

Most loans to the local public sector are non-thematic loans financing investment budgets, unlike green or social loans for which the use of proceeds is known as soon as they are granted. This results in a lack of physical data on the investments financed, especially as the local public sector is not subject to a non-financial information disclosure requirement.

Sfil considered this specificity by establishing a three-step method for measuring the carbon footprint of general loans to French local authorities and their affiliates (*i.e.* excluding green and social loans):

- segmenting the portfolio by type of counterparties and identification of the activities they carry out
- assigning an emission factor to each of the activities carried out on the basis of the data made available by ADEME and the GHG Protocol;
- calculating the intensity and absolute emissions for each type of counterparty factoring in scopes 1, 2 and 3 (upstream and downstream) of the financed projects corresponding to emissions induced by the construction phase.

The results thus obtained were annualized and applied to the general loans.

With loans for which the use of proceeds is known, the GHG emissions of the underlying financed emissions (upstream and downstream Scope 1, 2, 3) were assessed based on:

- physical data on renewable energies (*e.g.* installed energy capacity), soft mobility (*e.g.* mileage of transmission lines) and construction energy efficiency (*e.g.* primary energy consumption);
- data made available by ADEME and the GHG Protocol on water management and waste management, as well as for social loans.

GHG emissions induced by known-use-of-proceeds loans were then aggregated to the generic measurement of financed emissions for general loans granted to the French local public sector.

Using this methodology, Sfil measured the issues financed on its portfolio of loans to the French local public sector. It is made up of the following types of counterparty:

- local authorities (municipalities, departments and regions);
- inter-municipal grouping (Municipality Community, Urban Community, Agglomeration Community and Metropolitan Area);
- *syndicats* and various public institutions (public administrative establishments including municipal and inter-municipal social action centers and departmental fire and rescue organizations);

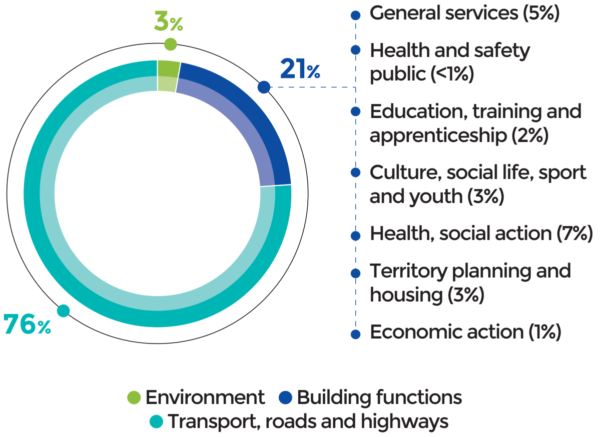
(1) *On the basis of the gross carrying amount.*

- health institutions (hospitals, health cooperation groups, health associations, public retirement institutions, etc.);
- various public and private players in the housing sector or associations that are included in the portfolio under run-off management.

Results

Loans to the local public sector generated 6,327 ktCO_2e with a monetary intensity of 153 gCO_2e per euro loaned.

Expressed in absolute value, 88% of financed emissions are generated by departments, municipalities and inter-municipal grouping that represent 67% of exposures Expressed in intensity, 79% of emissions are related to downstream Scope 3 (*i.e.* use of infrastructure/equipment).



These two measures are correlated with the breakdown by budget function, reflecting an over-representation of emissions related to road transport. Thus, 76% of emissions are allocated to the "road and road transport" function, for which downstream Scope 3 is 8.5 times more emissive than other types of project or function. Consequently, departments and municipalities stand out with particularly high emissions compared to the weight of their investments in this area, in line with their mandates.

The rest of financed emissionsmainly includes the "building" functions (education, culture and sport in particular) where the construction/renovation of buildings is predominant and thus accounts for 21%.

This first measurement reflects GHG emissions in the French economy, and for which the transport and construction sectors have a significant impact (48% of annual GHG emissions in France in 2021 [1]).

Export credit

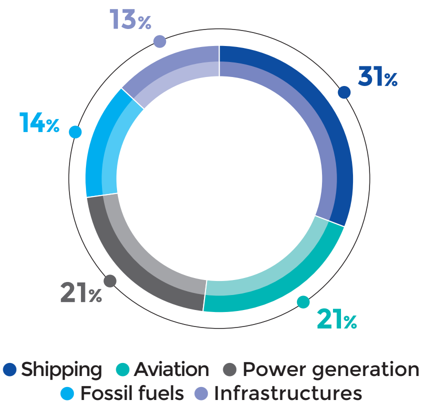
Methodology

The portfolio of export credits is characterized by the diversity of projects financed in the shipping, aeronautics/space, energy production, oil and gas, infrastructure and defence sectors. The infrastructure sector consisted solely of electricity networks in 2021. In the long term, this category will also include transport infrastructure (*e.g.* road, rail and rolling stock) and water networks.

In accordance with the PCAF methodology, the measurement of financed emissiosnconsists of assessing, for each project, the CO_2 emissions that will be generated over the entire life cycle of the financed project: upstream Scope 3 corresponds to emissions generated by the construction of the project, Scopes 1 and 2 to emissions generated directly during the project's operation phase, and finally, when they are significant, downstream Scope 3 emissions are also considered (category 3-11: use of products sold). The sum of genereted GHG emissions is then annualized over the life of the project and allocated to Sfil in proportion to its outstandings in relation to the total cost of the project.

Results

The export credit portfolio was subject to a measurement that generated 1,016 ktCO_2e. In absolute terms, shipping is the main contributor, in line with the significant share that this sector represents in the portfolio.



Expressed in intensity, 82% of financed emissions are related to scopes 1 and 2 (use).

(1) *Source: SGPE "Decarbonization trajectories by sector (National Council for the Ecological Transition - May 22, 2023).*

Decarbonization of portfolios

Following the first measurement of financed emissions generated by its financing portfolio, Sfil set targets by 2030 at the end of 2023. The Group has chosen priority sectors by considering factors such as its exposure, their contribution to GHG emissions or the existence of recognized trajectories: lending to the local public sector and transactions related to fossil fuels, shipping and power generation for export-credit refinancing.

	Metric	Reference point	Objective	Baseline scenario
French Local Public Sector	gCO_2e/EUR	153 (2021)	92 (2030)	SNBC*
Export credit				
Fossil fuels	$ktCO_2e$	145 (2021)	0 (2034)	Phasing-out
Shipping	Objective expressed in terms of alignment differential	+3% (2021 estimated)	≤ 0 (2050)	IMO emissions intensity 2018 *(gCO_2/tnm)*

* *France's National Low Carbon Strategy (revised version of 2018-2019).*

French local public sector

The objective of reducing the monetary intensity of the loan portfolio to the French local public sector by 40% is based on the SNBC, which is France's action plan to reduce its GHG emissions. by 2050, in line with the Paris Climate Agreement. Public decision-makers, at both the national and regional levels, shall consider it when designing action plans that involve investment efforts in key sectors such as public building management, transport, waste and energy.

The new version of SNBC is expected during 2024. Sfil will integrate the changes made in the update of its greenhouse gas emission reduction targets for its portfolio of loans to the French local public sector.

Export credit

Fossil fuels

Sfil already excludes any financing of coal-related projects (exploration, production, transport, storage, refining or distribution of coal or energy production from coal).

In addition, in accordance with the new French export support policy that came into force in 2023, Sfil does not finance any new project oil-and-gas related projects (exploration, production, transport, storage, refining or distribution). Exposures to these sectors will expire by 2034.

Shipping

Sfil aims to support the transition efforts of the shipping sector and in particular the cruise sub-sector, by financing the construction of less polluting and more low-carbon vessels.

Sfil will assess a possible membership to the Poseidon Principles initiative. This initiative aims to establish a global framework for assessing and disclosing the climate alignment of ship finance portfolios to the objectives defined by the International Maritime Organization (IMO), including those announced in July 2023 to reach net zero in 2050 with intermediate targets set at -20% absolute emissions in 2030 and -70% in 2040.

Sfil aims to reach a negative-or-zero climate alignment score of its portfolio by 2030 (1) (2) according to the previous trajectory of the Poseidon Principles. This was based on the target set in 2018 by the IMO, which aimed to reduce total greenhouse gas emissions by at least 50% between 2008 and 2050. The alignment score at the end of 2021 based on this trajectory was estimated at +3%.

Power generation

The exposures, to date and on the basis of which financed emissions were measured, relate exclusively to a renewable energy project and a gas-fired power plant. The associated intensity associated was 320 gCO_2/kWh.

According to International Energy Agency projections (3), in order to reach net zero by 2050, worldwide natural-gas-related capacity need increase from 1,829 GW in 2020 to 1,950 GW in 2030, particularly in developing economies, in which Sfil may to refinance export credits given its status as a public development bank.

Under these conditions, in the power sector, Sfil only provide financing to transactions involving low-carbon projects (renewable or nuclear), and more selectively gas-fired power plants if they contribute to improving the carbon intensity of the energy mix in destination countries.

(1) A negative-or-zero climate alignment score means that the portfolio is aligned (i.e. on or below the trajectory of the Poseidon Principles). Conversely, a positive score means that the portfolio is not aligned (i.e. above the trajectory of the Poseidon Principles).

(2) The "Annual Efficiency Ratio" (AER) is expressed in grams of CO2 per deadweight ton and per nautical mile. The AER is calculated annually for each vessel in the portfolio. Then, the total average AER of the portfolio is determined by weighting each score by the amount of financing allocated to each vessel. There are AER curves defined by type and size of vessel.

(3) Net Zero by 2050 - A Roadmap for the Global Energy Sector.

Decarbonization levers

The growth of thematic loans, which are less carbon intensive, is an essential lever for achieving the decarbonization objectives that Sfil has set and for limiting the social-related impacts to the ecological transition through social investments.

In order to support its clients, and after having already financed nearly EUR 3 billion in green loans since their launch in June 2019, Sfil will mobilize an additional EUR 17.5 billion for the ecological transition over the 2024-2030 period. This commitment is fully aligned with the conduct of public policy missions, and in particular supporting the ecological and energy transition of French territories and of destination countries through the export financing of sustainable and resilient infrastructures.

In addition, Sfil will also mobilize nearly EUR 12 billion in social loans over the same period to support French public hospitals and local authorities. For the latter, Sfil finances investments that may have a social dimension (public safety and health, education and training, culture and sport, health and social action, etc.).

The expected growth of green and social loans will be supported by the issuance of sustainable bonds. As such, Sfil aims to increase to 33% the proportion of green, social and sustainable bonds.

In addition to these financial commitments, Sfil will actively engage its clients about environmental-and-social-transition related challenges. More specifically, Sfil will share the expertise it is developing about the assessment of climate risks for French local authorities.

Impacts on the operating scope

In line with the consideration of sustainability in its strategy, Sfil strives to reduce the environmental impacts generated by its internal operations. This commitment is based on the following themes; the promotion of energy efficiency, the preservation of resources and the reduction of waste and finally control of the operational footprint.

Energy sobriety plan

The move to the Biome site was an opportunity to take a new step in the achievement of its commitment to limit its operational carbon footprint, formulated as part of its *#Objectif2026* strategic plan.

This new head office is a reference in terms of environmental performance, in line with its purpose and its environmental commitments: limiting the carbon impact in the choice of materials, sobriety in the design, reuse of original elements and protection of biodiversity with the creation of numerous planted areas. In addition to obtaining HQE (High Environmental Quality), BREEAM (Building Research Establishment Environmental Assessment Method) and BiodiverCity labels, this was one of the first projects in Paris to be recognized by the demanding BBCA (Low-Carbon Building) Renovation label.

Aware of the constraints related to energy and the need for collective mobilization, Sfil renewed in 2023 its commitment to the Ecowatt approach. By following the recommendations made by RTE, the electricity transmission network manager, Sfil carried out actions aiming to mitigate 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 during 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.

Resource conservation and waste reduction

On a daily basis, Sfil is attentive to limiting the environmental impacts of its operations and has implemented measures to preserve resources.

Within its new head office, Sfil uses an environmentally-friendly service provider for the inter-company restaurant. Committed to a virtuous approach throughout its value chain, it sources in a controlled manner in short circuits, seasonal products from responsible agriculture, from local producers.

In addition, Sfil has provided water fountains and coffee bean machines in each herbal tea room, enabling employees to adopt more virtuous gestures over the long term, in line with the practices already in place for several years.

With regard to waste, Sfil has set up selective sorting bins for glass as well as cigarette butts recycling containers at the entrance to its head office in order to improve its selective sorting practices and raise awareness among its employees.

All of these actions, which generated a positive impact from 2023, will continue to produce beneficial effects over the long term.

Operational carbon footprint

Carbon footprint

In accordance with its roadmap, Sfil proceeded in 2023 to the voluntary measurement of its GHG emissions, for the year 2022 [(1)]. The measure concerned the two Sfil sites (Issy-les-Moulineaux and Lyon). The exercise, carried out according to the method of the Ministry of Ecological Transition and ADEME, took into account the new nomenclature comprising six categories of emission sources in the presentation of its results:

- Scope 1: direct emissions due to the Company's activity;
- Scope 2: indirect emissions due to energy consumption;
- Scope 3: emissions associated with transport;
- Scope 4: emissions associated with purchased products;
- Scope 5: emissions associated with products sold;
- Scope 6: other emissions.

The total direct and indirect emissions generated in the operational scope for 2022 was 6,460 tons of CO_2 equivalent (tCO_2e), excluding financed emissions (compared to 5,390 tCO_2e for the same scope in 2021).

This change was related to the return to normal of activity following the Covid-19 crisis, and also to the implementation of the new strategic plan for 2021-2026, which required the simultaneous launch of several structuring projects and thus generated a significant increase in emissions for the purchases of intellectual services item. For the rest of the operational scope, *i.e.* excluding purchasing, the measurement showed good control of the carbon footprint despite the upward effect of the recovery in activity, which was accompanied by a doubling of the presence of employees on site in 2022 compared to 2021.

Aware of the need to be part of a trajectory of controlling its footprint in line with the National Low Carbon Strategy, Sfil will continue its efforts to maintain a level of carbon footprint in its operational scope of 6,500 tCO_2.

Partial carbon offsetting

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, Sfil continued its collaboration with Société Forestière, also a subsidiary of the Caisse des Dépôts Group, by renewing their agreement.

As such, Sfil is committed to a voluntary approach to offset part of its residual carbon emissions for 2022 by financing a project carried out in France under the low-carbon label offering joint biodiversity benefits. Thus, in 2023 Sfil contributed to a project of afforestation of a very diversified range of 6,600 trees of species adapted to the surrounding ecosystem, while encouraging the development of biodiversity through the delimitation of an area of natural development adjoining the plot to be afforested. The planting of these trees, which will create a forest ecosystem in the long term, will sequester the equivalent of 650 tons of CO_2.

Amount of provisions and guarantees for environmental risks

The financial statements as of December 31, 2023, do not include any provision or guarantee regarding environmental risks.

2.8.4 Societal information

Employee awareness and initiatives

The commitment of Sfil and its employees to societal and environmental issues is a structuring element of the Company's DNA. Sfil also regularly implements awareness-raising actions and encourages initiatives proposed by its employees.

Protection of biodiversity

In 2023, as part of the "Engagement Forum", Sfil chose biodiversity as its annual theme. Several events were held during the year to raise employee awareness of the challenges of protecting biodiversity, including:

- several fun and collaborative workshops on the Biodiversity Fresco were organized to enable participants to better understand the benefits derived from biodiversity, the systemic mechanisms of its erosion, the impact of human activities and factors of pressure;
- during the annual Sfil'Anthropie corporate volunteering day, two actions focused on the environment and biodiversity (see below);
- on the occasion of the installation of the new head office, a vegetable garden was installed to create a space focused on living things and allow employees to reconnect with nature by offering them gardening workshops, events and by sharing harvests. This vegetable garden, with a surface area of 440 m², should be able to produce up to 4 tons of fruit and vegetables per year;
- Sfil continued to sponsor three mobile beehives with an independent beekeeper located in the Cher department, whose production is certified organic (Ecocert© certification). This sponsorship contributes to the protection of pollinating insects, to which employees are made aware throughout the year through information bulletins.

Raising awareness

On the European Sustainable Development Week, Sfil organized its first internal event on sustainable development. The objective was to raise awareness and mobilize as many employees as possible by promoting the initiatives implemented within the various divisions. After a conference on the protection of biodiversity, employees took part in workshops on eight key themes specific to the activities that Sfil carries out.

In addition, Sfil continued to roll out its e-learning module dedicated to the ecological transition and CSR. This training is now part of the mandatory training for all new employees.

(1) Information on the operating footprint at the end of 2023 is not yet available at the date of publication of this financial report.

Sfil employees are regularly made aware of a range of sustanability-related topics, *via* intranet communications and publications, in particular:

- responsible digital technology with awareness-raising on data cleaning during Digital Cleanup Day;
- the circular economy through the collection of clothes recovered by Emmaüs Alternatives to be resold for the benefit of the people supported by the association.

Sfil'Anthropie: the annual day of corporate volunteering

For the third consecutive year, Sfil organized the Sfil'Anthropie Day in June 2023. Proposed to enable employees to engage in a solidarity and useful action during a working day, it again brought together more than 40 employees, with four actions proposed, on the themes of intergenerational ties, childhood and protection of biodiversity.

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.

Regional employment and development

Sfil provided:

- financing for the training of 40 work-study employees with 23 higher education institutions;
- financing *via* the 2023 "learning tax";
- higher education institutions, ISFA-Lyon and MOM Master 2 Université de Lyon;
- three organizations or associations that promote diversity: FEDEEH (disability) and Institut TÉLÉMAQUE;
- an institution located in a "priority education network" area, the Collège Pierre Mendès-France.

Partnership or sponsorship activities

Sfil's mobilization in favor of victims continued in 2023. The Bank made a commitment to the Fondation de France and made two donations totaling EUR 100,000 to help the Moroccan and Turkish civilians severely affected by major earthquakes.

Sfil also undertook philanthropic actions in terms of diversity and equal opportunities, including the continuation of the partnership with the Collège de France ("Campus de l'innovation pour les lycées" program) and its commitment with the Institut Télémaque (mentoring of young people enrolled in secondary schools located in areas known as "priority education networks" by Sfil employees and hosting of some of these interns during the "discovery of the company week" discover the banking business).

Sfil participated in the fight against violence against women *via* a donation made to La Maison des Femmes (Department of Seine-Saint-Denis) founded by Doctor Ghada Hatem.

2023 was also an opportunity to develop a partnership with the Hop We Care association in two forms: skills sponsorship *via* the provision of employees and financial support. This association works for a better life in the hospital through art, well-being and culture, music in particular.

The partnership with MicroDon continued and employees were able to continue their commitment *via* "salary rounding" with two partner associations: "Planète Urgence" (concrete ecosystem rehabilitation and reforestation missions) and 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.

Convinced that culture is essential to overcome *clichés* and stereotypes, particularly on gender, Sfil continued its partnership with Paris museums by partnering with the City of Paris on various exhibitions highlighting the role of women in political life, art or science.

Finally, Sfil supported I4CE (Institute of the Economy for the Climate), a non-profit research institute contributing through its analyses to the debate on public policies for climate change mitigation and adaptation.

Subcontractors and suppliers

Sfil chooses its suppliers and subcontractors very carefully. Relations with subcontractors and suppliers comply with the principles set out in the code of professional conduct and ethics, *i.e.* maintaining relationships based on mutual loyalty by promoting ethical behavior throughout the relationship. As such, Sfil is a signatory of the Responsible Supplier Relations Charter of the National Purchasing Council and the Business Mediator, by which it confirms its commitment to a balanced and sustainable relationship with its suppliers. In addition, Sfil has adopted a Responsible Purchasing charter which invites suppliers to commit to an approach that respects the following three main principles:

- promote, respect and fight for the respect of human rights in the working environment;
- protect and respect the environment; and
- fight against corruption.

At the end of 2023, nearly a quarter of suppliers had signed this charter. The roll-out will continue as contracts are renewed.

The purchases policy stipulates that the Company promotes sustainable and socially responsible purchases whenever its various constraints allow. In the context of calls for tender, 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. For suppliers of intellectual services, representing nearly one-third of total purchases, internal supplier evaluation campaigns take into account social ethics practices perceived through the services provided.

Annual questionnaires are sent to the main suppliers on their social and environmental responsibility. The information collected helps to inform decision-making regarding the continuation of the business relationship.

Framework agreements that Sfil has adopted 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.

Moreover, at the end of 2023, Sfil equipped itself with a tool that automates the continuous monitoring of all its suppliers in terms of corruption, by reconciliation with the lists of international sanctions, negative information or politically-exposed persons.

In this respect, Sfil regularly calls on companies in the adapted sector.

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

Sfil, as an employer, fully applies French labor law, which incorporates in their entirety the conventions of the International Labour Organization, and in particular the principles relating to:

- 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.

In addition, local public sector entities are not very exposed to the risk of non-respect of human rights. They also carry out social missions and ensure proper compliance with the regulations in force both within their structure and within their region.

The export credits refinanced by Sfil are arranged in compliance with OECD rules, which refer to the Equator Principles. They ensure compliance with international standards in terms of working conditions and the impact of the project on local populations.

2.8.5 ESG ratings

In 2023, the Sfil Group maintained its ESG ratings, with excellent scores in the respective reference categories for each of the agencies below.

Rating agency	Note	Entity concerned	Year of last rating
Sustainalytics (ESG Risk Rating)	7.3* Negligible Risk	Sfil	February 2023
MSCI (ESG Rating)	AA	Sfil	February 2023
ISS (ESG Corporate Rating)	C+ Prime	Caffil	March 2023

* *0 is the best possible rating.*

2.9 Additional information

2.9.1 Alternative performance indicator

Sfil used notional consolidated statement of financial position items, which reflect the specific nature of its activities through outstanding local public sector loans and export credits on the one hand, and bond issues on the other, and net recurring income. These were prepared on the basis of accounting data. The comparison from one financial year to another is evidenced by the change in assets and liabilities (see 2.2 "Changes in the main balance sheet items") and results (see 2.3 "Analysis of net income for the financial year").

2.9.2 Payment terms

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. Trade payables represent a non-material amount on the Company's total balance sheet. The adopted practice is to always settle its invoices within 45 days unless a contractual agreement signed with the supplier provides for a 30 or 60-day payment period.

The breakdown of unpaid trade payables received due as of December 31, 2023 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	9	6	6	-	1	22
Total amount of invoices concerned excluding VAT *EUR thousands*	32	1	10	-	16	59
% of total purchases in the financial year excluding VAT	0.1%	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.

2.9.3 Research and development

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

2.9.4 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 87,588.51, i.e. a related tax of EUR 22,624.11.

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) was nil given the absence of any adjustment.

2.9.5 Table of results during the last five financial years

	2019	2020	2021	2022	2023
FINANCIAL POSITION AT THE END OF THE YEAR					
Share capital *EUR thousands*	130,000	130,000	130,000	130,000	130,000
Number of shares issued	9,285,725	9,285,725	9,285,725	9,285,725	9,285,725
Number of bonds convertible into shares	-	-	-	-	-
OPERATING INCOME *EUR millions*					
Revenue excluding taxes[1]	133	159	150	272	1,281
Income before income tax expense, amortization, depreciation and contingencies net of reversals	54	56	70	105	105
Income tax	(2)	(5)	(3)	(3)	(4)
Income after income tax expense, amortization, depreciation and contingencies net of reversals	41	37	52	81	97
Dividend distributed[2]	-	23	-	-	42
Exceptional distribution	-	10	57	64	-
OPERATING INCOME REDUCED TO ONE SHARE *EUR*					
Revenue excluding taxes[1]	14.33	17.08	16.19	29.31	137.92
Income before income tax expense, amortization, depreciation and contingencies net of reversals	5.63	5.50	7.19	10.99	11.35
Income tax	(0.20)	(0.57)	(0.37)	(0.31)	(0.46)
Income after income tax expense, amortization, depreciation and provisions[2]	4.45	3.99	5.57	8.68	10.46
Dividend per share	-	2.48	-	-	4.56
Exceptional distribution[3]	-	1.08	6.18	6.92	-
PERSONNEL					
Number of employees	393	394	394	391	397
Total payroll *EUR millions*	29.0	28.4	29.1	30.9	32.2
Amount paid in respect of social benefits (social security, charities, etc.) *EUR millions*	18.0	18.7	17.9	18.9	19.9

(1) Revenue comprises the following items:
- other operating income,
- interest income, net of macro-hedging expenses,
- commissions received,
- net income from foreign exchange transactions.
(2) Distribution of general reserves decided at an Ordinary Shareholders' Meeting held extraordinarily.
(3) Proposed dividend distribution in 2024 for the 2023 financial year.

2.9.6 Proposed appropriation of 2023 net income

It will be proposed to the Shareholders' Meeting of May 30, 2024 to distribute, in the form of a dividend, a portion of the profit for the 2023 financial year corresponding to 75% of the IFRS consolidated net profit, *i.e.* EUR 42,342,906 or EUR 4.56 per share. The balance of EUR 54,809,593.99 would be allocated to the retained earnings account.

As a result, the proposed appropriation of income for the financial year ended on December 31, 2023 would be as follows:

EUR	
Previous general reserves	99,970,164.86
Retained earnings	-
NET INCOME FOR THE FINANCIAL YEAR	**97,152,499.99**
Legal reserve (5%)*	-
INCOME AVAILABLE FOR DISTRIBUTION	**97,152,499.99**
PROPOSED DIVIDENDS (EUR 4.56 PER SHARE)	**42,342,906.00**
Balance allocated to retained earnings account	54,809,593.99

* *The balance allocated to the legal reserve is EUR 13,403,702.36 at December 31, 2023 and represents an amount greater than 10% of Sfil's share capital (EUR 130,000,150.00). It is therefore proposed not to allocate part of the profit for the 2023 financial year to the legal reserve.*

In accordance with article 243 *bis* of the French General Tax Code, it should be noted that during the three previous financial years, Sfil distributed the following dividends:

Financial year of distribution	On the net income in the financial year	Amount distributed *EUR*	Amount per share *EUR*	Number of shares
2020	2021	33,057,182.60	3.56	9,285,725
2021	2022	57,385,780.50	6.18	9,285,725
2022	2023	64,257,217.00	6.92	9,285,725

2.9.7 Ordinary and Extraordinary Shareholders' Meeting of May 30, 2024

Regulated agreements submitted to the approval of the Shareholders' Meeting of May 30, 2024

In accordance with the provisions of article L.225-40 of the French Commercial Code, the agreements authorized and concluded in 2023, as included in the Statutory Auditors' special report on regulated agreements, will be submitted for the approval of the Ordinary Shareholders' Meeting.

Compensation of directors

Following the decision of the Board of Directors to increase the compensation of the directors and of the Chairman of the Board of Directors as from the Shareholders' Meeting of May 30, 2024, it will be proposed to the Shareholders' Meeting to increase the total amount of directors' compensation from EUR 230,000 to EUR 270,000 per year.

Composition of the Board of Directors

Ratification of the co-option of directors

It will be proposed to ratify:

- the Board of Directors' decision of February 16, 2024 to co-opt Virginie Chapron du Jeu as a member of the Board of Directors, to replace Cécile Degove, 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 decision of the Board of Directors of March 22, 2024 to co-opt Christophe Laurent as a member of the Board of Directors, to replace Pierre Sorbets, who resigned, for the remainder of his term of office, *i.e.* until the end of the Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2024.

Recognition of the expiry of terms of office

It will be proposed to note that the terms of office as members of the Board of Directors of Laetitia Dordain and Cathy Kopp and of Eckhart Forst expire at the end of the Shareholders' Meeting of May 30, 2024.

Renewal of terms of office

As the terms of office of members of the Board of Directors of Caisse des Dépôts, Virginie Chapron du Jeu, Brigitte Daurelle, Perrine Kaltwasser, Othmane Drhimeur, Pierre Laurent and Philippe Mills will expire at the close of the Shareholders' Meeting of May 30, 2024, it will be proposed to renew their terms of office for a period of four years, which will expire at the close of the Ordinary Shareholders' Meeting to be held in 2028 to approve the financial statements for the year ending December 31, 2027.

Appointment of new directors

It will be proposed to appoint Dominique Aubernon, Véronique Ormezzano and Frédéric Coutant as members of the Board of Directors for a period of four years, which will expire at the close of the Ordinary Shareholders' Meeting to be held in 2028 to approve the financial statements for the financial year ending on December 31, 2027.

Amendments to the by-laws

The Extraordinary Shareholders' Meeting of May 30, 2024 is asked to amend article 35 of the by-laws relating to capital levels lower than half of the share capital in order to bring it into compliance with the new provisions resulting from law 2023-171 of March 9, 2023.

03

Corporate governance

03

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 2023, its composition, and the conditions for preparing and organizing the Board's work. It also includes the list of all terms of office and functions exercised in any company by each corporate officer during the financial year, information on the compensation of members of supervisory and management bodies, the diversity policy applied to the members of the Board of Directors and information on the elements likely to have an impact in the event of a takeover bid or public offer.

It was drawn up by Sfil's Board of Directors in accordance with the last paragraph of article L.225-37 of the French Commercial Code.

Caisse des Dépôts is the reference shareholder of Sfil. 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 is approved as a bank, 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, 2023, unless indicated otherwise.

3.1 Governance information

3.1.1 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%**	**96.2%**	**54 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 et Consignations (represented by Alexandre Thorel)	✓	✓	✓	✓
Serge Bayard				
Cécile Degove	✓			
Laetitia Dordain				
Othmane Drhimeur	✓	✓		
Perrine Kaltwasser				
Pierre Laurent		✓		
INDEPENDENT DIRECTORS				
Brigitte Daurelle	✓	✓	✓	✓
Eckhard Forst	✓	✓		
Cathy Kopp			✓	✓
DIRECTORS REPRESENTING THE EMPLOYEES				
Sandrine Barbosa				✓
Jean-Baptiste Héricher	✓		✓	
Cécile Latil-Bouculat		✓		

* *Independent Director.*

NON-VOTING DIRECTOR

Pierre Darbre

REPRESENTATIVE OF THE SOCIAL AND ECONOMIC COMMITTEE

Thomas Perdriau

Board of Directors' committees

	4 committees			
	Financial Statements Committee ■	Risks and Internal Control Committee ▲	Governance, Appointments and CSR Committee ★	Compensation Committee ●
Members	7	7	4	4
Meetings	6	6	9	4
Independence	50.0%*	50.0%*	66.7%*	66.7%*
Attendance rate	90.0%	92.7%	94.1%	93.8%

* Excluding Directors representing employees.

MANAGEMENT BODY AT FEBRUARY 1, 2024

GENERAL MANAGEMENT

Philippe Mills
Chief Executive Officer

François Laugier
Deputy Chief Executive Officer

EXECUTIVE COMMITTEE

9 members + 1 permanent guest

Anne Crépin
Export credit division

Florent Lecinq
Finance and Financial Markets division

Nathalie Derue
Risks division

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

Donia Mansouri
Transformation Department

Frédéric Meyer
Communication and Human Resources

Cécile Degove
General Secretariat-
Governance, Compliance, Legal

44,4%
women

Gilles Gallerne
General Auditor (permanent guest)

3.1.2 The Board of Directors

Overview of the Board of Directors

Situation as at December 31, 2023

	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	73	♂	🇫🇷	None	None	✓	5/26/2016	2025	7.5 years	■▲
Philippe Mills Chief Executive Officer	58	♂	🇫🇷	None	None		1/31/2013	2024	11 years	
Caisse des Dépôts et Consignations represented by Alexandre Thorel	35	♂	🇫🇷	9,285,724	1		9/30/2020	2024	3 years	■▲★●
Sandrine Barbosa Director representing the employees	54	♀	🇫🇷	None	None		11/13/2020	2024	3 years	●
Serge Bayard	60	♂	🇫🇷	None	None		3/24/2016	2025	8 years	
Brigitte Daurelle Independent Director	54	♀	🇫🇷	None	None	✓	5/28/2020	2024	3.5 years	■▲★●
Cécile Degove	47	♀	🇫🇷	None	None		3/24/2023	2024	9 months	■
Laetitia Dordain	55	♀	🇫🇷	None	None		9/30/2020	2024	3 years	
Othmane Drhimeur	35	♂	🇲🇦 🇫🇷	None	None		12/8/2023	2024	1 month	■▲
Eckhard Forst Independent Director	64	♂	🇩🇪	None	None	✓	5/28/2020	2024	3.5 years	■▲
Jean-Baptiste Héricher Director representing the employees	57	♂	🇫🇷	None	None		11/10/2023	2024	1.5 months	■★
Perrine Kaltwasser	43	♀	🇫🇷	None	None		2/17/2023	2024	10 months	
Cathy Kopp Independent Director	74	♀	🇫🇷	None	None	✓	1/31/2013	2024	11 years	★●
Cécile Latil-Bouculat Director representing the employees	51	♀	🇫🇷	None	None		11/13/2020	2024	3 years	▲
Pierre Laurent	57	♂	🇫🇷	None	None		9/30/2020	2024	3 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, 2023

	Personal Information				Experience		Position on the Board			
	Age	Gender	Nationality	Number of shares	Number of directorships in listed companies	Independence	Initial date of appointment	End of mandate	Seniority on the Board	Participation in Board Comm.
Carole Abbey	47	♀	🇫🇷	None	None		5/16/2023	12/8/2023	0.5 year	■▲
Virginie Chapron du Jeu	62	♀	🇫🇷	None	None		9/30/2020	2/17/2023	2.5 years	★●
Frédéric Guillemin	60	♂	🇫🇷	None	None		12/12/2014	11/10/2023	9 years	■★
Fabienne Moreau	55	♀	🇫🇷	None	None		9/30/2020	3/24/2023	2.5 years	■
Quentin de Nantes	39	♂	🇫🇷	None	None		9/30/2020	3/24/2023	2.5 years	■▲

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

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

	Exit	Appointment	Reappointment
Board of Directors	**Virginie Chapron du Jeu** as a director 2/17/2023 **Fabienne Moreau** as a director 3/24/2023 **Quentin de Nantes** as a director 3/24/2023 **Frédéric Guillemin** as director representing employees 11/10/2023 **Carole Abbey** as a director 12/8/2023	**Perrine Kaltwasser** as a director 2/17/2023 **Cécile Degove** as a director 3/24/2023 **Carole Abbey** as a director 5/16/2023 **Jean-Baptiste Héricher** as director representing employees 11/10/2023 **Othmane Drhimeur** as a director 12/8/2023	
Financial Statements Committee	**Fabienne Moreau** 3/24/2023 **Quentin de Nantes** 3/24/2023 **Frédéric Guillemin** 11/10/2023 **Carole Abbey** 12/8/2023	**Cécile Degove** 3/24/2023 **Carole Abbey** 6/2/2023 **Jean-Baptiste Héricher** 12/8/2023 **Othmane Drhimeur** 12/8/2023	
Risks and Internal Control Committee	**Quentin de Nantes** 3/24/2023 **Carole Abbey** 12/8/2023	**Carole Abbey** 6/2/2023 **Othmane Dhrimeur** 12/8/2023	
Governance, Appointments and CSR Committee	**Virginie Chapron du Jeu** 2/17/2023 **Frédéric Guillemin** 11/10/2023	**Alexandre Thorel** 2/17/2023 **Jean-Baptiste Héricher** 12/8/2023	
Compensation Committee	**Virginie Chapron du Jeu** 2/17/2023	**Alexandre Thorel** 2/17/2023	

Information on the Members of the Board of Directors

The following section contains the information on the terms of office (mandates) and functions of the 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 others, all mail can be sent to the registered office of Sfil (112-114, avenue Émile Zola - 75015 Paris - France).

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, advisor to the Chairman

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 - May 30, 2024

Date of the first mandate: January 31, 2013

Business address:

Sfil

112-114, avenue Émile Zola

75015 Paris – France

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), Director
- Fondation du Collège de France, permanent representative of Sfil, member of the Board of Directors (since November 2023)

Members of the Board of Directors

Ms. Carole Abbey

Director of Urban Development and Specific Residences at CDC Habitat

Born January 4, 1976 – French

Date term of office begins and ends:
May 17, 2023 - December 8, 2023

Date of initial mandate: May 17, 2023

Business address:

CDC Habitat

33, avenue Pierre Mendès-France

75013 Paris – France

BIOGRAPHICAL DATA

- Master CCA (formerly MSTCF, *Maîtrise des Sciences et Techniques Comptables et Financières*, Dauphine)
- Master in International Finance, Brandeis Business School (USA)
- Master in Corporate Finance and Financial Engineering, Dauphine
- Accounting diploma
- Director certificate - Insurance, IFA
- 1999-2016: EY Transactions Advisory Services
  - Corporate Finance expertise
  - Sales and management
  - Senior manager EY in Sydney (2003-2006)
- 2017: seconded to the audit/accounting division of the French State Investment Agency (APE)
- 2017-2023: Caisse des Dépôts
  - In charge of the real estate, housing and tourism division (2017-2021)
  - Director of Steering of Strategic Investments (2021-2023)
- Since 2023: Director of Urban Development and Specific Residences at CDC Habitat

MANDATES AND FUNCTIONS

- CDC Habitat, Director of Urban Development and Specific Residences (since November 2023)
- Caisse des Dépôts, Director of Steering of Strategic Investments (until November 2023)
- Sfil, Director (from May 2023 to December 2023), member of the Financial Statements Committee (from June 2023 to December 2023) and member of the Risks and Internal Control Committee (from June 2023 to December 2023)
- Bpifrance SA, Director, Member of the Risk Committee and Member of the Audit Committee (until November 2023)
- Bpifrance Investissement, Director (until November 2023)

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 the first mandate: March 24, 2016

Business address:

La Banque Postale

112-114, avenue Émile Zola

75015 Paris – France

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)
  - Departemental Director of the Treasury 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 (until March 2023)
- La Banque Postale Home Loan SFH, Director and Chairman of the Appointments Committee (until December 2023)
- La Banque Postale Leasing and Factoring, Vice-Chairman of the Board of Directors, member of the Appointments Committee, member of the Compensation Committee and Chairman of the Strategy Committee
- Ezyness, Chairman of the Board of Directors

Ms. Virginie Chapron du Jeu

Group Chief Risk Officer, member of the Caisse des Dépôts Group Executive Committee and Management Committee

Born on October 13, 1961 – French

Dates term of office begins and ends:
September 30, 2020 - February 17, 2023

Date of first term of office: September 30, 2020

Business address:

Caisse des Dépôts

56 rue de Lille

75007 Paris

BIOGRAPHICAL DATA

- IEP 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
- 1989 to 1995: Caisse des Dépôts – DABF (department of banking and financial activities) – Interest Rate Markets department, origination, structuring and financial engineering division
- 1995-1998; Caisse des Dépôts – DABF – Interest Rate Markets department, Deputy Head of Credit Risk
- 1998-2001: Caisse des Dépôts – 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: Caisse des Dépôts – Savings funds division – Financial division, head of the financial balances department (ALM, financial steering, accounting and regulatory management), deposits and complex financing
- 2011-2013: Caisse des Dépôts – Finance, Strategy, Subsidiaries and International Division, project manager to the Deputy Chief Executive Officer of Caisse des Dépôts
- 2013-2016: Caisse des Dépôts – department of pensions and solidarity, Director of Investments and Accounting, member of the Management Committee DRS
- 2016-2023: Caisse des Dépôts - Group Chief Financial Officer Caisse des Dépôts Group, member of the Caisse Des Dépôts Group Executive Committee and Management Committee
- Since 2023: Caisse des Dépôts - Group Chief Risk Officer, member of the Group Executive Committee and Management Committee

MANDATES AND FUNCTIONS

- Caisse des Dépôts, Group Chief Financial Officer (until February 2023), Group Chief Risk Officer, member of the Group Executive Committee and Management Committee (since February 2023)
- Sfil, Director, member of the Governance, Appointments and CSR Committee and member of the Compensation Committee (until February 2023)
- Bpifrance, Director, member of the Audit Committee and member of the Risks Committee and member of the Climate Committee (until February 2023)
- Caisse des Dépôts Investissement Immobilier, Director (until February 2023)
- La Poste, Director, Chairwoman of the Audit Committee and member of the Quality and Sustainable Development Committee (until February 2023)
- Novethic, Chairwoman and member of the Strategic Committee (until March 2023)
- CTE (Electricity Transmission Joint Venture), Director (until March 2023)
- RTE (Réseau de Transport d'Électricité), member of the Supervisory Board and member of the Economic Oversight and Audit Committee
- I4CE (Institute for Climate Economics), Director (until March 2023)
- Alter Égales, Chairwoman

3

Ms. Brigitte Daurelle

Independent Director

Born on April 1, 1969 – French

Dates term of office begins and ends:
May 28, 2020 - May 30, 2024

Date of initial mandate: May 28, 2020

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-Chairwoman of the ECSDA Association of European Central Depositories
- 2015-2021: member and Chairwoman of the Management Committee and Chief Executive Officer of Euroclear France, Euroclear Belgium and Euroclear Nederland
- 2021-2023: 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 (until August 2023)
- 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. Cécile Degove

Head of Strategic, Financial and Extra-Financial Planning of the Caisse des Dépôts Group

Born on April 30, 1976 – French

Date term of office begins and ends:
March 24, 2023 - January 22, 2024

Date of the first mandate: March 24, 2023

Business address:

Caisse des Dépôts

56 rue de Lille

75007 Paris

BIOGRAPHICAL DATA

- London School of Economics (LLM)
- Certificate of Aptitude for the Legal Profession
- Magistère DJCE
- Asset and liability management certificate (ENSAE)
- 2000-2005: Lawyer at Landwell & Associés - PwC
- 2005-2008: Head of the Financial Services & Regulatory Affairs Department in the Legal Department of Natixis
- Since 2008: Caisse des Dépôts
  - Banking and financing lawyer (2008-2011)
  - Head of Legal Banking and Financing (2011-2013)
  - Legal Manager of the Banking, Finance, Regulation and Capital Markets Department (2013-2017)
  - Head of Group Financial Planning and Special Operations Loans (2017-2019)
  - Since 2019: Group Head of Strategic, Financial and Extra-Financial Planning

MANDATES AND FUNCTIONS

- Caisse des Dépôts, Head of Group Strategic, Financial and Extra-Financial Planning (until January 2024)
- Sfil, Director and member of the Financial Statements Committee (from March 2023 to January 2024)
- Logivolt Territoires, member of the Strategic 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 - May 30, 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. Othmane Drhimeur

Head of Banking Insurance investments within the Caisse des Dépôts Group's Strategic Investments Management department

Born on October 11, 1988 – French/Moroccan

Dates term of office begins and ends:
December 8, 2023 - May 30, 2024

Date of the first mandate: December 8, 2023

Business address:

Caisse des Dépôts
56 rue de Lille
75007 Paris

BIOGRAPHICAL DATA

- Preparatory classes for the Grandes Écoles de commerce
- Graduate School of International Studies & Graduate School of Public Administration, Seoul National University
- ESSEC Business School
- 2014-2020: Manager in the Financial Services division of EY - Transaction Advisory Services
- 2021-2023: Deputy Director in the team in charge of financial institutions at Lazard
- Since 2023: Head of Banking Insurance investments within the Caisse des Dépôts Group's Strategic Investments Management department

MANDATES AND FUNCTIONS

- Caisse des Dépôts, Head of Banking Insurance Investments within the Group's Strategic Investments Management department (since June 2023)
- Lazard, Deputy Director in the team in charge of financial institutions (until May 2023)
- Sfil, Director, member of the Financial Statements Committee and member of the Risks and Internal Control Committee (since December 2023)

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 - May 30, 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 e.V.), Chairman
- Honorary Consul of France in Münster

Ms. Perrine Kaltwasser

Chief Risk Officer, Compliance Officer and General Secretary of the Financial Conglomerate and member of the Executive Board of La Banque Postale

Born on August 22, 1980 – French

Dates term of office begins and ends:
February 17, 2023 - May 30, 2024

Date of the first mandate: February 17, 2023

Business address:

La Banque Postale

115, rue de Sèvres

75006 Paris – France

BIOGRAPHICAL DATA

- École Polytechnique
- ENSAE
- Actuary
- 2005-2009: member of the Solvency II team and project manager for the fifth Solvency II impact study at the European Insurance and Occupational Pensions Authority (EIOPA)
- 2011-2014: Head of department in the supervision of mutual institutions and investment firms division of the Autorité de contrôle prudentiel et de résolution (ACPR)
- 2014-2018: Head of Division in the general management of the Micro-Prudential Supervision of the European Central Bank (ECB)
- Since 2018: La Banque Postale
  - Head of Capital and Conglomerate Management (2018-2020)
  - Group Chief Risk Officer and member of the Executive Committee (2020-2021)
  - Deputy Director in charge of risks, compliance, general secretariat and supervision of the conglomerate, member of the Executive Committee
  - Since 2023: Chief Risk Officer, Compliance and General Secretary of the Financial Conglomerate, member of the Executive Board

MANDATES AND FUNCTIONS

- La Banque Postale, Chief Risk, Compliance and General Secretary of the Financial Conglomerate and member of the Executive Board
- Sfil, Director (since February 2023)
- CNP Assurances, representative of La Banque Postale, director and member of the Audit and Risk Committee
- CNP Assurances Holding, representative of La Banque Postale, Director and member of the Audit and Risk Committee (since April 2023)
- Poste Immo, Director

Ms. Cathy Kopp

Independent Director

Born on April 13, 1949 – French

Dates term of office begins and ends:
May 28, 2020 - May 30, 2024

Date of the first 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 Chairwoman and Chief Executive Officer of IBM France
- In 2002, joined Accor Group as Managing Director of Group Human Resources, member of the Executive Committee, functions held until 2010
- Chairwoman 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
- Member of the first HALDE college

MANDATES AND FUNCTIONS

- Sfil, Director, Chairwoman of the Governance, Appointments and CSR Committee and Chairwoman of the Compensation Committee

Mr. Pierre Laurent

Head of the Development department at Banque des Territoires (Caisse des Dépôts)

Born on January 19, 1966 – French

Dates term of office begins and ends:
September 30, 2020 - May 30, 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: savings funds loan department for Caisse des Dépôts:
  - Asset-Liability Manager (2004-2008)
  - Head of Sustainable Infrastructure Financing (2008-2010)
- Since 2010: Director of the Development department of Banque des Territoires (Caisse des Dépôts)

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
- SCI La Serre de la Treille, Manager

Ms. Fabienne Moreau

Chief Financial Officer of Poste Immo

Born on August 22, 1968 – French

Dates term of office begins and ends:
September 30, 2020 - March 24, 2023

Date of first term of office: September 30, 2020

Business address:

Poste Immo

111, boulevard Brune

75014 Paris – France

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 Caisse des Dépôts
- From January 2016 to December 2018, Director of the Finance and Equity Investments department and member of the Management Committee of the Caisse des Dépôts Investment and Local Development department (ILDD)
- 2019-2023, Head of the Accounting and Regulatory department in the Finance department of the Caisse des Dépôts Group and member of the Management Committee
- Since 2023, Chief Financial Officer of Poste Immo

MANDATES AND FUNCTIONS

- Caisse des Dépôts, Head of the Accounting and Regulatory department in the Finance division of Caisse des Dépôts Group (until March 2023)
- Poste Immo, Chief Financial Officer (since April 2023)
- Sfil, Director and member of the Financial Statements Committee (until March 2023)
- STOA, Director, member of the Accounts and Risk Monitoring Committee (until March 2023)
- MWPI, member of the Strategic Committee (since September 2023)
- Sobre, member of the Strategic Committee (since March 2023)
- Lumin'Toulouse, member of the Strategic Committee (since March 2023)

Mr. Quentin de Nantes

Chief of Staff at Sfil

Born on October 16, 1984 – French

Dates term of office begins and ends:
September 30, 2020 - March 24, 2023

Date of first term of office: September 30, 2020

Business address:

Sfil

112-114, avenue Émile Zola

75015 Paris – France

BIOGRAPHICAL DATA

- Physics/chemistry preparatory classes
- Supélec Engineer
- 2008 to 2010: Strategy and organization consultant at Accenture
- 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"
- 2020-2023: within the Strategic Investments Management department of the Caisse des Dépôts Group, in charge of shareholder management of La Banque Postale – CNP Assurances and Sfil
- Since 2023, Chief of Staff at Sfil

MANDATES AND FUNCTIONS

- Caisse des Dépôts, in charge of shareholder management within the Strategic Investments Management department (until March 2023)
- Sfil, Director, member of the Financial Statements Committee and member of the Risks and Internal Control Committee (until March 2023), Chief of Staff (since April 2023)
- La Banque Postale Collectivités Locales, Director (until March 2023)

Mr. Alexandre Thorel

Investment director within the Caisse des Dépôts Group's strategic investments management department

Born on August 30, 1988 – French

Date term of office begins and ends:
September 9, 2022 - May 30, 2024

Date of initial mandate: September 9, 2022

Business address:

Caisse des Dépôts

56 rue de Lille

75007 Paris

BIOGRAPHICAL DATA

- HEC Paris
- IEP 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: manager, then Investment director within the Strategic Investments Management department of the Caisse des Dépôts 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, Investment director in the Strategic Investments Management department
- Sfil, representative of Caisse des Dépôts, Director, member of the Financial Statements Committee, member of the Risks and Internal Control Committee, member of the Governance, Appointments and CSR Committee (since February 2023), member of the Compensation Committee (since February 2023)
- Icade, Director (until October 2023), permanent representative of Caisse des Dépôts, Director (since October 2023) and member of the Strategy and Investment Committee

Members of the Board of Directors representing employees

Ms. Sandrine Barbosa

Sfil, DATA Architect in the Technology and Organization division

Born December 19, 1969 – French

Date term of office begins and ends:
November 13, 2020 - 2024

Date of the first mandate: November 13, 2020

Business address:

Sfil

112-114, avenue Émile Zola

75015 Paris – France

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

Date term of office begins and ends:
November 13, 2020 - November 10, 2023

Date of the first mandate: December 12, 2014

Business address:

Sfil

112-114, avenue Émile Zola

75015 Paris – France

BIOGRAPHICAL DATA

- DEA 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 (until November 2023)

Mr. Jean-Baptiste Héricher

Head of Financial Engineering in the Local Public Sector and Operations division of Sfil

Born on December 3, 1966 – French

Date term of office begins and ends: November 10, 2023 - 2024

Date of the first mandate: November 10, 2023

Business address:

Sfil

112-114, avenue Émile Zola

75015 Paris – France

BIOGRAPHICAL DATA

- *Diplôme d'études supérieures comptables et financières*
- Master 2 degree in management control and audit
- 1993-1997: Customer Accounts Manager in the banking production division of Crédit Local de France
- 1997-2023: Dexia Crédit Local
  - Head of Financial and Banking Operations (1997-2001)
  - Middle office manager (2001-2004)
  - Manager responsible for financial operations (2004-2013)
- Since 2013: Sfil
  - Head of Financial Operations (2013-2018)
  - Financial Engineering Business Manager (since 2018)

MANDATES AND FUNCTIONS

- Sfil, Head of Financial Engineering in the Local Public Sector and Operations division
- Sfil, Director, member of the Financial Statements Committee and member of the Governance, Appointments and CSR Committee (since November 2023)

Ms. Cécile Latil-Bouculat

Transformation and Innovation Director & Chief Data Officer in the Technology and Organization division of Sfil

Born March 7, 1972 – French

Date term of office begins and ends: November 13, 2020 - 2024

Date of the first mandate: November 13, 2020

Business address:

Sfil

112-114, avenue Émile Zola

75015 Paris – France

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 DSI 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. Pierre Darbre

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

Born on February 14, 1986 – French

Dates term of office begins and ends:
December 8, 2023 - 2024

Date of the first mandate: December 8, 2023

Business address:

Direction générale du Trésor

139, rue de Bercy

75572 Paris Cedex 12

BIOGRAPHICAL DATA

- Preparatory classes for the Grandes Écoles
- École Polytechnique, Master in Quantitative Economics and Finance at HEC
- ENSAE - Actuarial
- Law degree
- 2010-2013: Statutory Auditor at the Autorité de contrôle prudentiel et de résolution (ACPR)
- 2013-2015: seconded national expert (Insurance and Pensions Unit, DG Financial Services) to the European Commission
- 2015-2018: Financial Services Advisor (permanent representation of France) to the European Union
- Since 2018: Treasury Department general directorate
  - 2018-2021: Head of the Banking Affairs Office
  - 2021-2023: Head of the export credits and international guarantees office
  - Since 2023: Interim Deputy Director in charge of international business financing and foreign trade support

MANDATES AND FUNCTIONS

- General directorate of the Treasury, Head of the Office of Export Credits and International Guarantees (until October 2023), Interim Deputy Director of international business financing and foreign trade support (since October 2023)
- Sfil, non-voting director (since December 2023)

Mr. Paul Teboul

Economics, Finance, Industry and Digital Advisor (Head of division) in the French Prime Minister's Office (since September 2023)

Born on December 7, 1982 – French

Dates term of office begins and ends:
September 10, 2021 - September 13, 2023

Date of initial mandate: September 10, 2021

Business address:

Hotel Matignon

57, rue de Varenne

75007 Paris

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
- 2014-2023: Treasury Department general directorate
  - 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
  - 2021-2023: Deputy Director in charge of international business financing and foreign trade support
- Since 2023: advisor on the economy, finance, industry and digital technology (head of division) in the Prime Minister's Office

MANDATES AND FUNCTIONS

- Office of the Prime Minister, advisor on the economy, finance, industry and digital technology (head of division) (since September 2023)
- Treasury Department general directorate, Deputy Director in charge of international business financing and foreign trade support (until September 2023)
- Sfil, non-voting director (until September 2023)
- Naval Group, non-voting director (until September 2023)
- Caisse d'amortissement de la dette sociale (CADES) (from March 2023 to September 2023)

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

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 rate at Governance, Appointments and CSR Committee meetings	Attendance rate at Committee Compensation
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(1)	100%	100%	100%	100%	100%
Carole Abbey** *	100%	66.7%		n/a	n/a
Sandrine Barbosa	100%	n/a	n/a	n/a	75%
Serge Bayard	100%	n/a	n/a	n/a	n/a
Virginie Chapron du Jeu*	n/a	n/a	n/a	0%	n/a
Brigitte Daurelle	100%	83.3%	100%	100%	100%
Cécile Degove**	83.3%	100%	n/a	n/a	n/a
Laetitia Dordain	85.7%	n/a	n/a	n/a	n/a
Othmane Drhimeur**	100%	n/a	n/a	n/a	n/a
Eckhard Forst	100%	83.3%	83.3%	n/a	n/a
Frédéric Guillemin*	100%	100%	n/a	85.7%	n/a
Jean-Baptiste Héricher**	100%	n/a	n/a	n/a	n/a
Perrine Kaltwasser**	85.7%	n/a	n/a	n/a	n/a
Cathy Kopp	85.7%	n/a	n/a	100%	100%
Cécile Latil-Bouculat	100%	n/a	100%	n/a	n/a
Pierre Laurent	100%	n/a	83.3%	n/a	n/a
Fabienne Moreau*	100%	50%	n/a	n/a	n/a
Quentin de Nantes*	100%	100%	100%	n/a	n/a

(1) represented by Alexandre Thorel.
** Member who left the Board of Directors in 2023.*
*** Member who joined the Board of Directors in 2023.*

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 is Chairman of the Company's Board of Directors. Mr. Philippe Mills is 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 December 2023, 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 reiterates the rights and duties of the members of the Board of Directors.

The Board of Directors meets at least once each quarter. In 2023, the Board of Directors met seven times. The average attendance rate of members was 96.2%, up by nearly 10 points compared to the previous year, which was marked by absences mainly for health reasons.

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 2023, a systematic update was made on the macroeconomic situation and its impacts on Sfil. The Board paid particular attention to the development of activities in the two areas of intervention that are on the one hand the local public sector and on the other hand the refinancing of export credit, which has been particularly dynamic. The Board focused on the evolution of risks and, in line with the approach begun in 2022, the analysis of sustainable development issues, particularly those related to the climate. Particular attention was paid to these topics through the review of the work carried out by the Risks division on climate risk management, the mid-year seminar on sustainable development with the members of the Board and approval of the greenhouse gas emission reduction targets for the financing portfolios by 2030.

The Board regularly reviews all the work of the specialized committees, including those relating to internal audit, compliance and permanent control.

Its principal work for the year 2023 is shown in the following table.

Principal missions of the Board of Directors	Specific work carried out by the Board of Directors in 2023
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; • response to the Works Council's opinion on strategic orientations.	• analysis of impacts, monitoring of management and risks in the context of changes in the economic context; • 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; • sustainable development seminar; • approval of the decarbonization trajectory of the portfolios; • presentation of Sfil's contribution to the Caisse des Dépôts Group's medium-term strategic plan (MTSP); • 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 are 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 as well as by the Board of Directors when five Board members are replaced, the Chief Executive Officer's term of office is renewed and the non-voting member is changed; • update to the internal rules of Sfil's Board of Directors and of Caffil's Supervisory Board, particularly in terms of AML-FT risk management; • assessment of the functioning of Sfil's Board of Directors and its specialized committees by an external company; • 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 corporate governance; • budget review, reporting of the annual financial statements, and review of interim statements of accounts; • approval of the 2022 Annual Financial Report and approval of the 2023 Half-year Financial Report; • review of the half-year reports on the internal audit and compliance, and monitoring of audit and compliance control plans; • followed-up inspections by supervisors and the responses to their recommendations; • validation of the AML-FT internal control report; • approval of amendments to the service provision agreement between La Banque Postale and Sfil and to the agreement for the assignment of receivables between La Banque Postale, La Banque Postale Collectivités Locales and Caffil.

Principal missions of the Board of Directors	Specific work carried out by the Board of Directors in 2023
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; • mapping of major risks; • approval of the 2023 climate risk roadmap; • approval of the Preventive Recovery Plan for 2023; • approval of ICAAP and ILAAP reports; • approval of internal models' reporting; • review of the Pillar 3 report and approval of the risk profile; • review of quarterly reports on risk monitoring; • monitoring of actions relating to information systems security; • approval of the outsourcing policy; • review of the compliance activity report; • review of the Data Protection Officer's report.
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; • update on the distribution of the compensation package for directors; • review of the Chief Executive Officer's compensation and, in particular, the weighting of the variable portion; • update on the compensation of the members of the Executive Committee; • 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 24, 2023. On an ordinary basis, its purpose was to approve the annual and consolidated financial statements, the allocation of income, the approval of related-party agreements, the ratification of the co-opting of directors, the opinion on the total amount of compensation to the Board of Directors for the 2022 financial year and the renewal of the term of office of a Statutory Auditor. On an extraordinary basis, its purpose was the transfer of the registered office to 112-114, avenue Émile Zola -75015 Paris - France and the amendment of the by-laws to allow the special register and minutes to be kept in electronic form.

An Ordinary Shareholders' Meeting held extraordinarily was also convened at the end of 2023 by the Board of Directors with a view to distributing reserves.

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.

In 2023, five members of the Board of Directors were replaced, including four due to their change of functions within the Caisse des Dépôts Group and one following his election as representative on the Social and Economic Committee. During the replacements, an analysis as described above was carried out. It concluded on the collective suitability of the Board, as it considers that it combines the skills necessary for the performance of its role and its missions. The composition of the Board's specialized committees has been modified as a result of the changes made at the level of the Board of Directors.

With regard to training, those provided in 2023 focused on export credit, cybercrime, AML-FT and regulations related to sustainable development. In the list of wishes or needs for future training, apart from those carried out on a recurring basis, those related to climate risk, artificial intelligence and the fight against corruption appeared in particular. Finally, additional documentation and formalization for the onboarding of new directors have been identified.

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.

Criteria	Pierre Sorbets	Philippe Mills	Serge Bayard	Brigitte Daurelle	Cécile Degove	Othmane Drhimeur	Laetitia Dordain	Eckhard Forst	Perrine Kaltwasser	Cathy Kopp	Pierre Laurent	Caisse des Dépôts represented by Alexandre Thorel
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

✓ for independence criterion met according to Afep/Medef Code criteria.
x for independence criterion not met according to Afep/Medef Code criteria.

Assessment of the Board

In 2023, on the advice of the Governance, Appointments and CSR Committee, the Board of Directors appointed an external firm to assess the functioning of the Board of Directors of Sfil and its specialized committees.

This resulted in a very positive result, confirming that of previous evaluations, including an external one.

The collective dynamic and commitment, the quality of the strategic debate and the projects were highlighted. Areas for improvement are suggested for succession plans and the conciseness of the format of certain presentations, although certain constraints may sometimes prevent this. Recommendations have been formulated and analyzed in detail by the Board, for example the organization of periodic meetings between the Chairman and the Chairpersons of committees, annual feedback on the contributions of Board members, the formal registration of "executive sessions", the review of the directors' compensation, the priority to be given to physical meetings after the Covid-19 period.

All of these elements have been presented and approved by the Board of Directors and actions have already been taken, although the points for improvement do not represent major issues and the proper functioning of the Board has been confirmed.

3.1.3 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. Eleven members of the Board of Directors are therefore members of the specialized committees.

The Financial Statements Committee

Number of members	Members	Proportion of independent members*	Number of meetings	Attendance rate
7	**Brigitte Daurelle** Cécile Degove Othmane Drhimeur Eckhard Forst Jean-Baptiste Héricher Pierre Sorbets Alexandre Thorel	50%	6	90%

Name *of the Committee Chair.*

* *Excluding Directors representing employees.*

In 2023, the Financial Statements Committee met six times. Before their approval by the Board of Directors, it examined the financial statements of Sfil and Caffil as of December 31, 2022, the annual 2022 financial report, the financial statements of Sfil and Caffil at June 30, 2023 as well as the related Statutory Auditors' reports. The Committee also reviewed the quarterly accounting position of Sfil and Caffil as of March 31, 2023, and September 30, 2023. The Committee also decided on the Sfil Group's 2023-2028 budget projections and in particular on the 2024 budget, on the proposal for the distribution of reserves to Caisse des Dépôts and on the rationalization of certain financial publications of Caffil. It took note of Statutory Auditors' audit approach for 2024 and examined the conditions of their independence and their services rendered other than the Statutory Audits.

The Risks and Internal Control Committee

Number of members	Members	Proportion of independent members*	Number of meetings	Attendance rate
7	Brigitte Daurelle Othmane Drhimeur **Eckhard Forst** Cécile Latil-Bouculat Pierre Laurent Pierre Sorbets Alexandre Thorel	50%	6	92.7%

Name *of the Committee Chairman.*

* *Excluding Directors representing employees.*

In 2023, the Risks and Internal Control Committee met six times, including a joint meeting with the Governance, Appointments and CSR Committee. The first meeting of 2023 was specifically devoted to the review of the systems of the permanent and periodic control functions of Sfil and Caffil, in particular: operational and non-compliance risk mapping, 2023 permanent control plans including compliance, 2023 audit plan, adequacy of means and resources of internal control functions, and the results of the Statutory Auditors' review on the internal control system. 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 2023, 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 monitoring of the recommendations issued by the ECB, the results of periodic controls and follow-up of the recommendations issued as part of these controls, the Pillar 3 report, the ICAAP and ILAAP reports, the preventive recovery plan, the risk appetite, the mapping on the consolidated risks of Sfil and Caffil, risk policies and the 2024 roadmap on climate and environmental risks. The following were also presented for review: the activity reports of the compliance function, the report of the data protection officer, the report on internal credit models, the update of the functions considered as risk-takers and the 2022 reports on internal control, including one dedicated to the fight against money laundering and the financing of terrorism. The Committee also issued an opinion on Caffil's change of service plan and on the update of the 2023-2026 multi-year audit plan and in particular the 2024 audit plan at its last meeting of the year.

The Governance, Appointments and CSR Committee

Number of members	Members	Proportion of independent members*	Number of meetings	Attendance rate
4	Brigitte Daurelle Jean-Baptiste Héricher **Cathy Kopp** Alexandre Thorel	66.7%	9	94.1%

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

In 2023, the Governance, Appointments and CSR Committee met nine times. This number of meetings, which is higher than the average of annual meetings usually observed, is due in particular to the number of movements within the Board, organizational changes and the intensification of the sustainable development theme.

The Committee thus analyzed the applications for the replacement of five directors and the non-voting member. It also proposed appointments to the Board's specialized committees. The Committee reassessed the independence of the directors. It selected the external firm responsible for assessing the functioning of the Board of Directors and its specialized committees and analyzed the conclusions and recommendations and then shared its opinion and observations with the Board of Directors.

The Committee also reviewed the candidates for appointments to the Caffil Executive Board.

It focused on the application of the gender diversity policy for management bodies.

It was consulted on the creation of the transformation department and on the movements within the Executive Committee.

The Committee reviewed the draft report on corporate governance and examined the sustainable development policy and report for 2022. It also examined the decarbonization trajectory of the financing portfolios.

Lastly, it examined the remarks and recommendations of the supervisor concerning Sfil's governance. It was consulted on the strengthening of the means of control functions. It was also consulted on the update of the by-laws and internal rules of the Boards of Sfil and Caffil as well as certain procedures and policies in terms of governance.

Compensation Committee

Number of members	Members	Proportion of independent members*	Number of meetings	Attendance rate
4	Sandrine Barbosa Brigitte Daurelle **Cathy Kopp** Alexandre Thorel	66.7%	4	93.8%

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

In 2023, 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 2023 of the 2022 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 2022 (93/100 points). The Committee validated the 2023 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.

3.1.4 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:

(1) Document available on the website www.afep.com.

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. It should be noted that from 2024, two meetings per year will be formally scheduled at the end of two meetings of the Board of Directors.
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 members of the Board of Directors	This provision is not applied by Sfil, whose shareholding is described above and whose shares are not listed.

3.2 Compensation information

This part of the report 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 2023 financial year and constituting the compensation policy applicable to them.

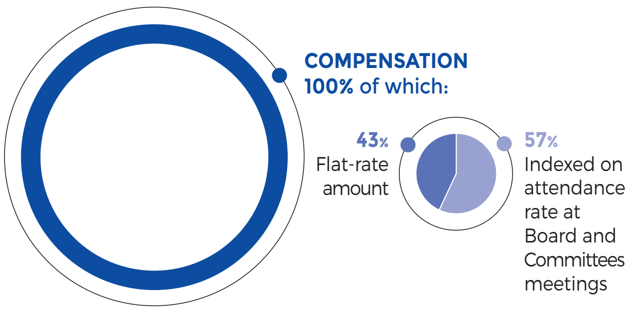
It is notably drawn up on the basis of the recommendations of the Afep-Medef Code, Sfil having made this choice whereas these recommendations specifically target companies whose shares are listed.

3.2.1 Principles and rules for determining compensation for the executive corporate officers

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



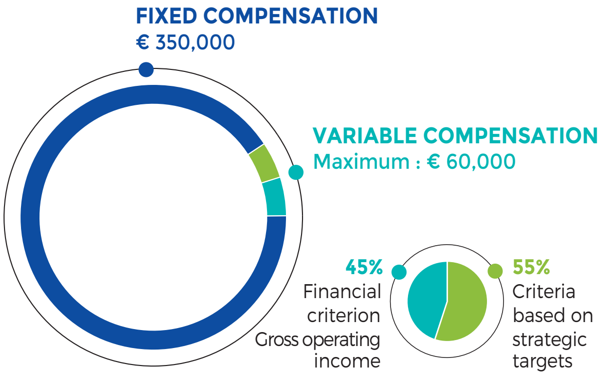
Compensation of the Chief Executive Officer

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 2023 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 30% of the total weighting is linked to achievement of ESG objectives or the diffusion of the risk culture. This amount is then proposed by the Compensation Committee to the Board of Directors for decision.

COMPENSATION STRUCTURE OF THE CHIEF EXECUTIVE OFFICER

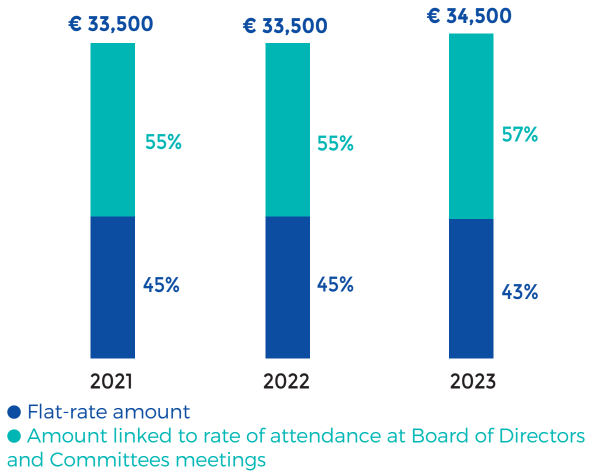
For the 2023 financial year, the compensation of the Chief Executive Officer was set as follows:

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

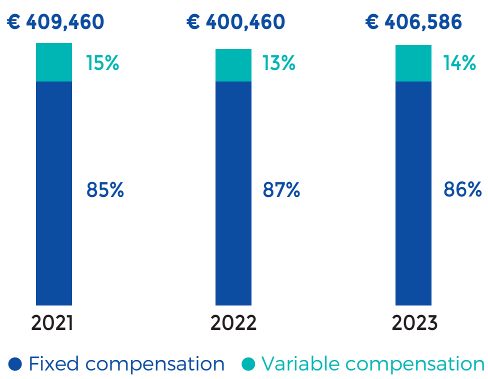


Change in compensation over the past three financial years

OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



OF THE CHIEF EXECUTIVE OFFICER



Level of achievement by objective

		2021	2022	2023
Financial criterion (GOI & operating ratio)	Weight	40.0%	50.0%	45.0%
	Level of achievement	40.0%	42.5%	45.0%
Criteria for strategic objectives	Weight	60.0%	50.0%	55.0%
	Level of achievement	59.1%	41.6%	49.3%
Of which criteria on CSR objectives	Weight	13.0%	15.0%	30.0%
	Level of achievement	13.0%	15.0%	28.9%
OVERALL LEVEL OF ACHIEVEMENT OF OBJECTIVES	**WEIGHT**	**100.0%**	**100.0%**	**100.0%**
	LEVEL OF ACHIEVEMENT	**99.1%**	**84.1%**	**94.3%**

3.2.2 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

EUR

	2022 financial year		2023 financial year	
Pierre Sorbets – Chairman of the Board of Directors	Amounts allocated for the financial year	Amounts paid during the financial year	Amounts allocated for the financial year	Amounts paid during 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	34,500	33,500
Benefits in-kind				
TOTAL	**33,500**	**33,500**	**34,500**	**33,500**

	2022 financial year		2023 financial year	
Philippe Mills – Chief Executive Officer	Amounts allocated for the financial year	Amounts paid during the financial year	Amounts allocated for the financial year	Amounts paid during the financial year
Gross fixed compensation	350,000	350,000	350,000	350,000
Gross variable compensation	50,460*	35,676**	56,586*	35,660**
Exceptional gross compensation				
Compensation allocated for term of office as Director				
Benefits in-kind				
TOTAL	**400,460**	**385,676**	**406,586**	**385,660**

* *Variable compensation awarded during the financial year, which is paid at 60% in N+1 and spread at 40% over the subsequent four years.*

** *Variable compensation received over the year, consisting of the payment of 60% of the N-1 variable compensation and an spread over previous years, if applicable.*

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 compensation in the event of the dismissal of the Chief Executive Officer's term of office.*

3.2.3 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.

	2022 financial year	2023 financial year
Non-executive corporate officers excluding managers	Gross amounts paid in respect of in the financial year	Gross amounts paid in respect of in the financial year
Carole Abbey* **	/	7,214.29[(1)]
Sandrine Barbosa	/[(2)]	/[(2)]
Serge Bayard	5,000.00	7,500.00[(3)]
Caisse des Dépôts	16,500.00[(4)]	31,500.00[(4)]
Virginie Chapron du Jeu*	11,750.00[(5)]	/[(5)]
Brigitte Daurelle	26,500.00[(6)]	33,500.00[(6)]
Cécile Degove**	/	9,357.14[(7)]
Laetitia Dordain	7,500.00[(3)]	6,428.57[(3)]
Othmane Drhimeur**	/	1,071.43[(3)]
Eckhard Forst	16,000.00[(8)]	19,500.00[(8)]
Frédéric Guillemin*	/[(2)]	/[(2)]
Jean-Baptiste Héricher**	/	/[(2)]
Perrine Kaltwasser**	/	6,428.57[(3)]
Cathy Kopp	19,500.00[(9)]	23,428.57[(9)]
Cécile Latil-Bouculat	/[(2)]	/[(2)]
Pierre Laurent	11,000.00[(10)]	12,500.00[(10)]
Fabienne Moreau*	11,250.00[(7)]	2,071.43[(7)]
Quentin de Nantes*	17,500.00[(1)]	6,142.86[(1)]
Pierre Sorbets	[(11)]	[(11)]
TOTAL	**142,500.00**	**166,642.86**

* *Member who left the Board of Directors in 2023.*
** *Member who joined the Board of Directors in 2023.*
(1) Including the amount paid for participation in the Financial Statements Committee and the Risks and Internal Control Committee. Compensation paid to Caisse des Dépôts.
(2) The members of the Board of Directors representing the employees do not receive any compensation for their office on the Board of Directors.
(3) Compensation paid to Caisse des Dépôts.
(4) 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.
(5) Including the amount paid for participation in the Governance, Appointments and CSR Committee and the Compensation Committee. Compensation paid to Caisse des Dépôts.
(6) 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.
(7) Including the amount paid for participation in the Financial Statements Committee. Compensation paid to Caisse des Dépôts.
(8) Including the amount paid for participation in the Financial Statements Committee and the Risks and Internal Control Committee.
(9) Including the amount paid for participation in the Governance, Appointments and CSR Committee and the Compensation Committee.
(10) Including the amount paid for participation in the Risks and Internal Control Committee. Compensation paid to Caisse des Dépôts.
(11) See section 3.2.2 "Compensation and benefits of executive corporate officers - Table 2".

3.3 Information on elements likely to have an impact in the event of a public 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 as stipulated by 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

The voting rights attached to the shares are proportional to the percentage of capital the shares represent, according to the provisions of article 28 of the by-laws. 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.

3.4 Additional information

3.4.1 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 pursuant to the provisions of article 223-26 of the AMF General Regulations.

3.4.2 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.

3.4.3 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 for the financial year ending December 31, 2024.

KPMG SA

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

Company represented by Jean-François Dandé, partner

Appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2023 for six financial years, *i.e.* up to the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the financial year ending December 31, 2028.

In accordance with the option allowed by article L.823-1 of the French Commercial Code, an alternate Statutory Auditor was not appointed.

04

IFRS financial statements

04

4.1 IFRS Financial Statements

4.1.1 Assets

EUR millions	Note	12/31/2022	12/31/2023
Central banks	2.1	1,969	2,980
Financial Assets at fair value throught profit or loss	2.2	2,743	2,251
Hedging derivatives	4.1	2,396	2,189
Financial Assets at fair value through equity	2.3	243	80
Financial Assets at amortized cost		-	-
Loans and advances to banks at amortized cost	2.4	87	67
Loans and advances to customers at amortized cost	2.4	49,956	51,393
Securities at amortized cost	2.4	6,209	7,985
Fair value revaluation of portfolio hedge		170	405
Current tax assets	2.5	15	13
Deferred tax assets	2.5	64	67
Tangible assets	2.6	7	32
Intangible assets	2.7	21	21
Accruals and other assets	2.8	2,728	2,165
TOTAL ASSET		**66,608**	**69,648**

4.1.2 Liabilities

EUR millions	*Note*	12/31/2022	12/31/2023
Central banks		-	-
Financial liabilities at fair value through profit or loss	*3.1*	359	431
Hedging derivatives	*4.1*	5,134	4,318
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*	59,090	62,894
Fair value revaluation of portfolio hedge		66	53
Current tax liabilities	*3.3*	2	2
Deferred tax liabilities	*3.3*	-	-
Accruals and other liabilities	*3.4*	219	227
Provisions	*3.5*	19	13
Subordinated debt		-	-
EQUITY	***3.6***	**1,720**	**1,709**
Capital		1,445	1,445
Reserves and retained earnings		234	256
Net result through equity		(45)	(49)
Net income		86	56
TOTAL LIABILITIES		**66,608**	**69,648**

4.1.3 Income Statement

EUR millions	Note	2022	2023
Interest income	*5.1*	2,321	4,740
Interest expense	*5.1*	(2,150)	(4576)
Fee and commission income	*5.2*	5	8
Fee and commission expense	*5.2*	(4)	(4)
Net result of financial instruments at fair value though profit or loss	*5.3*	33	1
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*	37	9
Gains or losses resulting from reclassification of financial assets at amortized cost to fair value through profit or loss		-	-
Gains or losses resulting from reclassification of financial assets at fair value through equity to fair value through profit or loss		-	-
Other income		-	0
Other expense		(0)	(0)
NET BANKING INCOME		**243**	**178**
Operating expenses	*5.6*	(107)	(103)
Depreciation and amortization of property and equipment and intangible assets	*5.7*	(18)	(16)
GROS OPERATING INCOME		**118**	**60**
Cost of risk	*5.8*	0	11
OPERATING INCOME		**119**	**70**
Net gains (losses) on other assets		-	(0)
INCOME BEFORE TAX		**119**	**70**
Income tax	*5.9*	(33)	(14)
NET INCOME		**86**	**56**
EARNINGS PER SHARE *(EUR)*			
• Basic		9.21	6.08
• Diluted		9.21	6.08

4.1.4 Net income and unrealized or defferred gains and losses through equity

EUR millions	2022	2023
NET INCOME	**86**	**56**
Items that may subsequently be reclassified through profit or loss	**4**	**(4)**
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	69	(2)
Unrealized or deferred gains and losses of cost of hedging derivatives	(62)	(4)
Tax on items that may subsequently be reclassified through profit or loss	(2)	1
Items that may not be reclassified through profit or loss	**1**	**0**
Actuarial gains and losses on defined-benefit plans	2	1
Tax on items that may not subsequently be reclassified through profit or loss	(1)	(0)
TOTAL UNREALIZED GAINS OR LOSSES THROUGH EQUITY	**6**	**(4)**
NET INCOME AND GAINS OR LOSSES THROUGH EQUITY	**91**	**53**

4.1.5 Equity

	Capital and reserves			Unrealized or deferred gains and losses					
EUR millions	Share capital, additional paid-in capital	Retained earnings and net income for the period	Total	**Remeasurement gains (losses) related to post -employment benefit plans, after tax**	Net change in fair value of financial assets at fair value through equity, after tax	Net change in fair value of cash flow hedging derivatives, after tax	**Net change in fair value of cost of hedging derivatives, after tax**	**Total**	**Total equity**
EQUITY AS OF JANUARY 1, 2022	**1,445**	**292**	**1,737**	**(1)**	**-**	**(50)**	**-**	**(50)**	**1,686**
Stocks issued	-	-	-	-	-	-	-	-	-
Dividends	-	(57)	(57)	-	-	-	-	-	(57)
Changes in fair value of financial assets through equity	-	-	-	-	(0)	-	-	(0)	(0)
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**	**0**	**0**	**1**	**(46)**	**(45)**	**1,720**
Stocks issued	-	-	-	-	-	-	-	-	-
Dividends	-	(64)	(64)	-	-	-	-	-	(64)
Changes in fair value of financial assets through equity	-	-	-	-	(0)	-	-	(0)	(0)
Changes in fair value of derivatives through equity	-	-	-	0	-	(1)	(3)	(4)	(4)
Net income for the period	-	56	56	-	-	-	-	-	56
Other movements	-	-	-	-	-	-	-	-	-
EQUITY AS OF DECEMBER 31, 2023	**1,445**	**312**	**1,757**	**1**	**0**	**0**	**(49)**	**(49)**	**1,709**

4.1.6 Cash flow statement

EUR millions	2022	2023
NET INCOME BEFORE TAX	**119**	**70**
+/- Net depreciation and amortization of tangible and intangible fixed assets	18	(16)
+/- Depreciation and write-downs	(2)	(11)
+/- Expense/income from investing activities	-	-
+/- Expense/income from financing activities	-	-
+/- Other non-cash items	(56)	3
Non-monetary items included in net income before tax and other adjustments	**(40)**	**(25)**
+/- Cash from interbank operations	291	(21)
+/- Cash from customer operations	(1,916)	79
+/- Cash from financing assets and liabilities	(4)	(1,145)
+/- Cash from not financing assets and liabilities	(12)	(15)
- Income tax paid	(62)	(45)
Decrease/(increase) in cash from operating activities	**(1,703)**	**(1,147)**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(1,624)**	**(1,101)**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**(14)**	**(9)**
+/- Cash from or for shareholders	(57)	(64)
+/- Other cash from financing activities	(292)	2,174
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(349)**	**2,109**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	**-**	**-**
INCREASE/(DECREASE) IN CASH EQUIVALENTS (A + B + C + D)	**(1,987)**	**999**
CASH AND CASH EQUIVALENTS AT THE BEGINNING 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
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**2,009**	**3,008**
Cash and balances with central banks (assets & liabilities)	1,969	2,979
Interbank accounts (assets & liabilities) and loans/sight deposits	39	29
CHANGE IN NET CASH	**(1,987)**	**999**

4.2 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 financial statements in compliance with International Financial Reporting Standards (IFRS), as endorsed by and applicable within the European Union.

The consolidated condensed financial statements are furthermore in accordance with ANC Recommendation 2022-01 of April 8, 2022 regarding disclosure of consolidated financial statements for banking reporting entities under IFRS.

Information about closing:

The consolidated financial statements as of December 31, 2023, were approved by the Board of directors on February 16, 2024.

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 report of the Group.

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

1.1.2 IASB and IFRIC texts endorsed by the European Union and effective as of January 1, 2023

- **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, this standard, which replaces 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 has 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, 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 now takes 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, 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, 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 now takes 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 the European Union on August 11, 2022 (UE Regulation No. 2022/1392) and effective for reporting periods beginning on or after January 1, 2023, 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 has no impact on the Group's consolidated financial statements given that the latter does not operate transactions impacted by this amendment.

  In addition, on May 23, 2023, the IASB published amendments to IAS 12 introducing a temporary exception to the recognition of deferred taxes resulting from the implementation of the OECD's Pillar 2 model rules, as well as targeted disclosure requirements for the entities concerned. This temporary exception is to be applied from January 1, 2023.
- **international Tax Reform - Pillar 2 Model Rules**: adopted by a directive of the Council of the European Union in December 2022 and phased in from January 1, 2024, it has been transposed into French law in the Projet Loi de Finance 2024.

  The CDC group, to which Sfil belongs, is treated as a sovereign wealth fund and is therefore exempt from the Pillar 2 directive. Sfil therefore qualifies as an ultimate parent entity, but as its consolidated sales (assimilated to net banking income) do not exceed 750 million euros, it is exempt from the application of this directive.

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 IFRS 17 standard as well as the application of IFRS 9 Financial instruments to insurance activities. Besides, it also incorporates the provisions of IFRS 16 Leasing contracts standard (in application since 2019) as well as the IFRIC 10 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 has no impact on the Group's consolidated financial statements, given that the latter does not have insurance activities, already applies the IFRIC 10 recommendation, and already uses the recommended format when accounting for leasing contracts under IFRS 16.

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

- amendments **to IFRS 16 Leases**: issued by the IASB in September 2022, endorsed by the European Union on November 21, 2023 (UE Regulation No. 2023/2579), and initially effective for reporting periods beginning on or after January 1 2024early application permitted, these amendments clarify the subsequent measurement of sale and leaseback transactions where the initial disposal of the asset meets the criteria in IFRS 15 for recognition as a sale. In particular, these amendments specify how to subsequently measure the lease liability arising from sale and leaseback transactions, consisting of variable lease payments that are not dependent on an index or a rate.

These amendments will have no impact on the Group's consolidated financial statements, as the Group does not engage in sale and leaseback transactions.

- amendment to **IAS 1 Presentation of Financial Statements**: issued by the IASB in January 2020 and October 2022, not yet endorsed by the European Union and initially effective for reporting periods beginning on or after January 1 2024, early application permitted, this amendment clarifies the distinguishing criteria between current and non-current liabilities.

This amendment will have no impact on the Group's consolidated financial statements, as the Group presents its assets and liabilities in order of liquidity, as do most credit institutions.

- amendments to **IAS 7 and IFRS 7 regarding supplier finance arrangements**: issued by the IASB in May 2023, not yet endorsed by the European Union and initially effective for reporting periods beginning on or after January 1 2024, early application permitted, this amendment improves the transparency of supplier financing arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk.

This amendment will have no impact on the Group's consolidated financial statements.

- amendments to **IAS 21 Lack of Exchangeability**: issued by the IASB in August 2023, not yet endorsed by the European Union and mandatory for annual periods beginning on or after January 1, 2025, these amendments clarify how an entity should assess whether a currency is exchangeable, and how it should determine a spot exchange rate when it is not.

These amendments will have no impact on the Group, as the Group does not carry out transactions in non-tradable currencies.

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 effective interest rate.

  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 has also been completed in 2022 in accordance with regulations. As the STIBOR index has been recognized as compliant by the European Benchmark Regulation, it will not be subject to a transition. 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 activity 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, 2023 is the same as that as of December 31, 2022.

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 of medium/long-run loans granted by La Banque Postale or la Banque des Territoires;
- 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 the Group.

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 collect model and, marginally, the collect and sell model for certain securities acquired by the Group to invest surplus cash. 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 (collect 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 (collect and sale 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 2022-01 issued on April 8, 2022, the Group decided to recognize separately:

- the fair value variations excluding accrued interest; they are recognized under the item Net result of financial instruments at fair value through profit or loss of the net banking income;
- due and accrued interest; they are recognized in the net interest margin.

1.2.5.6 Designation options

The Group does not use the following options:

- option to designate a financial asset as measured at fair value through profit or loss: this option can be exercised only if it eliminates or significantly reduces a recognition inconsistency for assets or liabilities (accounting mismatch);
- option to present in other comprehensive income subsequent changes in fair value of particular investments in equity instruments; the Group does not hold such instruments.

1.2.5.7 Impairment of financial assets

Defining the impairment base

A loss allowance for expected credit losses is calculated for all financial assets measured at amortized cost or at fair value through the item Other comprehensive income. At each closing date, they are broken down into three Stages:

- Stage 1: credit risk on the financial asset has not increased significantly since its initial recognition;
- Stage 2: credit risk on the financial asset has increased significantly since its initial recognition;
- Stage 3: the asset has defaulted.

At each closing date, the loss allowance for expected credit losses of a financial asset is measured as:

- the amount corresponding to the expected credit losses during the next 12 months for Stage 1 assets;
- the amount corresponding to the expected credit losses to maturity for Stage 2 and Stage 3 assets.

No loss allowance is recognized at initial recognition for purchased or originated credit-impaired financial assets. Interest incomes generated by these assets are determined using an effective interest rate that embeds expected credit losses. Subsequently, the loss allowance recognized on these assets corresponds to the accumulated variations of lifetime expected credit losses from initial recognition. The Group does not primarily intend to purchase or originate purchased or originated credit-impaired financial assets.

Assessing whether credit risk has significantly increased

The assessment of credit risk increase is performed on an individual basis: the Group does not use the collective basis approach. The objective of the assessment is to compare the default risk at closing date with its default risk at the date of initial recognition. This assessment takes into consideration all reasonable and supportable information that is relevant and that is available for the Group without incurring undue cost or making undue effort, in particular qualitative and quantitative information on past events (use of historic metrics), on current economic environment and on expectations on future economic environment (forward- looking information). In practice, the assessment of credit risk increase is realized at counterparty level:

- either through the comparison of the probability of default (PD) at maturity (weighted average PD of the forward-looking scenarios) with the PD at initial recognition;
- or through the characterization of risk levels (ratings coming from internal rating systems) year-to-year migrations towards risk levels regarded as risky (higher historic default rates).

The contracts of a counterparty are classified in Stage 3 when the counterparty is in one or other of the following situations:

- it is in "default" within the meaning of the CRR because it is unlikely to pay: it is probable that the counterparty will not repay all or part of its debt, without taking any guarantees into account, if applicable;
- it presents an arrear in payment past due of more than 90 days, irrespective of whether this counterparty is or is not in "default" within the meaning of the CRR.

The contracts of a counterparty in one or the other of the situations previously described are also considered as Non-Performing Exposures from a prudential perspective. On the perimeter being broken down into Stages, the accounting base of Stage 3 is therefore larger than the one of the "default" within the meaning of the CRR and is broadly in line with the one of Non-Performing Exposures, with just one significant difference: counterparties already in Forbearance and to which a new Forbearance has been granted and/or an incident of payment past due of between 31 and 90 days has occurred. The contracts of a counterparty in this situation are considered as Non-Performing Exposures from a prudential perspective but remain classified in Stage 2 from an accounting perspective (see below).

The contracts of a counterparty are classified in Stage 2 when, without however being in one or the other of the situations in Stage 3 (see above), the counterparty is in one or the other of the following situations characterizing a significant increase in credit risk:

- it is followed by the Watchlist Committee, due to an increase in its credit risk, or it is in Forbearance, which means that the Group has refrained the enforcement of its rights towards counterparty facing financial difficulties;
- it presents arrears in payment past due of strictly between 31 and 90 days;
- its rating presents one of the following characteristics: it has become non-Investment grade (internal rating inferior or equal to BB+), it has no internal rating, it has experimented or is to experiment a rating migration regarded as risky in the forward-looking scenarios. The rating migrations regarded as risky have been assessed on the basis of a statistical analysis using historical data and complemented by the use of expert judgment.

If none of the situations detailed above has occurred, the significant increase in credit risk is not characterized and the contracts of the counterparty remain classified in Stage 1.

Stages transitions must be compliant with the following rules:

- for the contracts of a counterparty in "default", exiting from Stage 3 and "default" (and getting back to Stage 2 or Stage 1) can only occur after a cure period of at least one year during which the counterparty is still considered as being in "default" within the meaning of the CRR and the contracts of this counterparty remain classified in Stage 3. Exit must in addition be formally decided in Default Committee and is conditional to the full repayment of arrears if any. It shall be noted that this cure period is not applicable to the contracts of a counterparty that was in Stage 3 without simultaneously being in "default" in the meaning of the CRR;
- for the contracts in Forbearance, exiting from Stage 2 or as appropriate Stage 3 (and getting back to Stage 1) can only occur after a cure period of at least two years which starts from the date when the forbearance had been granted if the counterparty was not in "default" within the meaning of the CRR or from the date of exit from "default" if it was.

Measuring the amount of the expected credit loss

The loss allowance recognized on the contract is equal to the average of expected credit losses of each of the scenarios weighted by their respective probability of occurrence. For all material portfolios, the definition of scenarios integrates a forward-looking dimension, which consists in projecting macroeconomic and financial variables and assessing their impacts. 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 2022 and 2023 conjunctural estimates. The forward-looking forecasts 2024-2026 are based on the macroeconomic forecasts of the baseline scenario of the Caisse des Dépôts Group economists, updated in September 2023.

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 2023-2026 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 55%), 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 (30% 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, 2023, the following table presents the accounted ECL (EUR 51.7 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	55%	Deleveraging ratio (in years)	4.73	5.00	5.29	5.62	51.5	51.7
		Leveraging ratio (in % of RRF*)	79.4%	78.8%	80.5%	83.4%		
		Gross savings ratio (in % of RRF*)	16.8%	15.7%	15.2%	14.9%		
Adverse	30%	Deleveraging ratio (in years)	4.73	5.31	5.95	6.67	52.6	
		Leveraging ratio (in % of RRF*)	79.4%	78.3%	79.5%	81.7%		
		Gross savings ratio (in% of RRF*)	16.8%	14.7%	13.4%	12.3%		
Favourable	15%	Deleveraging ratio (in years)	4.73	4.80	4.86	4.92	50.5	
		Leveraging ratio (in % of RRF*)	79.4%	78.3%	78.9%	79.8%		
		Gross savings ratio (in % of RRF*)	16.8%	16.3%	16.3%	16.2%		

RRF: real operating revenue

* *Definitions of ratios used:*

- Deleveraging capacity is a solvency ratio calculated by dividing outstanding debt by gross savings. This ratio expresses the theoretical number of years required for a local authority to repay all its debt if it were to devote all its cash flow to it.

- Leveraging ratio: obtained by calculating the ratio between medium- and long-term debt (numerator) and operating revenue (denominator), the latter being current revenue (taxes, government grants, revenue from public services). Operating revenues are characterized by a certain regularity, and are allocated first and foremost to the payment of the community's current expenses, known as management expenses (personnel costs, purchases and supplies, social assistance, etc.) and to the payment of debt (capital and interest). The debt ratio is used to measure the debt incurred to finance investments, and to assess its level in relation to current revenue.

- Gross savings ratio: local authority budgets are divided into an operating section and an investment section. The operating section organizes current expenditure and receipts (taxes, government grants, receipts from the operation of public services). Gross savings is the calculated balance of operating revenues less operating expenses (current expenses and interest on debt). The gross savings rate is obtained by dividing gross savings by operating revenue. It is used to measure the community's operating performance (including debt interest payments), before taking into account its investment policy.

Further work is underway to establish a methodology for rating climate risks in the local public sector. These ratings will eventually be used to calculate ECLs. Modeling work will begin in 2024.

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 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. Financial liabilities at amortized cost also include unsecurred LT issues and certificates of deposit issued by Sfil.

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. Macro-hedging relationships 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 years
Fixtures and fittings	10 years
IT equipment	3 years
Software developed or acquired*	3 or 5 years
Office equipment	10 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 as liabilities through net income under "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.

The impact of the pension reform (which will come into force in 2023 under the law enacted on 14 April 2023) on the Group's commitments has been taken into account in the financial statements for the year ended 31 December 2023, as it has not been assessed as material.

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

	12/31/2022	12/31/2023
Mandatory reserve deposits with central banks	-	-
Other deposits	1,969	2,980
TOTAL	**1,969**	**2,980**

2.2 Financial assets at fair value through profit or loss

2.2.1 Analysis by nature

	12/31/2022	12/31/2023
Loans and advances to customers	2,673	2,233
Non Hedging derivatives*	70	18
TOTAL	**2,743**	**2,251**

* *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

	12/31/2022	12/31/2023
Public sector	2,369	1,973
Other - guaranteed by a State or local government	304	260
TOTAL	**2,673**	**2,233**

2.3 Financial assets at fair value through equity

2.3.1 Analysis by nature

	12/31/2022	12/31/2023
Stocks	-	-
Bonds	243	80
TOTAL	**243**	**80**

2.3.2 Analysis by counterparty

	12/31/2022	12/31/2023
Public sector	-	-
Credit institutions	243	80
TOTAL	**243**	**80**

All financial assets measured at fair value through equity as of December 31, 2022, and December 31, 2023, were allocated to the Stage 1 category.

2.4 Financial assets at amortized cost

	12/31/2022										
	Gross amount				Impairment				Net carrying amount	Accumu-lated partial write-offs	Accumu-lated 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**	**-**	**-**

	12/31/2023										
	Gross amount				Impairment				Net carrying amount	Accumu-lated partial write-offs	Accumu-lated total write-offs
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Sight accounts	23	-	-	23	-	-	-	-	23	-	-
Credit institutions	45	-	-	45	(0)	-	-	(0)	45	-	-
LOANS AND ADVANCES TO BANKS AT AMORTIZED COST	**67**	**-**	**-**	**67**	**(0)**	**-**	**-**	**(0)**	**67**	**-**	**-**
Public sector	43,887	1,772	152	45,812	(6)	(12)	(5)	(23)	45,788	-	-
Non financial institutions	1,773	3,844	1	5,618	(1)	(13)	(0)	(14)	5,604	-	-
LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST	**45,661**	**5,616**	**153**	**51,430**	**(7)**	**(25)**	**(5)**	**(37)**	**51,393**	**-**	**-**
Public sector	4,239	637	3	4,880	(4)	(5)	(0)	(9)	4,871	-	-
Credit institutions	3,115	-	-	3,115	(1)	-	-	(1)	3,114	-	-
Non financial institutions	-	-	-	-	-	-	-	-	-	-	-
BONDS AT AMORTIZED COST	**7,355**	**637**	**3**	**7,995**	**(5)**	**(5)**	**(0)**	**(9)**	**7,985**	**-**	**-**
TOTAL	**53,083**	**6,254**	**155**	**59,492**	**(11)**	**(30)**	**(5)**	**(46)**	**59,446**	**-**	**-**

Loans and advances to customers at amortized cost include a gross amount at December 31, 2022 and December 31, 2023 of EUR 86 million and EUR 230 million respectively, corresponding to loans granted by the Group to support customers in their sustainability initiatives, through an incentive mechanism to revise the margin in line with ESG criteria. All these exposures were allocated to Stage 1 for the two years concerned.

Gross amounts increased by around EUR 3.2 billion in 2023, mainly as a result of strong export credit activity on loans and advances to customers, as well as investments to invest surplus cash in the form of securities issued by credit institutions.

Gross amounts in Stage 2 remained broadly stable over the year. However, two opposite movements explain this trend: financial assets with customers increased by EUR 0.6 billion, reflecting the gradual drawdown of export credit lines associated with the cruise sector (a symmetrical fall can be observed in off-balance sheet financing commitments (see note 6.5)); at the same time, securities at amortized cost allocated to Stage 2 fell by EUR 0.6 billion, reflecting the improved financial health of one customer, which led to its removal from the watchlist.

Amounts allocated to Stage 3 are also down.

Expected credit losses associated with Stage 1 exposures increased by EUR 2 million in line with the significant rise in exposures allocated to this category, while expected credit losses associated with Stage 2 decreased by EUR 7 million. This decrease reflects both the improved financial health of players in the cruise sector, and entries/exits from the watchlist and consequently from Stage 2.

As a reminder, it was decided in 2020, against the backdrop of the Covid-19 health crisis, to place exposures in the cruise sector on the watchlist and consequently transfer them from Stage 1 to Stage 2. This downgrading was accompanied by an increase in the impairments associated with these exposures on the balance sheet. This approach has been maintained in subsequent years.

Groupe Sfil's forborne exposures correspond to exposures to which renegotiation measures have been applied in a context of financial difficulty on the part of the debtor (actual or future). Renegotiation measures consist of concessions such as payment deferrals, interest rate reductions, maturity rescheduling, debt write-offs or changes in contractual terms.

In the first half of 2023, following discussions with the European Central Bank, it was decided to classify as forbearance all export credit exposures in the cruise sector that had benefited from arrangements under the Covid crisis. This has led to a significant increase in the number and volume of forborne exposures. At December 31, 2023, the number of forborne contracts stood at 92, with 64 borrowers, for a total risk exposure of EUR 2,445 million.

2.5 Tax assets

	12/31/2022	12/31/2023
Current income tax	13	6
Other taxes	2	7
Current tax assets	**15**	**13**
Deferred tax assets (see note 4.2)	**64**	**67**
TOTAL TAX ASSETS	**79**	**80**

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, 2023, 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, 2023, 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 12/31/2022	**2**	**4**	**1**	**7**
Acquisitions	6	0	29	35
Valuation/increases	-	-	-	-
Cancellations	-	(0)	-	(0)
Transfers	-	(4)	-	(4)
Sales	(0)	-	-	(0)
Depreciation and impairments	-	-	-	-
Amortizations	(1)	-	(5)	(6)
NET CARRYING AMOUNT AS OF AU 12/31/2023	**6**	**0**	**26**	**32**

2.7 Intangible assets

	Software	Internally developed assets	Construction work in progress	Total
NET CARRYING AMOUNT AS OF AU 12/31/2022	**1**	**13**	**6**	**21**
Acquisitions	0	10	4	15
Valuation/increases	-	-	-	-
Cancellations	-	-	(0)	(0)
Transfers	-	-	(5)	(5)
Sales	-	(0)	-	(0)
Depreciation and impairments	-	-	-	-
Amortizations	(1)	(9)	-	(10)
NET CARRYING AMOUNT AS OF AU 12/31/2023	**1**	**14**	**6**	**21**

2.8 Accruals and other assets

	12/31/2022	12/31/2023
Cash collateral paid	2,500	2,119
Other accounts receivable	2	5
Prepaid charges	199	20
Other assets	28	20
TOTAL ACCRUALS AND OTHER ASSETS	**2,728**	**2,165**

Note 3 Notes to the liabilities *(EUR millions)*

3.1 Financial liabilities at fair value through profit or loss

	12/31/2022	12/31/2023
Non hedging derivatives*	359	431
TOTAL	**359**	**431**

* *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

	12/31/2022	12/31/2023
Current account	-	-
Securities sold under repurchase agreements	-	-
Term deposits	-	-
SUB-TOTAL DUE TO CREDIT INSTITUTIONS AT AMORTIZED COST	**-**	**-**
Certificates of deposit*	846	832
Euro medium term notes*	7,807	10,027
Obligations foncières	44,122	45,746
Registered covered bonds	6,315	6,290
SUB-TOTAL DEBT SECURITIES AT AMORTIZED COST	**59,090**	**62,894**
TOTAL	**59,090**	**62,894**

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

3.3 Tax liabilities

	12/31/2022	12/31/2023
Current income tax	-	0
Other taxes	2	2
Current tax liabilities	**2**	**2**
Deferred tax liabilities (see note 4.3)	**-**	**-**
TOTAL TAX LIABILITIES	**2**	**2**

3.4 Accruals and other liabilities

	12/31/2022	12/31/2023
Cash collateral received	88	103
Other accrued charges	41	41
Deferred income	-	-
Contribution to support fund*	60	50
Other accounts payable and other liabilities	29	34
TOTAL	**219**	**227**

* *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

	12/31/2022	Additions to provisions	Used amount	Unused amounts reversed during the period	Increase in the discounted amount due to the passage of time and effect of any change in the discount rate	Other movements	12/31/2023
Commitments and guarantees given	11	1	-	(6)	-	-	6
Provision on pensions	7	1	-	(1)	-	-	7
Other provisions*	2	-	-	(1)	-	-	0
TOTAL	**19**	**2**	**-**	**(8)**	**-**	**-**	**13**

* *As a reminder, in the context of the health crisis and its consequences for the cruise sector, Groupe Sfil decided in 2020 to set aside a provision for risks on the currency hedging instruments used to refinance dollar-denominated export credits in this sector. This provision amounted to EUR 1.7 million at December 31, 2022. In 2023, Groupe Sfil decided to reduce this provision by EUR 1.3 million in view of the decline in the underlying risk. As a result, the provision for contingencies and charges amounted to EUR 0.4 million at the end of December 2023.*

3.6 Reserve distribution and dividends

The Ordinary General Meeting of May 24, 2023 decided to allocate Sfil's entire 2022 net income (EUR 77 million) to legal and general reserves. The Extraordinary General Meeting of December 14, 2023 resolved to make a reserve distribution of EUR 6.92 per share, or EUR 64 million.

At the Annual General Meeting on May 30, 2024, a proposal will be made to allocate EUR 55 million of the net income for 2023 (EUR 97 million) to retained earnings, with the balance to be paid to shareholders in the form of a dividend of EUR 4.56 per share, or EUR 42 million.

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

	12/31/2022		12/31/2023	
	Assets	Liabilities	Assets	Liabilities
DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS*	**70**	**359**	**18**	**431**
Derivatives designated as fair value hedges	1,794	4,545	1,737	3,670
Derivatives designated as cash flow hedges	(11)	230	7	213
Derivatives designated as portfolio hedges	617	368	446	444
HEDGING DERIVATIVES	**2,399**	**5,144**	**2,191**	**4,328**
CVA/DVA IMPACT	**(3)**	**(10)**	**(2)**	**(9)**
TOTAL DERIVATIVES	**2,466**	**5,492**	**2,207**	**4,749**

* *The Sfil Group may only use derivatives for hedging purposes. However, certain hedging derivatives that do not meet all the conditions required by IFRS to qualify as hedges are classified as derivatives at fair value through profit or loss.*
Moreover, as from January 1, 2018 and the entry into force of IFRS 9, derivatives used to hedge assets reclassified as assets measured at fair value through profit or loss can no longer be classified as hedging instruments for accounting purposes. They are therefore now allocated to this category.

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

	12/31/2022				
	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**

	12/31/2023				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	0	1	(0)	8	200
Interest rate derivatives	2,061	2,061	0	11	231
TOTAL	**2,061**	**2,061**	**(0)**	**18**	**431**

4.1.3 Detail of derivatives designated as fair value hedges

	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**

	12/31/2023				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	2,244	2,347	(103)	102	73
Interest rate derivatives	60,977	60,955	22	1,635	3,597
TOTAL	**63,221**	**63,302**	**(81)**	**1,737**	**3,670**

4.1.4 Detail of derivatives designated as cash flow hedges

	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	-	-	-	-	-
TOTAL	**4,180**	**4,398**	**(218)**	**(11)**	**230**

	12/31/2023				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Foreign exchange derivatives	3,950	4,051	(102)	7	213
Interest rate derivatives	-	-	-	-	-
TOTAL	**3,950**	**4,051**	**(102)**	**7**	**213**

	12/31/2022	12/31/2023
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

	12/31/2022				
	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**

	12/31/2023				
	Notional amount				
	To receive	To deliver	Net	Assets	Liabilities
Interest rate derivatives	43,464	43,459	5	446	444
TOTAL	**43,464**	**43,459**	**5**	**446**	**444**

4.1.6 Breakdown of notional amount of derivatives designated as hedges by residual maturity

12/31/2022	Less than 1 month	1 to 3 months	3 months to 12 months	1 year to 5 years	More than 5 years	Notional amount to receive
Foreign exchange derivatives	0	1	1,297	1,368	479	3,145
Interest rate derivatives	1,279	281	3,240	26,444	28,193	59,436
TOTAL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES	**1,279**	**281**	**4,537**	**27,812**	**28,672**	**62,581**
Foreign exchange derivatives	263	18	166	998	2,735	4,180
Interest rate derivatives	-	-	-	-	-	-
TOTAL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	**263**	**18**	**166**	**998**	**2,735**	**4,180**
Interest rate derivatives	8,687	1,740	10,712	7,699	11,223	40,061
TOTAL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGES	**8,687**	**1,740**	**10,712**	**7,699**	**11,223**	**40,061**

12/31/2023	**Less than 1 month**	**1 to 3 months**	**3 months to 12 months**	**1 year to 5 years**	**More than 5 years**	**Notional amount to receive**
Foreign exchange derivatives	-	1	-	1,867	377	2,244
Interest rate derivatives	1,245	809	6,176	27,135	25,611	60,977
TOTAL OF DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES	**1,245**	**810**	**6,176**	**29,002**	**25,988**	**63,221**
Foreign exchange derivatives	40	19	455	1,245	2,191	3,950
Interest rate derivatives	-	-	-	-	-	-
TOTAL OF DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	**40**	**19**	**455**	**1,245**	**2,191**	**3,950**
Interest rate derivatives	10,129	1,215	8,730	10,760	12,631	43,464
TOTAL OF DERIVATIVES DESIGNATED AS PORTFOLIO HEDGES	**10,129**	**1,215**	**8,730**	**10,760**	**12,631**	**43,464**

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

The table below shows the breakdown by benchmark index of financial assets and liabilities as well as derivatives affected by the benchmark interest rate reform, whether or not they have been migrated to 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	-	-	-	-	-	-
LIBOR CHF	-	-	-	-	-	-
LIBOR GBP	-	-	-	-	-	-
LIBOR USD	433	-	(908)	115	-	(11)
INTEREST RATES BENCHMARK NOT AFFECTED BY THE REFORM						
SONIA	164	-	(556)	237	-	(529)
SARON	223	-	(223)	237	-	(237)
SOFR	95	-	(1,100)	425	-	(1,285)
STIBOR	15	-	(15)	15	-	(15)
EURIBOR	8,906	442	(3,593)	9,380	452	(7,944)
€STER	532	145	(3,131)	992	260	(993)
FIXED RATE	49,091	60,226	9,622	49,962	62,458	11,135
OTHERS	85	1,423	(330)	99	1,156	(298)
TOTAL	**59,544**	**62,236**	**(234)**	**61,462**	**64,326**	**(178)**

As a reminder, in 2021, all transactions against EONIA were switched to €STER. Financial assets and derivatives indexed to CHF LIBOR and GBP LIBOR were switched to SARON and SONIA respectively in the first half of 2022. Assets, liabilities and derivatives indexed to USD LIBOR began to be transitioned to the new benchmarks in 2022. This transition continued into the first half of 2023. As of December 31, 2023, this transition is almost complete. Only a marginal number of derivatives and financial assets remain to be switched before their next fixing date. As a reminder, all these contracts are subject to fallback clauses. It should also be noted that, as the STIBOR index has been recognized as compliant by the European Benchmark Regulation, it will not be subject to transition.

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

	12/31/2022	12/31/2023
Deferred tax assets before impairment	64	67
Impairment on deferred tax assets	-	-
DEFERRED TAX ASSETS	**64**	**67**
DEFERRED TAX LIABILITIES	**-**	**-**
TOTAL	**64**	**67**

4.3.2 Movements

	12/31/2022	12/31/2023
AS OF JANUARY 1	**73**	**64**
Charge/credit recognized in the income statement	(7)	1
Effect of change in tax rates - impact on the income statement	-	-
Movements directly recognized in equity	(2)	1
Effect of change in tax rates - impact on equity	-	-
Translation adjustment	-	-
Tax audit effects	-	-
Other movements	-	-
AS OF DECEMBER 31	**64**	**67**

4.3.3 Deferred taxes from assets on the balance sheet

	12/31/2022	12/31/2023
Loans and loan loss provisions	432	192
Securities	(85)	(112)
Derivatives	(220)	(94)
Accruals and other assets	(0)	(7)
TOTAL	**126**	**(21)**

4.3.4 Deferred taxes from liabilities on the balance sheet

	12/31/2022	12/31/2023
Borrowings, deposits and issues of debt securities	(881)	(457)
Derivatives	796	518
Provisions	7	5
Accruals and other liabilities	16	21
TOTAL	**(62)**	**88**

4.4 Transactions with related parties

4.4.1 Analysis by nature

	Parent company[1]		Other related parties[2]	
	12/31/2022	12/31/2023	12/31/2022	12/31/2023
ASSETS				
Financial assets at fair value through profit or loss	-	-	-	-
Hedging derivarives	-	-	-	-
Financial assets at fair value through equity	63	65	65	-
Loans and advances to banks at amortized cost	-	1	-	-
Securities at amortized cost	-	-	-	41
Accruals and other assets	1	1	1	1
LIABILITIES		-		
Hedging derivarives	-	-	-	-
Due to banks	-	-	-	-
Debt securities at amortized cost	-	-	369	306
Accruals and other liabilities	-	-	0	0
INCOME STATEMENT				
Interest income	(0)	2	0	1
Interest expense	(2)	(2)	(12)	(11)
Fee and commission income	-	-	5	4
Fee and commission expense	-	-	(0)	(0)
Net result of financial assets ar fair value through profit or loss	(3)	2	21	(1)
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	-
Cost of risk	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	124	-	-

(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 the end of 2022, Groupe Sfil signed a partnership agreement with Caisse des Dépôts to offer local authorities and public hospitals in France a new long- and very long-term fixed-rate product. Within this framework, Sfil Group will make cash advances to CDC corresponding to the amounts of loans granted by the latter. In return, Caisse des Dépôts undertakes to sell the loan to the Sfil group at the end of the drawdown phase.

4.5 Unrealized or deferred gains and losses, breakdown

	12/31/2022	12/31/2023
Unrealized or deferred gains and losses of financial assets at fair value through equity	0	0
Unrealized or deferred gains and losses of cash flow hedges derivatives	2	0
Unrealized or deferred gains and losses of cost of hedging derivatives	(62)	(66)
Actuarial gains and losses on defined-benefit plans	0	1
TOTAL	**(60)**	**(66)**
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	(0)	(0)
Deferred tax on unrealized or deferred gains and losses of cost of hedging derivatives	16	17
Deferred tax on actuarial gains and losses on defined-benefit plans	(0)	(0)
TOTAL AFTER TAX	**(45)**	**(49)**

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.

	2022			2023		
	Income	Expense	Net	**Income**	**Expense**	**Net**
Loans/loans with credit institutions	-	-	-	-	-	-
Loans/loans with customers	112	-	112	110	-	110
Derivatives outside the hedging relationship	38	(129)	(92)	103	(124)	(20)
FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**150**	**(129)**	**21**	**213**	**(124)**	**89**
Hedging derivatives	1,190	(1,239)	(49)	2,623	(3,065)	(442)
HEDGING DERIVATIVES	**1,190**	**(1,239)**	**(49)**	**2,623**	**(3,065)**	**(442)**
Securities	1	(0)	1	0	-	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**1**	**(0)**	**1**	**0**	**-**	**0**
Central bank accounts	0	(1)	(1)	93	(0)	93
Accounts and loans with credit institutions*	32	(52)	(20)	102	(465)	(363)
Accounts and loans with customers*	803	-	803	1,482	-	1,482
Securities	146	(728)	(583)	227	(922)	(695)
Other	-	-	-	-	-	-
FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST	**981**	**(782)**	**199**	**1,903**	**(1,387)**	**516**
TOTAL	**2,321**	**(2,150)**	**172**	**4,740**	**(4,576)**	**163**

* *As part of the refinancing of major export credits, the insurance taken out by Sfil is economically neutral, as its cost is ultimately borne by the borrower. Since 2023, insurance premiums have no longer been recognized, and those remaining to be amortized on Sfil's balance sheet have been fully reversed through the income statement. This reversal has an impact of EUR +396 million on interest income and EUR -396 million on interest expense, with no impact on the net interest margin.*

Interest income and expense, measured using the effective interest method, represented EUR 981 million and EUR -782 million respectively at December 31, 2022, and EUR 1,903 million and EUR -1,387 million respectively at December 31, 2023.

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

At December 31, 2023, following a return to a positive interest rate environment, negative interest paid on financial instruments in assets and received on financial instruments in liabilities is zero.

5.2 Fees and commissions

	2022	**2023**
LBP servicing commission received	5	4
Other commission	(4)	(0)
TOTAL	**1**	**4**

5.3 Net result of financial instruments at fair value through profit or loss

All interest received and paid on assets, liabilities and derivatives is recorded in the interest margin, as required by IFRS. Consequently, net gains or losses on hedging transactions only include changes in the clean value of derivatives and the revaluation of assets and liabilities included in a hedging relationship.

	2022	2023
Net result on financial assets or liabilities at fair value through profit or loss	33	(5)
Net result of hedge accounting	(0)	6
Net result of foreign exchange transactions	(0)	0
TOTAL	**33**	**1**

Analysis of net result of hedge accounting

	2022	2023
FAIR VALUE HEDGES	**(6)**	**9**
Fair value changes in the hedged item attributable to the hedged risk	2,029	(846)
Fair value changes in the hedging derivatives	(2,035)	855
CASH FLOW HEDGES	**(1)**	**(0)**
Fair value changes in the hedging derivatives – ineffective portion	-	-
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	(1)	(0)
PORTFOLIO HEDGE	**0**	**(2)**
Fair value changes in the hedged item	(1,378)	318
Fair value changes in the hedging derivatives	1,378	(321)
CVA/DVA IMPACT	**6**	**0**
TOTAL	**(0)**	**6**

5.4 Net result of financial instruments at fair value though equity

	2022	2023
Net result of disposals of bondss at fair value though equity	-	-
Net results of disposals or prepayements 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

	2022	2023
Net result of disposals or prepayments of bonds at amortized cost	(3)	-
Net result of disposals or prepayments of loans and advances to banks at amortized cost	27	0
Net result of disposals or prepayments of loans and advances to customers at amortized cost	13	8
Net result of disposals or prepayments of due to banks at amortized cost	(0)	0
Net result of disposals or prepayments of debt securities at amortized cost	-	1
TOTAL	**37**	**9**

Detail of on derecognition of assets and liabilities at amortized cost

	2022		2023	
	Notional amount	Impact on result	Notional amount	Impact on result
Prepayments of securities at amortized cost	**190**	**(3)**	**-**	**-**
Net result of disposals or prepayments of bonds at amortized cost	190	(3)	-	-
Prepayments of loans and advances to credit institutions at amortized cost	**311**	**27**	**-**	**-**
Restructurings of loans and advances to credit institutions at amortized cost	220	27	-	-
Net result of disposals, prepayments or restructurings of loans and advance to credit institutions at amortized cost	91	0	-	-
Prepayments of loans and advances to customers	**3,524**	**13**	**282**	**8**
Restructuring of loans and advances to customers*	59	1	92	2
Net result of disposals, prepayments or restructurings of loans and advances to customers at amortized cost	3,465	12	190	6
SUB-TOTAL ASSETS	**4,025**	**37**	**282**	**8**
Prepayments of debt to banks	**-**	**-**	**-**	**-**
Net result of prepayments of debt to banks at amortized cost	-	-	-	-
Prepayments of debt securities	**-**	**-**	**114**	**1**
Net result of prepayments of debt securities at amortized cost	-	-	114	1
SUB-TOTAL LIABILITIES	**-**	**-**	**114**	**1**
TOTAL	**-**	**37**	**396**	**9**

* *In 2022, the notional amount of customer loans restructured included loans concerned by liquidity support measures granted to cruise industry customers as part of the export credit business. Sfil was part of a joint initiative by European export credit insurance agencies to provide liquidity support to these customers, who were particularly hard hit by the pandemic. This support has consisted in deferring repayment of the loan principal and, in 2022 and 2023, granting legal amendments to the initial contracts. For the record, these loans are covered by credit insurance issued by BPI AE in the name, on behalf and under the supervision of the French Republic.*
Gains and losses arising from the derecognition of financial assets or liabilities at amortized cost are mainly associated with the business of restructuring loans to local public sector customers, which leads to the upfront recognition of income in accordance with IFRS principles (see note 1.2.5.8).

5.6 Operating expenses

	2022	2023
Payroll costs	(55)	(59)
Other general and administrative expenses	(36)	(31)
Taxes	(16)	(13)
TOTAL	**(107)**	**(103)**

* *Sfil has taken into account the decisions handed down by the social chamber of the Cour de Cassation on September 13, 2023 concerning employees' entitlement to paid leave, and has booked a provision representing a non-material amount.*
In addition, in accordance with IAS19, personnel costs include the impact of the pension reform which came into effect in April 2023, for a non-material amount in respect of past service costs. For the record, discounting gains and losses arising from changes in assumptions relating to post-employment benefit obligations are recognized directly in net income and unrealized or deferred gains or losses recognized directly in equity (see note 3.5).

5.7 Depreciation and amortization, property and equipment and intangible assets

	2022	2023
Depreciation and amortization on tangible assets	(3)	(1)
Depreciation and amortization on intangible assets	(12)	(10)
IFRS16 impact	(3)	(5)
TOTAL	**(18)**	**(16)**

5.8 Cost of risk

	2022				
Specific Impairment	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)**

	2023				
Specific Impairment	January 1	Allocations	Reversals	Losses	December 31
Stage 1	(0)	-	-	-	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**(0)**	**-**	**-**	**-**	**(0)**
Stage 1	(0)	(0)	0	6	5
Stage 2	-	-	-	(6)	(6)
Stage 3	-	-	-	-	-
LOANS AND ADVANCES TO BANKS AT AMORTIZED COST	**(0)**	**(0)**	**0**	**(0)**	**(0)**
Stage 1	10	(2)	2	2	12
Stage 2	(35)	(10)	9	(1)	(38)
Stage 3	(10)	(3)	2	(0)	(11)
LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST	**(35)**	**(15)**	**13**	**(0)**	**(37)**
Stage 1	(3)	(1)	6	0	2
Stage 2	(12)	-	1	(0)	(11)
Stage 3	(0)	-	-	-	(0)
BONDS AT AMORTIZED COST	**(16)**	**(1)**	**7**	**0**	**(9)**
Stage 1	(2)	(1)	1	-	(2)
Stage 2	(8)	-	5	-	(3)
Stage 3	(0)	-	-	-	(0)
OFF-BALANCE SHEET COMMITMENTS AT AMORTIZED COST	**(10)**	**(1)**	**5**	**-**	**(5)**
OTHER PROVISIONS	**(3)**	**-**	**2**	**-**	**(1)**
TOTAL	**(63)**	**(16)**	**27**	**(0)**	**(53)**

5.9 Corporate income tax

5.9.1 Breakdown of tax expense

	2022	2023
Current taxes	(27)	(21)
Deferred taxes	(7)	1
Deferred tax on previous year	-	-
Other income taxes on previous exercise*	0	6
TOTAL	**(33)**	**(14)**

* *In 2023 and in the context of the tax reassessment relating to the 2012 financial year, the Sfil Group concluded a memorandum of understanding with Dexia SA enabling the amount of the sums due between the entities to be agreed, generating an income of EUR 6 million.*

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:

	2022	2023
INCOME BEFORE INCOME TAXES	**119**	**70**
Net income from associates	-	-
TAX BASE	**119**	**70**
Applicable tax rate at end of the period	25.83%	25.83%
THEORETICAL CORPORATE INCOME TAX AT THE STANDARD RATE	**(31)**	**(18)**
Tax effect of non-deductible expenses	(3)	(2)
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	6
Revaluation of the stock of deferred taxes	-	-
Use of corporate income tax rate applicable to the future fiscal years*	-	-
CORPORATE INCOME TAX RECORDED IN THE INCOME STATEMENT	**(33)**	**(14)**

* *In 2023 and in the context of the tax reassessment relating to the 2012 financial year, the Sfil Group concluded a memorandum of understanding with Dexia SA enabling the amount of the sums due between the entities to be agreed, generating an income of EUR 6 million.*

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

	12/31/2022	12/31/2023
Assets to be delivered	68	-
Liabilities to be received	67	-

6.2 Guarantees

	12/31/2022	12/31/2023
Guarantees received from credit institutions	-	-
Enhanced guarantees[1]	10,689	14,744
Loan guarantee commitments received	-	-
Guarantees received from customers[2]	1,386	1,229

(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

	12/31/2022	12/31/2023
Loan commitments granted to credit institutions[1]	0	0
Loan commitments granted to customers[1]	4,010	6,728
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 commintments on operations in export credit business line.
(2) Commitments on this line correspond to financing commitments received from Caisse des Dépôts and La Banque Postale for EUR 4,000 million and EUR 1,000 million respectively. With regard to the Caisse des Dépôts financing commitment, Sfil records the total commitments relating to existing tranches only, which are limited to EUR 4,000 million. This amount does not take into account the possibility provided for in the financing agreement with Caisse des Dépôts to negotiate additional financing in good faith.

6.4 Other commitments

	12/31/2022	12/31/2023
Commitments given[1]	11	13
Engagements received from Caisse des Dépôts et Consignations[2]	3	124
Commitments received[3]	17	14

(1) This refers to the irrevocable payment undertaking to the Deposit Guarantee and Resolution Fund.
(2) At the end of 2022, Caisse Française de Financement Local signed a partnership agreement with Caisse des Dépôts to offer local authorities and public hospitals in France a new long-term fixed-rate product. Under this agreement, Caisse Française de Financement Local makes cash advances to 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.
(3) 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 12/31/2022									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 intitutions	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 and financial guarantees under IFRS 9 as of 12/31/2023									**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 intitutions	0	-	-	0	-	-	-	-	0	-	-
Granted to customers	5,890	838	-	6,728	(2)	(3)	-	(5)	6,722	-	-
TOTAL	**5,890**	**838**	**-**	**6,728**	**(2)**	**(3)**	**-**	**(5)**	**6,722**	**-**	**-**

Financing commitments increased by EUR 2.7 billion in 2023. This development is mainly due to the strong export activity observed over the period and to financing commitments in Stage 1. The decrease in financing commitments given to customers allocated to Stage 2 and the associated impairment is explained by drawings on export credit files in the cruise sector. The opposite trend can be observed for financial assets at amortized cost allocated to Stage 2 (see note 2.4). As a reminder, it was decided in 2020, against the backdrop of the Covid-19 health crisis, to place all exposures in the cruise sector on watchlist, and consequently to transfer them from Stage 1 to Stage 2. This downgrading was accompanied by an increase in the impairment losses associated with these exposures under financing commitments.

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

	12/31/2022		
	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)**

	12/31/2023		
	Book value	Fair value	Unrecognized fair value adjustment
Central banks	2,980	2,980	0
Financial assets at fair value through profit or loss	2,251	2,251	0
Hedging derivatives	2,189	2,189	0
Financial assets at fair value through equity	80	80	0
Loans and advances to banks at amortized cost	67	67	(1)
Loans and advances to customers at amortized cost	51,393	48,343	(3,050)
Bonds at amortized cost	7,985	7,419	(566)
TOTAL	**66,945**	**63,328**	**(3,617)**

The interest-rate component of asset portfolios hedged under the macro-FVH model amounted to EUR 405 million at December 31, 2023 (it stood at EUR 170 million at December 31, 2022).

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

	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)**

	12/31/2023		
	Book value	Fair value	Unrecognized fair value adjustment
Financial liabilities at fair value through profit or loss	431	431	0
Hedging derivatives	4,318	4,318	0
Due to banks at amortized cost	0	-	(0)
Debt securities at amortized cost	62,894	59,464	(3,430)
TOTAL	**67,644**	**64,213**	**(3,430)**

The interest-rate component of the liability portfolios hedged under the macro-FVH model amounts to EUR 53 million at December 31, 2023 (EUR 66 million at December 31, 2022).

7.1.3 Methods used to determine the fair value of financial instruments

The fair value of a fnancial instrument is determined on the basis of prices that can be observed in the market for the instrument itself or for a comparable instrument, or with the help of a technical evaluation utilizing observable market data. A hierarchy of the methods used to establish fair value has been drawn up. It is composed of the following three levels:

- Level 1 corresponds to the instruments considered to be liquid, i.e. that their valuation is based on the price observed in a liquid market, for which SFIL assured itself of the existence of a large number of contributors. Level 1 securities include in particular certain government bonds.
- Level 2 uses another method to determine the value of instruments for which SFIL can not observe market prices, but observes such for similar instruments by the same issuer or guarantor listed in the market. In this case, observable prices and other data observable in the market are used and an adjustment is made to account for the degree of the security's lack of liquidity.
- In level 3, when there is no active market or observable market data, the fair value of instruments is determined by using a valuation spread developed from an internal model. Level 3 Hedging derivatives are valued using these internal models.

The measurement of derivatives is based on an analysis combining the observability of the market data used in the assessment and the robustness of the valuation models measured in terms of efficiency to provide a valuation in market consensus. The result of this application is that the derivatives used by SFIL group in hedging its activities are primarily of level 2.

For the derivatives in level 3, this classification mainly involves hybrid, structured products (interest rate – foreign exchange), spread (correlation) products and options on interest rates. This classification is mainly due to the fact that these products present complex payoffs which require an advanced statistical model with variable parameters which are sometimes unable to be seen in the market.

	12/31/2022			
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**

	12/31/2023			
Fair value of financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Central banks	2,980	-	-	2,980
Financial assets at fair value through profit or loss	-	17	2,234	2,251
Hedging derivatives	-	2,119	70	2,189
Financial assets at fair value through equity	80	-	-	80
Loans and advances to banks at amortized cost	23	44	0	67
Loans and advances to customers at amortized cost	-	-	48,343	48,343
Bonds at amortized cost	3,880	2,516	1,023	7,419
TOTAL	**6,963**	**4,695**	**51,670**	**63,328**

	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**

	12/31/2023			
Fair value of financial liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit or loss	-	412	19	431
Hedging derivatives	-	4,278	40	4,318
Due to banks at amortized cost	-	-	-	-
Debt securities at amortized cost	48,119	5,662	5,683	59,464
TOTAL	**48,119**	**10,353**	**5,742**	**64,213**

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.

	12/31/2022	12/31/2023
Uncertainty inherent in level 3 market parameters	4	0
Uncertainty inherent in level 3 derivatives valuation models	35	12
SENSITIVITY OF THE MARKET VALUE OF LEVEL 3 FINANCIAL INSTRUMENTS	**39**	**12**

7.1.4 Transfer between level 1 and 2

	12/31/2022	12/31/2023
Level 1 to level 2	-	-
Level 2 to level 1	-	-

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
12/31/2022	**2,674**	**1,153**	**-**	**3,827**
Total gains and losses through profit and loss	-	-	-	-
Total unrealized or deferred gains and losses	(270)	28	-	(242)
Total OCI unrealized or deferred gains and losses	-	-	-	-
Purchase	23	0	-	23
Sale	-	-	-	-
Direct origination	-	-	-	-
Settlement	(193)	(161)	-	(354)
Transfer in activities destined to be sold	-	-	-	-
Transfer to level 3	-	-	-	-
Transfer out of level 3	-	(951)	-	(951)
Other variations	-	-	-	-
12/31/2023	**2,234**	**70**	**-**	**2,303**

Fair value of financial liabilities	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total financial liabilities
12/31/2022	**138**	**326**	**464**
Total gains and losses through profit and loss	-	-	-
Total unrealized or deferred gains and losses	(8)	0	(8)
Total OCI unrealized or deferred gains and losses	-	-	-
Purchase	4	0	4
Sale	-	-	-
Direct origination	-	-	-
Settlement	(15)	(281)	(296)
Transfer in activities destined to be sold	-	-	-
Transfer to level 3	-	-	-
Transfer out of level 3	(100)	(5)	(105)
Other variations	-	-	-
12/31/2023	**18**	**40**	**59**

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

	12/31/2022					
				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**

	12/31/2023					
				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	2,207	-	2,207	(1,346)	(101)	760
Derivatives (including hedging instruments)	2,233	-	2,233	-	-	2,233
Loans and advances to banks at amortized cost	67	-	67	-	-	67
Loans and advances to customers at amortized cost	51,393	-	51,393	-	-	51,393
TOTAL	**55,900**	**-**	**55,900**	**(1,346)**	**(101)**	**54,452**

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

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
Derivatives (including hedging instruments)	5,492	-	5,492	(1,240)	(2,185)	2,068
Due to banks at amortized cost	-	-	-	-	-	-
Customer borrowings and deposits	-	-	-	-	-	-
TOTAL	**5,492**	**-**	**5,492**	**(1,240)**	**(2,185)**	**2,068**

12/31/2023						
				Other amounts in the application scope but not offset		
	Gross amounts before offsetting	**Gross amounts offset according to IAS 32**	**Net Amounts presented in the balance sheet**	**Effect of master netting arrangements**	**Financial Instruments received as collateral**	**Net Amounts according to IFRS 7 and 13**
Derivatives (including hedging instruments)	4,749	-	4,749	(1,346)	(1,984)	1,419
Due to banks at amortized cost	0	-	0	-	-	0
Customer borrowings and deposits at amortized cost	-	-	-	-	-	-
TOTAL	**4,749**	**-**	**4,749**	**(1,346)**	**(1,984)**	**1,419**

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 × (Replacement cost + Potential future exposure)) in accordance with the recommandations 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	12/31/2022	12/31/2023
France	60,936	66,553
Germany	26	189
Belgium	91	32
Italy	4,159	3,773
Spain	372	471
Other European Union countries	325	831
Switzerland	564	518
Norway	100	169
United Kingdom	46	15
United States and Canada	694	854
Japan	29	30
TOTAL EXPOSURE	**67,342**	**73,434**

Analysis of exposure by category of counterparty	12/31/2022	12/31/2023
Sovereigns	15,350	20,389
Local public sector	50,470	49,651
Other assets guaranteed by public sector entities	175	151
Financial institutions	1,315	3,185
Other exposures	31	59
TOTAL EXPOSURE	**67,342**	**73,434**

Analysis of exposure by category of instrument	12/31/2022	12/31/2023
Central banks	3,555	2,980
Loans and advances at fair value through profit of loss	2,670	2,229
Hedging derivatives	141	1,345
Bonds at fair value through equity	243	80
Loans to banks at amortized cost	40	29
Loans to customers at amortized cost	50,867	52,073
Bonds at amortized cost	6,215	8,007
Accruals and other assets	124	100
Financing commitments	3,487	6,590
TOTAL EXPOSURE	**67,342**	**73,434**

Concentration risk by sector is monitored through two mechanisms:

- limits by region and by type of local authority, to ensure that the portfolio is spread evenly;
- sector and geographical limits for the export credit business, in sectors where exposures are highly correlated, such as cruise ships, civil aeronautics and nuclear power.

It should be noted that the local public sector is not very sensitive to changes in the economic environment.

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, 2023, 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 97% of the portfolio has a weighting that is less than or equal to 20%.

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.

	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	2,980	-	-	-	-	2,980
Financial assets at fair value through profit or loss	1,544	411	212	1	60	2,229
Hedging derivatives	1,251	-	2	77	16	1,345
Bonds at fair value through equity	65	-	16	-	-	80
Loans and advances due from banks at amortized cost	6	-	5	18	-	29
Loans and advances to customers at amortized cost	35,222	10,442	5,809	277	323	52,073
Bonds at amortized cost	2,476	-	4,210	1,227	94	8,007
Accruals and other assets	38	-	-	3	59	100
Financing commitments	6,586	3	1	-	-	6,590
TOTAL EXPOSURE	**50,167**	**10,857**	**10,255**	**1,603**	**552**	**73,434**
SHARE OF TOTAL EXPOSURE	**68.3%**	**14.8%**	**14.0%**	**2.2%**	**0.8%**	**100.0%**

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

7.4 Climate risk

Definition of climate and environmental risks

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

Acute physical risks are defined as the risk of loss resulting from extreme weather events (floods, storms, hurricanes, forest fires), the resulting damage of which may result in the destruction of the physical assets held by 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).

Physical risks can also be induced by environmental factors such as water stress, resource scarcity, biodiversity loss or other.

Transition risk is the financial loss resulting from the process of transitioning to a low-carbon and environmentally sustainable economy and may be attributable to climate or environmental factors, such as policy changes, regulations, technologies or market sentiment.

Climate and environmental risk management

The management of transition risks by Sfil Group is based in particular on:

- the exclusion of sectors exposed to fossil fuels;
- taking into account the social and environmental usefulness of the projects financed in the lending criteria, with a greater risk appetite for green and social loans;
- monitoring decarbonization pathways and production targets for green loans.

The management of physical risks is based, in particular, on the implementation of specific analysis and rating methodologies for borrowers subject to particular climatic hazards (mountain resorts, coastal municipalities, municipalities and island communities, etc.) and the priority support of these borrowers in their investments related to climate change adaptation.

With regard more specifically to the rating of climate and environmental risks, in 2023, Sfil developed a rating tool for the local public sector (municipalities, inter-municipal grouping with or without own-source tax revenue, departments, regions and public health institutions) on the basis of studies already carried out since 2021. This rating tool will eventually be systematically used for granting loans and monitoring risks.

The methodology implemented incorporates both direct and indirect risks (vulnerability of the local economic fabric) and includes three distinct components forming an overall climate and environmental rating. The three components of this rating are:

i) A score measuring transition risk that is intended to assess transition challenges for local authorities and drawn up on the basis of the various studies carried out to date:

- a study carried out in 2022 [1] by the Institute for the Climate Economy (I4CE), sponsored by Sfil and ADEME, in order to quantify investment needs of local authorities as part of the transition to a low-carbon economy, as defined by the National Low Carbon Strategy (SNBC);
- measurement of the carbon footprint of local public sector borrowers and financed emissions.

ii) A score measuring acute and chronic physical risks based on various studies conducted to date, and respectively covering:

- the impact of acute physical risks on French local authorities;
- the risk of loss of snow for the ski resort communities;
- the impact of sea level rise.

This work was supplemented and integrated into the climate and environmental risk rating methodology and made it possible to cover acute risks (earthquakes, cyclones, forest fires, floods, drought, heat waves) and chronic risks (loss of snow cover, shrinkage and swelling of clays, coastal erosion and sea level rise).

iii) A score measuring chronic environmental risks. The rating, expressed in the form of an outlook, covers risks related to air, water and soil pollution, scarcity and depletion of resources (waste), water stress and loss of biodiversity. The rating work will continue with an operational implementation phase in 2024.

In addition, without being exhaustive, Sfil implemented various actions in 2023:

- a first use of climate and environmental ratings in the construction of the 2024 ICAAP;
- an analysis of the natural risks likely to affect its sites and those of its essential outsourced service providers;
- the assessment of the impact of climate risks on market and liquidity risk;
- the mapping of environmental risks for the local public sector and climate risks according to the sectors of intervention for export credit. With regard to export credit, in-depth analysis of the portfolio was also undertaken based on the climate risk rating tool and an ESG analysis grid developed by the Caisse des Dépôts Group;
- the definition of decarbonization targets by 2030 for the local public sector loan portfolios and certain sectors for export credit transactions (see section 2.8.3 "Environmental information" of the management report);
- participation in the EBA Fit for 55 stress test;
- the mapping of reputation risk related to ESG issues.

(1) In 2023, Sfil again took part in an I4CE/La Banque Postale study on the methods of financing local authority investments.

7.5 Liquidity risk: analysis by term to maturity

7.5.1 Breakdown of assets

	12/31/2023							
	Less than 1 month	1 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeter-minate	Total broken down
Central banks	2,980	-	-	-	-	-	-	2,980
Financial assets at fair value through profit or loss	35	24	92	133	790	1,116	7	2,197
Hedging derivatives	25	2	276	-	-	-	-	303
Financial assets at fair value through equity	-	-	66	16	-	-	-	82
Loans and advances to banks at amortized cost	23	0	16	15	14	-	-	69
Loans and advances to customers at amortized cost	724	586	1,478	2,529	18,357	28,860	4	52,538
Bonds at amortized cost	67	52	556	534	2,656	3,681	-	7,546
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-	-
Tangible assets	-	-	-	-	-	-	32	32
Intangible assets	-	-	-	-	-	-	21	21
Tax assets	-	-	-	-	-	-	80	80
Accruals and other assets	-	-	-	-	-	-	2,165	2,165
TOTAL	**3,854**	**664**	**2,485**	**3,228**	**21,817**	**33,656**	**2,308**	**68,012**

	12/31/2023		
	Total broken down	Fair value adjustment	Total
Central banks	2,980	-	2,980
Financial assets at fair value through profit or loss	2,197	54	2,251
Hedging derivatives	303	1,885	2,189
Financial assets at fair value through equity	82	(2)	80
Loans and advances to banks at amortized cost	69	(1)	67
Loans and advances to customers at amortized cost	52,538	(1,145)	51,393
Bonds at amortized cost	7,546	439	7,985
Fair value revaluation of portfolio hedge	-	405	405
Tangible assets	32	-	32
Intangible assets	21	-	21
Tax assets	80	-	80
Accruals and other assets	2,165	-	2,165
TOTAL	**68,012**	**1,636**	**69,648**

7.5.2 Breakdown of liabilities, excluding equity

	31/12/2023							
	Less than 1 month	1 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeter-minate	Total broken down
Central banks	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	0	0	22	-	-	-	-	22
Hedging derivatives	24	1	417	-	-	-	-	442
Due to banks at amortized cost	-	-	-	-	-	-	-	-
Customer borrowing and deposits at amortized cost	-	-	-	-	-	-	-	-
Debt securities at amortized cost	1,200	552	3,223	3,563	24,935	31,558	-	65,031
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	-	2	2
Accruals and other liabilities	-	-	-	-	-	-	227	227
Provisions	-	-	-	-	-	-	13	13
Subordinated debt	-	-	-	-	-	-	-	-
TOTAL	**1,224**	**553**	**3,661**	**3,563**	**24,935**	**31,558**	**242**	**65,737**

	31/12/2023		
	Total broken down	Fair value adjustment	Total
Central banks	-	-	-
Financial liabilities at fair value through profit or loss	22	409	431
Hedging derivatives	442	3,877	4,318
Due to banks at amortized cost	-	-	-
Customer borrowing and deposits at amortized cost	-	-	-
Debt securities at amortized cost	65,031	(2,136)	62,894
Fair value revaluation of portfolio hedge	-	53	53
Tax liabilities	2	-	2
Accruals and other liabilities	227	-	227
Provisions	13	-	13
Subordinated debt	-	-	-
TOTAL	**65,737**	**2,203**	**67,939**

7.5.3 Net liquidity gap

	12/31/2023								
	Less than 1 month	1 to 3 months	3 months to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate	Not broken down	Total
AMOUNT	**2,629**	**111**	**(1,176)**	**(335)**	**(3,118)**	**2,099**	**2,066**	**(567)**	**1,709**

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

Classification by original currency	12/31/2022 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	-	-	-	-	-

Classification by original currency	12/31/2023 EUR	Other EU currencies	USD	Other currencies	Total
Total assets	64,541	1,207	3,766	134	69,648
Total liabilities	64,541	1,207	3,766	134	69,648
NET BALANCE SHEET POSITION	-	-	-	-	-

7.7 Sensitivity to interest rate risk Definition

Interest rate risk is defined as the risk weighing on the net banking income or economic value (NPV) of so-called "banking book" activities (*i.e.* excluding trading portfolios) due to an unfavorable fluctuation in interest rates. As Sfil has no trading activity, the scope subject to interest rate risk is therefore limited to all activities falling within the scope of the business model, namely the refinancing of the local public sector and export credit loans through bond issues.

Among the various interest rate risks, the Group is exposed to three types of risk, namely fixed interest rate risk, floating rate risk (base and fixing) and option risk related to the existence of floors on commercial loans.

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.

These risks are hedged either by matching assets and liabilities of the same type, or by using derivatives:

Hedging Strategy

The Sfil 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 €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. There is, therefore no interest rate risk at the level of the parent company, or only a temporary exposure related to the desynchronization between the hedged item and the hedging item.

Interest rate risk indicators

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

- the sensitivity of the net present value (NPV), calculated for eight stress scenarios. These eight scenarios correspond to the six scenarios used to calculate the regulatory NPV sensitivity indicator (see below), plus two additional internal scenarios defined on the basis of historical changes in interest rates. The maximum loss observed among the eight scenarios must not exceed the limit defined as part of Sfil Group's risk appetite. These calculations are carried out on a consolidated basis, on a static basis and taking into account the investment of equity.

EUR millions	Limit	12/31/2022	6/30/2023	12/31/2023
Maximum NPV loss observed	(80)/80	(21.1)	(25.5)	(15.4)

- the regulatory sensitivity of the NPV, calculated, in accordance with the instructions in force, for six scenarios of translation, flattening and steepening with application of a floor at -100 bp. These sensitivities are calculated on a consolidated basis, on a static basis and excluding the investment of equity.

At 12/31/2023	Interest rate shock applied	Operating results *EUR millions*
Regulatory sensitivity of NPV	+200 bps	(141.2)
	-200 bps	175.8
	Steepening	(0.5)
	Flattening	5.8
	Short-term increase	(38.7)
	Short-term decrease	40.7

- adjustable rate gaps broken down by tenor indexes to monitor base, floor and fixing risks. These gaps are calculated on a static basis, on a consolidated basis:

Euribor gaps	For each index tenor, difference between assets and liabilities at adjustable rates. These gaps are calculated each month until the balance sheet is extinguished.
Floored Euribor gaps	For each index tenor, the difference between assets and liabilities at adjustable rates with floor on the index or coupon. These gaps are calculated each month until the balance sheet is extinguished.
Fixing gap	For each index tenor, the difference between adjustable rate balance sheet and off-balance sheet assets and liabilities, by fixing date.

- the sensitivity of the net interest margin (NIM): the risk in terms of income is monitored through the sensitivity indicator of the NIM, calculated for (i) a parallel shock of +200 bp and (ii) a parallel shock of -200 bp floored at -100 bp. The sensitivity of the NIM is calculated on a like-for-like basis over a one-year horizon, by offsetting each transaction amortization by a new transaction of the same amount, maturity and type of rate and carried out at the market conditions observed at the calculation date. At December 31, 2023, the sensitivity of the Sfil Group's NIM was as follows:

Sensitivity of the net interest margin over 12 months *EUR millions*	12/31/2023
Parallel increase in rates of 200 bps	(3.8)
Parallel decrease in rates of 200 bps	2.0

Outlook and risks related to changes in interest rates

After two years of almost continuous rise in interest rates, 2024 could mark the end of this trend. The confirmation by the European Central Bank of the end of monetary tightening and the announcement by the Federal Reserve of a rate cut in 2024 opened the door to a scenario of rate cuts, validating the inversion of the yield curve observed for the last year. However, reactive forces could emerge. Firstly, inflation, which slowed sharply at the end of 2023 due to the erasure of the sharp increases of 2022, will not benefit from such favorable base effects in 2024, limiting the possibilities of a rate cut by central banks. In addition, the increase in financing requirements for the ecological transition coupled with the increase in government debt service could exert upward pressure on long-term rates. These contradictory forces are likely to result in markets hesitating between stabilizing and lowering rates. The consequence would be:

- greater uncertainty about new loan volumes: rapid changes in financing conditions and higher cost of credit, as well as uncertainties relating to the macroeconomic environment, could encourage some clients to reduce or postpone their investments;
- 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.

Note 8 Impact of the war in Ukraine on the financial statements of the Company *(EUR millions)*

The foreseeable impacts of the war in Ukraine are very limited for the Sfil group. As a reminder, the Sfil Group has no operations outside France. In addition, the Group has no exposure to Russia or Belarus, and only one exposure to Ukraine, which represented EUR 46 million on the balance sheet at December 31, 2023. This exposure was granted as part of Sfil's export credit business and is 100% guaranteed by the French Republic. Sfil is therefore not directly exposed to credit risk on this file. Nevertheless, as of February 24, 2022, Sfil had decided to place this asset on the watchlist and consequently to classify it as Stage 2. The Expected Credit Losses (ECL) associated with this downgrade are very limited, representing around EUR 0.2 million at December 31, 2023.

The consequences of the war in Ukraine on the forward-looking macro-economic scenarios used to calculate the expected credit losses associated with local authorities in France have also been taken into account, without any significant impact on the level of impairment.

Note 9 Post-closing events

No significant event that influences the Company's financial situation has occurred since the closing on December 31, 2023.

Note 10 Statutory Auditor's fees *(EUR thousand)*

	KMPG SA				PricewaterhouseCoopers Audit			
	Amount including VAT		%		Amount including VAT		%	
	2022	2023	2022	2023	2022	2023	2022	2023
AUDIT								
Audit, certification, examination of company financial statements	461	437	75%	76%	457	459	76%	86%
of which Sfil	*149*	*137*	-	-	*139*	*134*	-	-
other audit tasks	152	135	25%	24%	144	72	24%	14%
of which Sfil	*59*	*69*	-	-	*47*	*34*	-	-
TOTAL	**613**	**572**	**100%**	**100%**	**601**	**531**	**100%**	**100%**

Services other than the certification of financial statements mainly comprise the issuance of comfort letters for the updating of EMTN issue programs or for syndicated public issues, as well as reports on asset allocations associated with SFIL Group's thematic issues. Services other than the certification of financial statements also include the audit of Caffil's financial statements prepared on a voluntary basis in accordance with IFRS EU.

4.3 Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2023

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. 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.,

Sfil S.A.
112-114 avenue Emile Zola
75015 Paris, France

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, 2023.

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, 2023 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards a 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 the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors for the period from 1 January, 2023 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.821-53 and R.821-180 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 the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. 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

Description of risk	Our response
In connection with its activities, the Sfil group is mainly exposed to credit risk resulting from customers' inability to meet their financial commitments. As of December 31, 2022, loans and advances to customers at amortized cost amounted to €51,4 billion (note 2.4 to the financial statements) and financing commitments granted to customers (off-balance sheet) amounted to €6,7 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 €32 million or impaired outstandings (stage 3) for €5 million (note 2.4). Provisions on liability side which are intended to cover expected losses on commitments amount to €5 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. Impairment 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 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. 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). Given the importance of judgment in the determination of depreciation / provisions, we have considered the estimate of expected credit loss as of December 31, 2023 constitutes 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.	Given the high 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 uncertain economic context. **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; • 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 nonperforming 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 also assessed the appropriateness of the disclosures provided in the notes to the financial statements in the context of both the continuance of 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

Description of risk	Our response

In connection with its activities, the Sfil group holds derivatives recognized at fair value through profit or loss as well as loans recognized at fair value through profit or loss in accordance with the classification criteria of IFRS 9 "Financial Instruments".
 	
The Sfil Group uses, to calculate the fair value level 2 or 3 of these instruments, techniques or in-house valuation models based on parameters and data, some of which are not observable in the market, as indicated in "Methods used to determine the fair value of financial instruments," Note 7.1.3 to the consolidated financial statements. The models and parameters used to value these instruments are based on estimates.
 	
The models and data used to value these instruments, and their classification under the fair value hierarchy, are based on management's judgment and estimates.
 	
We consider the valuation of financial instruments classified in fair value level 2 and 3 to be a key audit matter due to:
• the complexity related to determining valuation models,
• the sensitivity of these models to assumptions adopted by the Credit Risk
• Department, and the uncertainty inherent in the exercise of judgements used to estimate the level 3 parameters.
 	
As of December 31, 2023, the financial instruments recognized at fair value through profit or loss (including hedging derivatives) represent respectively €4,440 million in the assets (including €2,233 million in loans recognized at fair value through profit or loss) and €4,749 million in the liabilities, of Sfil's balance sheet. Note 7.1.3 to the consolidated financial statements provides detailed information on the measurement and classification in Stage 2 and 3 of fair value of such financial instruments.
	With the support of experts in the valuation of financial instruments included in the audit team, we designed an approach including the following main stages:
	
	Derivatives measured at fair value
	• we developed an independent expectation of the valuation for the entire population of vanilla swaps.
	• we tested and evaluated the entity's process for developing the fair value of structured derivatives:
	  • assessment of the governance set up by the Risk Department for the control of the valuation models;
	  • assessment of the model validation policy and testing of its implementation;
	  • 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 of December 31, 2023
	• we developed an independent expectation of the valuation on a sample of "non SPPI" loans.
	
	Assets classified at fair value through profit and 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, 2023;
	  • we developed an independent expectation of the valuation on a sample of "non SPPI" loans.
	
	We have also assessed criteria 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 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 intended to be 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 intended to be 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 intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

Due to the technical limitations inherent in the macro-tagging of consolidated accounts according to the format single European electronic information system, it is possible that the content of certain tags of the accompanying notes is not reproduced in an identical manner to the consolidated accounts attached to this report.

We have no responsibility to verify that the consolidated financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Sfil S.A. by the annual general meeting held on September 30, 2020 for KPMG S.A. and PricewaterhouseCoopers Audit.

As at December 31, 2023, KPMG S.A. and PricewaterhouseCoopers Audit were in the 4th 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 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 consolidated financial statements were approved by the Board of Directors.

Statutory Auditors Responsibilities for the Audit of the Consolidated Financial Statements

Objective 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.821-55 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.
- asesses 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 to the Financial statements Committee a report 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.821-27 to L.821-34 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.

Neuilly sur Seine and Paris La Défense, 27 March 2024

The Statutory Auditors

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

05

French GAAP financial statements

05

French GAAP financial statements

5.1 Financial statements

5.1.1 Assets

EUR millions	Note	12/31/2022	12/31/2023
Central banks	2.1	161	1,926
Government and public securities	2.2	75	75
Loans and advances to banks	2.3	6,292	6,983
Loans and advances to customers	2.4	6,449	7,981
Bonds and other fixed income securities	2.5	732	476
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	21	21
Tangible assets	2.8	5	6
Unpaid capital		-	-
Uncalled subscribed capital		-	-
Treasury stock		-	-
Other assets	2.9	2,545	2,157
Accruals and other assets	2.10	811	789
TOTAL ASSETS	**2.11**	**17,127**	**20,450**

5.1.2 Liabilities

EUR millions	Note	12/31/2021	12/31/2023
Central banks		-	-
Due to banks	3.1	6,695	7,891
Customer borrowings and deposits		-	-
Debt securities	3.2	9,472	11,244
Other liabilities	3.3	126	99
Accruals and other liabilities	3.4	30	23
Provisions	3.5	496	852
Subordinated debt		-	-
Equity	**3.6**	**308**	**341**
Subscribed capital		130	130
Additional paid-in capital		-	-
Reserves and retained earnings		97	113
Net income		81	97
TOTAL LIABILITIES	**3.7**	**17,127**	**20,450**

5.1.3 Off-balance sheet items

EUR millions	*Note*	12/31/2021	**12/31/2023**
COMMITMENTS GRANTED	**4.1**	**14,922**	**21,521**
Financing commitments		4,239	6,766
Guarantees granted		10,678	14,748
Commitments given on securities		-	-
Other commitments granted		5	6
COMMITMENTS RECEIVED	**4.2**	**19,678**	**26,602**
Financing commitments		8,989	11,859
Guarantees received		10,689	14,744
Commitments received on securities		-	-
Forward commitments		-	-
Other commitments received		-	-
OTHER COMMITMENTS	**4.3**	**47,375**	**46,515**
Foreign currency transactions		8,853	7,035
Commitments related to securities transactions		38,522	39,480

5.1.4 Income statement

EUR millions	*Note*	2022	**2023**
Interest income	*5.1*	167	1,176
Interest expense	*5.1*	(151)	(1165)
Income from variable income securities	*5.2*	85	84
Commission income	*5.3*	5	8
Commission expense	*5.3*	(1)	(1)
Net gains (losses) on held for trading portfolio	*5.4*	0	(0)
Net gains (losses) on placement portfolio	*5.5*	(0)	0
Other income	*5.6*	102	102
Other expense	*5.6*	(0)	(0)
NET BANKING INCOME		**207**	**203**
General operating expense	*5.7*	(103)	(98)
Depreciation and amortization		(15)	(11)
GROSS OPERATING INCOME		**90**	**94**
Cost of risk	*5.8*	(6)	7
INCOME FROM OPERATIONS		**83**	**101**
Gains or losses on fixed assets		-	-
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		**83**	**101**
Non-recurring items		-	-
Income tax	*5.9*	(3)	(4)
NET INCOME		**81**	**97**
Basic earnings per share		8.68	10.46
Diluted earnings per share		8.68	10.46

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5.1.5 Equity

EUR millions	Amount
AS OF 12/31/2022	
Share capital	130
Additional paid-in capital	-
Commitments to increase share capital and and additional paid-in capital	-
Reserves and retained earnings	97
Net income for the year	81
Interim dividends	-
EQUITY AS OF 12/31/2022	**308**
MOVEMENTS FOR THE PERIOD	**-**
Changes in share capital	-
Changes in aditional paid-in capital	-
Changes in commitments to increase share capital and aditional paid-in capital	-
Changes in reserves and retained earnings	81
Dividends paid (-)	(64)
Changes in Net income for the period	17
Other movements	-
AS OF 12/31/2023	**-**
Share capital	130
Additional paid-in capital	-
Commitments to increase share capital and additional paid-in capital	-
Reserves and retained earnings	113
Net income for the period	97
EQUITY AS OF 12/31/2023	**341**

5.2 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, 2023, were prepared using the same accounting policies as those used in the financial statements as of December 31, 2022. The financial statements of December 31, 2023 were approved by the Board of Directors on February 16, 2024.

The French Accounting Standards Board College has adopted ANC regulation N°2023-03 of July 7, 2023 amending various ANC regulations in coordination with ANC regulation N°2022-06 of November 22, 2022 relating to the modernization of financial statements. The latter will apply to financial statements beginning on or after January 1, 2025. Its application should not have a material impact on Sfil.

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. 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.

Interest on loans is recognized as Interest income, *prorata temporis* for accrued amounts due and not yet due, as is interest on past-dues.

Prepayment indemnities are recognized in the income statement at the date they occur.

The undrawn portion of signed loan contracts is recognized as an off-balance sheet item.

Sound loans, non-performing loans

As long as loans are not classified as non-performing, they are classified as sound or stressed; they remain in their original position.

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). A counterparty that is overdue by more than this amount may not be downgraded to non-performing if special circumstances demonstrate that the overdue amounts are due to causes unrelated to the debtor's situation (technical overdue amounts).
- when the situation of a counterparty presents characteristics such that, independently of the existence of any outstanding payments, it can be concluded that a proven risk exists (worsening of the financial situation or alert procedures for example).

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 also on the scope of non-performing loans from an accounting perspective.

Compromised non-performing loans:

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.

Restructured loans:

Restructured loans for financial difficulties are loans for witch the entity has modified the original contractual terms (interest rate, maturity, etc.) for economic reasons linked to the borrower's financial difficulties, in a way that would not have been envisaged in other circumstances.

The definition of restructured loans for financial difficulties meets two cumulative criteria:

- contract modifications or debt refinancing (concessions);
- customers in financial difficulty (debtors experiencing, or about to experience, difficulties in meeting their financial commitments).

Restructured loans do not include loans whose terms have been commercially renegotiated with counterparties who are not insolvent or in a deteriorated financial situation.

This notion of restructuring must be assessed at contract level and not at customer level (there is no contagion). It concerns both non-performing and performing loans, at the time of restructuring.

Depending on the terms of the restructuring, the restructured receivable may be considered as "in default", resulting in its classification in doubtful debts. The return to performing loans follows the same procedure as for a return to "non-default". Information on these loans is provided in the notes to the financial statements.

Accounting treatment of credit risk

As soon as a loan is non-performing (see non-performing loans section), the probable loss must be taken into account by recording an impairment loss against the loan.

The Group records impairment losses corresponding, in present value terms, to all its expected losses on non-performing or compromised non-performing loans.

Forecast losses are equal to the difference between initial contractual cash flows, less cash already received, and forecast cash flows. The latter are determined by taking into account the counterparty's financial situation, its economic outlook, the guarantees called or likely to be called, after deduction of the costs associated with their realization, and the status of ongoing proceedings. Initial contractual cash flows, less cash already received, and forecast cash flows are discounted at the original effective rate of the corresponding outstanding for fixed-rate loans, or at the most recent effective rate determined in accordance with the contractual terms for variable-rate loans.

At the closing date, the carrying amount of a loan net of impairment must be equal to the lower of historical cost or the present value of expected cash flows from interest, repayment of principal and, where applicable, the net value of collateral.

Interest on loans downgraded to non-performing continues to be recognized after the downgrade.

Impairment is at least equal to the amount of interest recorded on non-performing loans and not collected.

Impairment corresponding to unpaid interest is recognized in NBI, while the portion corresponding to principal is recognized in cost of risk.

Litigious loans are provisioned on a case-by-case basis.

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

These debts consist of obligations foncières and other resources benefiting from the privilege defined in article L.513-11 of the French Monetary and Financial Code (Registered covered bonds). 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, previously recorded prorata temporis in net interest margin, are now recorded up-front in the income statement when they fall due.

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 years
Fixtures and fittings	10 years
IT equipment	3 years
Software developed or acquired*	3 or 5 years
Office equipment	10 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, 2023

Groupe Caisse des Dépôts
56 rue de Lille
75007 Paris

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

2.1 Central banks

	12/31/2022	12/31/2023
Mandatory reserve	-	-
Other deposits	161	1,926
TOTAL	**161**	**1,926**

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 year to 5 years	More than 5 years	Indeterminate	Total
-	-	-	51	25	-	75

2.2.3 Analysis by listed securities and other securities excluding accrued interest

	Net amount as of 12/31/2022	Gross amount as of 12/31/2023	Impairment as of 12/31/2023	Net amount as of 12/31/2023	Unrealized capital gain or loss as of 12/31/2023(2)
Listed securities(1)	75	75	-	75	0
Other securities	-	-	-	-	-
TOTAL	**75**	**75**	**-**	**75**	**0**

(1) Listed securities are registered for trading on a stock exchange.
(2) The unrealized capital gain or loss is after swapping and corresponds to the difference between accounting value and market value.

2.2.4 Analysis by type of portfolio excluding accrued interest and changes during the year

Portfolio	Net amount as of 12/31/2022	Gross amount as of 12/31/2023	Acquisitions, increase	Amortization, redemption or disposals	Others	Foreign exchange variation	Impairment as of 12/31/2023	Net amount as of 12/31/2023(1)	Unrealized capital gain or loss as of 12/31/2023(2)
Trading	-	-	-	-	-	-	-	-	-
Placement	-	-	-	-	-	-	-	-	-
Investment	75	75	0	(0)	-	-	-	75	0
TOTAL	**75**	**75**	**0**	**(0)**	**-**	**-**	**-**	**75**	**0**

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

2.3 Loans and advances to banks

2.3.1 Sight loans and advances to banks

	12/31/2022	12/31/2023
Sight accounts	12	12
Unallocated sums	-	-
TOTAL	**12**	**12**

5

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 6,830 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 45 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: 96

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 year to 5 years	More than 5 years	Indeterminate	Total
650	-	2,881	2,844	500	-	6,875

2.3.2.3 Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2022	Gross amount as of 12/31/2023	Impairment as of 12/31/2023	Net amount as of 12/31/2023
Loans of less than 1 year	3,000	2,635	-	2,635
Loans of more than 1 year	3,266	4,240	-	4,240
TOTAL	**6,266**	**6,875**	**-**	**6,875**

2.3.2.4 Breakdown by counterparty

	12/31/2022	12/31/2023
Export credits loans*	71	45
Loans to Caisse Française de Financement Local	6,195	6,830
TOTAL	**6,266**	**6,875**

* *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: 42

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
156	43	657	3,253	3,829	-	7,938

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

	12/31/2022	12/31/2023
Export credits loans*	6,413	7,938
Other sectors	-	-
TOTAL	**6,413**	**7,938**

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

2.4.4 Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2022	Gross amount as of 12/31/2023	Impairment as of 12/31/2023	Net amount as of 12/31/2023
Loans of less than 1 year	-	-	-	-
Loans of more than 1 year	6,413	7,938	-	7,938
TOTAL	**6,413**	**7,938**	**-**	**7,938**

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

	Net amount as of 12/31/2022	Gross amount as of 12/31/2023	Impairment as of 12/31/2023	Net amount as of 12/31/2023
Performing commitments	6,413	7,938	-	7,938
Non-performing loans	-	-	-	-
Compromised non-performing loans	-	-	-	-
TOTAL	**6,413**	**7,938**	**-**	**7,938**

2.5 Bonds and other fixed income securities

2.5.1 Accrued interest included in this item: 3

2.5.2 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
45	-	212	182	34	(0)	473

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

	12/31/2022	12/31/2023	Unrealized capital gain or loss as of 12/31/2022*
Credit institutions	731	473	2
TOTAL	**731**	**473**	**2**

* *The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.*

2.5.4 Analysis by listed securities and other securities excluding accrued interest

	12/31/2022	12/31/2023	Unrealized capital gain or loss as of 12/31/2023(2)
Listed securities(1)	731	473	2
Other securities	-	-	-
TOTAL	**731**	**473**	**2**

(1) Listed securities are registered for trading on a stock exchange
(2) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

2.5.5 Analysis by type of portfolio excluding accrued interest and changes during the year

Portfolio	Net amount as of 12/31/2022	Gross amount as of 12/31/2023	Increases	Decreases	Others	Impairment as of 12/31/2023	Net amount as of 12/31/2023[1]	Unrealized capital gain or loss as of 12/31/2023[2]
Trading	-	-	-	-	-	-	-	-
Placement	247	247	0	(166)	-	(0)	82	0
Investment	484	484	151	(244)	-	-	391	2
TOTAL	**731**	**731**	**151**	**(410)**	**-**	**(0)**	**473**	**2**

(1) This amount includes a discount/surplus of EUR -5 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 12/31/2022	**1**	**13**	**6**	**21**
Acquisitions	0	10	4	15
Cancellations	-	-	(0)	(0)
Transfers	-	-	(5)	(5)
Sales	-	(0)	-	(0)
Depreciations and impairments	-	-	-	-
Amortizations	(1)	(9)	-	(10)
NET CARRYING AMOUNT AS OF AU 12/31/2023	**1**	**14**	**6**	**21**

2.8 Tangible assets

	Property & equipment	Construction work in progress	Total
NET CARRYING AMOUNT AS OF AU 12/31/2022	**2**	**4**	**5**
Acquisitions	6	0	6
Cancellations	-	(0)	(0)
Transfers	-	(4)	(4)
Sales	(0)	-	(0)
Depreciations and impairments	-	-	-
Amortizations	(1)	-	(1)
NET CARRYING AMOUNT AS OF AU 12/31/2023	**6**	**0**	**6**

2.9 Other assets

	12/31/2022	12/31/2023
Cash collateral granted	2,500	2,119
Other receivables	46	38
TOTAL	**2,545**	**2,157**

2.10 Accruals and other assets

	12/31/2022	12/31/2023
Deferred losses on hedging transactions	-	-
Deffered charges on hedging transactions	306	105
Other prepaid charges	6	6
Accrued interest not yet due on hedging transactions	313	530
Other accounts receivable on hedging transactions	139	52
Other deferred income	47	96
TOTAL	**811**	**789**

2.11 Breakdown of assets by currency

	Amount in original currency as of 12/31/2022	Amount in euros as of 12/31/2022	Amount in original currency as of 12/31/2023	Amount in euros as of 12/31/2023
EUR	13,115	13,115	16,656	16,656
CHF	6	7	4	5
GBP	148	167	210	241
NOK	-	-	-	-
SEK	0	0	0	0
USD	4,098	3,838	3,926	3,547
AUD	-	-	-	-
CAD	1	1	1	1
HKD	-	-	-	-
JPY	-	-	-	-
TOTAL	**-**	**17,127**	**-**	**20,450**

Note 3 Notes to the liabilities *(EUR millions)*

3.1 Due to banks

3.1.1 Accrued interest included in this item: 82

3.1.2 Due to banks

	12/31/2022	12/31/2023
Sight accounts	-	0
Current account	-	-
Term borrowing	6,658	7,809
Unallocated sums	-	-
TOTAL	**6,658**	**7,809**

3.1.3 Analysis by residual maturity excluding accrued interest

	Less than 1 month	1 to 3 months	3 month s to 1 year	1 year to 5 years	More than 5 years	Indeterminate	12/31/2023
Sight	-	-	-	-	-	-	-
Term	154	43	679	3,199	3,735	-	7,809
TOTAL	**154**	**43**	**679**	**3,199**	**3,735**	**-**	**7,809**

3.1.4 Analysis of term borrowing by counterparty excluding accrued interest

	12/31/2022	12/31/2023
Caisse des dépôts et consignations	-	-
Caisse Française de Financement Local*	6,658	7,809
La Banque Postale	-	-
TOTAL	**6,658**	**7,809**

* *Sfil refinances its export credit business trhough its subsidiary Caisse Française de Financement Local.*

3.2 Debt securities

3.2.1 Accrued interest included in this item: 78

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 year to 5 years	More than 5 years	Indeterminate	12/31/2023
Certificates of deposit	115	513	205	-	-	-	833
EMTN	-	-	1,999	4,350	3,984	-	10,333
TOTAL	**115**	**513**	**2,204**	**4,350**	**3,984**	**-**	**11,166**
Of which net issue premiums	*-*	*-*	*(1)*	*(6)*	*(16)*	*-*	*(23)*

3.2.3 Changes during the year excluding accrued interest

	12/31/2022	Increases	Decreases	Translation adjustments	12/31/2023
Certificates of deposit	848	833	(848)	-	833
EMTN	8,597	2,962	(1,193)	(33)	10,333
TOTAL	**9,444**	**3,795**	**(2,040)**	**(33)**	**11,166**

3.3 Other liabilities

	12/31/2022	12/31/2023
Cash collateral received	83	71
Taxes	2	2
Other payables	41	27
TOTAL	**126**	**99**

3.4 Accruals and other liabilities

	12/31/2022	12/31/2023
Deferred income on hedging transactions	127	121
Accrued interest not yet due on hedging transactions	311	669
Other accounts payable on hedging transactions	-	-
Other accrued charges	58	61
TOTAL	**496**	**852**

3.5 Provisions

	12/31/2022	Increases	Decreases	Foreign exchange variation	12/31/2023
Provisions on pensions on credit and engagement*	23	-	(7)	-	16
Provisions on financial instruments	0	-	-	-	0
Provisions on pensions	7	1	(1)	-	7
TOTAL	**30**	**1**	**(8)**	**-**	**23**

* *As a reminder, in the context of the Covid-19 health crisis and its consequences for the cruise sector, Sfil had decided in 2020 to place all export credit exposures in the cruise sector on watchlist, which led to an increase in collective provisions. At the end of 2022, the stock of provisions associated with this segment stood at EUR 23 million. In 2023, Sfil has decided to reduce this provision by EUR 7 million in view of the decline in the underlying risk. Consequently, at December 31, 2023, the provision for contingencies and charges amounted to EUR 16 million.*

3.6 Equity

	12/31/2022	12/31/2023
Share capital	130	130
Legal reserve	9	13
Retained earnings (+/-)	88	100
Net income (+/-)	81	97
TOTAL	**308**	**341**

SFIL's share capital totaled EUR 130 million, comprising 9,285,725 shares with a face value of EUR 14.

The Ordinary General Meeting of May 24, 2023 resolved to allocate the entire net income for 2022 (EUR 81 million) to legal and general reserves. The Extraordinary General Meeting of December 15, 2023 decided to distribute reserves of EUR 6.92 per share, or EUR 64 million. After this distribution, legal and general reserves amounted to EUR 113 million.

At the Annual General Meeting on May 30, 2024, it will be proposed to distribute as a dividend a portion of the profit for the 2023 financial year corresponding to 75% of IFRS consolidated net income, i.e. EUR 42 million or EUR 4.56 per share. The balance of EUR 55 million will be allocated to retained earnings.

3.7 Breakdown of liabilities by currency

	Amount in original currency as of 12/31/2022	Amount in euros as of 12/31/2022	Amount in original currency as of 12/31/2023	Amount in euros as of 12/31/2023
EUR	13,115	13,115	16,656	16,656
CHF	6	7	4	5
GBP	148	167	210	241
NOK	-	-	-	-
SEK	0	0	0	0
USD	4,098	3,838	3,926	3,547
AUD	-	-	-	-
CAD	1	1	1	1
HKD	-	-	-	-
JPY	-	-	-	-
TOTAL	**-**	**17,127**	**-**	**20,450**

3.8 Transactions with related parties

	Consolidated entity Caffil[1]		Parent Company[2]		Other related parties[3]	
Analysis by nature	12/31/2022	12/31/2023	12/31/2022	12/31/2023	12/31/2022	12/31/2023
ASSETS						
Loans and advances to banks	6,210	6,926	-	-	-	-
Bonds and other fixed income securities	-	-	66	66	65	-
Investments in consolidated companies	35	35	-	-	-	-
Other assets	24	17	-	-	2	2
Accruals and other assets	248	316	1	1	0	0
LIABILITIES						
Due to banks	6,695	7,891	-	-	-	-
Debt securities	-	-	-	-	18	12
Other liabilities	102	86	-	-	0	0
Accruals and other liabilities	137	213	-	-	-	-
INCOME STATEMENT						
Interest income	18	248	0	-	0	0
Interest expense	(67)	(311)	(2)	(2)	(0)	(0)
Commission income	-	-	-	-	5	4
Commission expense	-	(0)	-	-	(0)	(0)
Net gains (losses) on held for trading portfolio	54	175	-	-	-	-
Net gains (losses) on placement portfolio	-	-	-	(0)	(0)	0
Other banking income	102	102	-	-	0	0
Other banking expense	-	-	-	-	-	-
General operating expenses	-	-	-	-	-	-
OFF-BALANCE SHEET						
Interest rate derivatives	15,181	14,824	-	-	-	-
Foreign exchange derivatives	2,459	2,214	-	-	-	-
Financing commitments received	3,989	6,859	4,000	4,000	1,000	1,000
Financing commitments given	250	50	-	-	-	-

(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, subsdiaries of Caisse des Dépôts et Consignations.

Note 4 Notes to the off-balance sheet items *(EUR millions)*

4.1 Commitments granted

	12/31/2022	12/31/2023
Financing commitments granted to credit institutions(1)	250	50
Financing commitments granted to customers(2)	3,989	6,716
Other guarantees given to banks(3)	10,678	14,748
Other commitments given, assets assigned in guarantee(4)	5	6
TOTAL	**14,922**	**21,521**

(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. These commitments are collateralized by interest-bearing cash deposits of the same amount. The European ruling rejecting a bank's appeal against the Conseil de Résolution Unique (CRU) for restitution of the commitments of a subsidiary whose banking license had been withdrawn, did not result in any change in the accounting treatment of these commitments for Sfil.

4.2 Commitments received

	12/31/2022	12/31/2023
Financing commitments received from credit institutions(1)	8,989	11,859
Guarantees received from banks(2)	10,689	14,744
Other commitments received	-	-
TOTAL	**19,678**	**26,602**

(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 insurance issued by BPI AE on behalf of the French Republic and received by Sfil to finance major export credits.

4.3 Foreign currency transactions and commitments on interest rate derivatives

Spot and forward foreign exchange transactions are stated at their foreign currency value, translated at the year-end exchange rate. Currencies t" and "Currencies payable" comprise long foreign-currency swaps with inter-currency cash flows corresponding to hedging transactions.

"Currencies to receive" and "Currencies to deliver" comprise long currency swaps with inter-currency cash flows corresponding to hedging transactions.

4.3.1 Foreign currency transactions

	12/31/2022	12/31/2023	Fair value as of 12/31/2023
Currencies to receive	4,566	3,569	18
Currencies to deliver	4,426	3,517	(91)
TOTAL	**8,992**	**7,087**	**(74)**

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 year to 5 years	More than 5 years	Indeterminate	Amount as of 12/31/2023
Unconditional transactions	242	427	4,284	13,107	21,420	-	39,480
of which deferred start	-	-	-	-	*129*	-	*129*

4.3.2.2 Analysis of interest rate transactions by product type

	12/31/2022	12/31/2023
Interest rate swaps	38,522	39,480
Term contracts	-	-
Interest rate options	-	-
TOTAL	**38,522**	**39,480**

4.3.2.3 Analysis of interest rate transactions by counterparty

	12/31/2022	12/31/2023
Caisse Française de Financement Local	15,181	14,824
Other related parties	-	-
Other counterparties	23,341	24,656
TOTAL	**38,522**	**39,480**

4.3.3 Analysis of interest rate and foreign currency transactions by type of transaction

Type of transaction	12/31/2022	Micro-hedge	Isolated open position	12/31/2023	Fair value as of 12/31/2023
Foreign currency transactions – to receive	3,447	1,834	670	2,504	18
Foreign currency transactions – to deliver	3,307	1,974	478	2,452	(91)
Interest rate swaps	38,522	24,656	14,824	39,480	(490)
TOTAL	**45,277**	**28,463**	**15,973**	**44,436**	**(564)**

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

5.1 Interets and related income/expense

	2022	2023
INTEREST AND RELATED INCOME	**167**	**1,176**
Loans and advances to banks*	34	367
Loans and advances to customers*	125	778
Bonds and other fixed income securities	7	27
Macro-hedge transactions	2	4
Other commitments	-	-
INTEREST AND RELATED EXPENSE	**(151)**	**(1,165)**
Due to banks	(99)	(339)
Due to clients*	(23)	(434)
Bonds and other fixed income securities	(27)	(387)
Macro-hedge transactions	(2)	(5)
Other commitments	-	-
INTEREST MARGIN	**16**	**11**

* *Insurance premiums on export credit contracts, due by Sfil and rebilled to borrowers, previously recorded prorata temporis in net interest margin, are now recorded up-front in the income statement when due or billed.*
This restatement was applied in 2023 to current contracts, for which the amounts remaining to be amortized on the balance sheet were fully reversed through the income statement. The impact of this reversal is EUR +396 million on interest income, and EUR -396 million on interest expense, with no impact on net interest margin.

5.2 Income from variable income securities

This item includes the dividend paid by Caffil to SFIL.

5.3 Commisions received and paid

	2022	2023
COMMISSIONS (INCOME)	**5**	**8**
Commissions on securities	-	-
Commissions on forward financial instruments	-	4
Commisisons on financial services	5	4
Others commissions	-	0
COMMISSIONS (EXPENSES)	**(1)**	**(1)**
Commissions on securities	(0)	(0)
Commisisons on forward financial instruments	-	-
Commissions on financial services	(1)	(1)
Other commissions	(0)	(0)
TOTAL	**4**	**7**

5.4 Net gains or losses on trading portfolio

	2022	2023
Provision on financial instruments	0	0
Foreign exchange income	0	(0)
TOTAL	**0**	**(0)**

5.5 Gains or losses on portfolio transactions

	2022	2023
Losses on placement portfolio	(0)	(0)
Gains on placement portfolio	-	0
TOTAL	**(0)**	**0**

5.6 Other income and expense

	2022	2023
Other income	0	0
Rebilled expense*	102	102
Other expense	(0)	(0)
TOTAL	**102**	**102**

* *This item includes expenses billed to Caisse Française de Financement Local.*

5.7 General operating expenses

	2022	2023
Payroll expense	(33)	(36)
Social security taxes	(18)	(20)
Taxes	(9)	(7)
Other general operating expense	(42)	(35)
TOTAL	**(103)**	**(98)**

Depreciation and amortisation of property, plant and equipment and intangible assets	2022	2023
Depreciation and amortisation of property, plant and equipment	(3)	(1)
Depreciation and amortisation of intangible assets	(12)	(10)
Losses on disposals of property, plant and equipment	-	(0)
TOTAL	**(15)**	**(11)**

5.8 Cost of risk

	2022	2023
Collective and specific impairments*	(6)	7
TOTAL	**(6)**	**7**

* *As a reminder, in the context of the Covid-19 health crisis, Sfil decided in 2020 to place all export credit exposures in the cruise sector on watchlist, resulting in an increase in collective provisions of EUR 15 million. This approach was maintained throughout 2021, and the provision associated with the cruise sector stood at EUR 16 million at December 31, 2021. In 2022, in view of the continuing Covid-19 crisis, Sfil has decided to increase collective provisions for some of its customers by EUR 6 million (see note 8).*

5.9 Income tax

	2022	2023
Current income tax	(3)	(4)
TOTAL	**(3)**	**(4)**

* *The tax rate applicable in France for the years ending December 31, 2021 was 28.41%, reduced to 25.83% for the years ending 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	2022	2023
Executive Committee	2	3
Board of Directors	0	0
TOTAL	**3**	**3**

Amount, at year end, of the debt liabilities in their favor and of other obligations undertaken on their behalf	2022	2023
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 (2020)	Profit or loss of last year (2020)	Percentage of capital held	Carrying amount of shares held*	Dividends received by Sfil during the year	Loans and advances granted by Sfil	Total guarantees granted by Sfil	Business
Caisse Française de Financement Local 112-114 avenue Émile Zola – 75015 Paris	1,350	67	183	66	100%	35	84	6,830	-	*Société de crédit foncier*

* *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 Impact of the war in Ukraine on the Company's financial statements *(in EUR millions)*

The foreseeable impacts of the war in Ukraine are very limited for the SFIL Group. As a reminder, the SFIL Group has no operations outside France. Furthermore, the Group has no exposure to Russia or Belarus, and only one exposure to Ukraine, which represented an outstanding amount of EUR 46 million at December 31, 2023 (almost fully drawn down). This exposure was granted as part of SFIL's export credit business and is 100% guaranteed by the French Republic. SFIL is therefore not directly exposed to credit risk on this file. SFIL has nevertheless decided to place this asset on watchlist as of February 24, 2022 and to classify it in stage 2. The Expected Credit Losses (ECL) associated with this downgrade are very limited and represent around EUR 0.2 million at December 31, 2023.

The consequences of the war in Ukraine on the forward-looking macro-economic scenarios used to calculate expected credit losses associated with local authorities in France have also been taken into account, without any significant impact on the level of impairment.

Note 9 Post-closing events

No significant event that influences the Company's financial situation has occurred since the December 31, 2023 closing date.

5.3 Statutory Auditors' report on the financial statements

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. 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.,

Sfil S.A.
112-114 avenue Emile Zola
75015 Paris, France

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, 2023.

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, 2023 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 the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors for the period from 1 January, 2023 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.821-53 and R.821-180 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 the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Risk of estimating collective provisions on customer loan portfolios

Description of risk	Our response
As part of its activities, Sfil S.A. is exposed to credit risk in connection with its credit transactions, in particular with its refinancing of credit export. At December 31, 2023, loans and advances to customers amounted to €7,9 billion and financing commitments granted to customers (off-balance sheet) amounted to €6,8 billion. In relation to credit risk, Sfil S.A. 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 €15,8 million as at December 31, 2023. Given the significant judgement required in determining these collective provisions, we considered that their assessment at 31 December 2023 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, 3.5 and 5.8 respectively to the financial statements of Sfil S.A..	Given the high 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; • estimating the main assumptions involved in the recovery scenarios; • performing a counter-calculation of the collective provisions per counterparty type, in collaboration with our data experts; • carrying 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”, 3.5 “Provisions’, 4.1 “Commitments granted”, 5.8 “Cost of risk” and 5.8 “Impacts of the war in Ukraine on the Company's financial statements” to the financial statements of Sfil S.A..

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to Shareholders, with the exception of the matter described below.

We have the following matter to report regarding the fair presentation and consistency with the financial statements of the information relating to payment deadlines referred to in Article D. 441-6 of the French Commercial Code (Code de commerce): as stated in the management report, this information does not include bank and other related operations as your Company considers that such operations fall outside the scope of disclosable information.

Report on corporate governance

We attest that the Board of Directors report on corporate governance sets out the information required by articles L.225-37-4 and L.22-10-10 of the French Commercial Code.

Report on Other Legal and Regulatory Requirements

Format of presentation of the financial statements intended to be included in the Annual Financial Report

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be 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 No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Sfil S.A. by the annual general meeting held on September 30, 2020 for KPMG S.A. and PricewaterhouseCoopers Audit.

As at December 31, 2023, KPMG S.A. and PricewaterhouseCoopers Audit were in the 4th 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

Objective 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.821-55 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 to the Financial statements Committee a report 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.821-27 to L.821-34 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.

Neuilly sur Seine and Paris La Défense, 27 March 2024

The Statutory Auditors

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

06

General information

General information

06

6.1 Legal and administrative information

Corporate name

Sfil

Registered office

112-114, avenue Émile Zola 75015 Paris, 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.

Purpose

As stipulated in 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: PARIS 428 782 585.

Its APE code is: 6492Z.

Its LEI is: 549300HFEHJOXGE4ZE63.

Availability of legal information concerning the Company

Legal documents, including the internal rules of the Board of Directors concerning Sfil may be consulted at the Company's registered office located at: 112-114, avenue Émile Zola, 75015 Paris, France.

Financial year

The Company's financial year begins on January 1 and ends on December 31, according to the provisions of article 32 of the by-laws.

Exceptional events and lawsuits

Reference is made to the text in section 2.7.3 of the management report of this annual financial report relating to risk management, and more specifically the sub-section dealing with legal and tax risk.

Statutory distribution of profits

According to the provisions of 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

Notice of meeting

As stipulated in 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 stipulates that 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 specifies that the voting rights attached to the shares are proportional to the percentage of capital the shares 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.

6.2 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.

Paris, March 27, 2024

Philippe Mills

Chief Executive Officer

Photo credits: Eric Deniset

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