Caffil

Caisse Française de Financement Local

Annual financial report **2023**

Contents

Annual financial report 2023

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 version of the Annual Report which has been prepared in XHTML format and is available on the website: www.caffil.fr.

This document is a translation into English of the annual financial report issued in French and is available on the website www.caffil.fr

Caffil

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 the environmental transition

Long-term financing of French local authorities and public hospitals

Long-term financing of French large export contracts

Caffil

A market leader in covered bonds

First European covered bond issuer financing the public sector

A recognized issuer with an excellent signature

A subsidiary of the French public development bank, Sfil

A fully public shareholding, within the Caisse des Dépôts Group

A very low risk profile

High visibility in terms of business volume, funding conditions and results

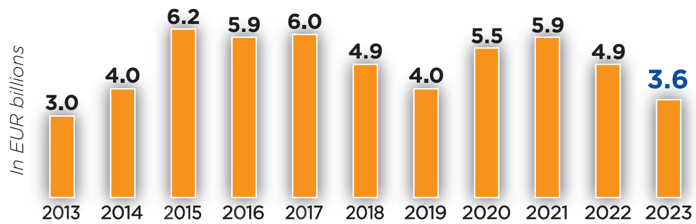
First European covered bond issuer financing the public sector

High-quality bonds

- Solid and very protective legal framework for *sociétés de crédit foncier*
- Eligibility for European Central Bank (ECB) refinancing operations
- "European Covered bond (Premium)" label recipient
- Preferential prudential treatment under Capital Requirements Regulation
- Member of the Covered bond label created by the ECBC

An exceptional funding capacity

Bonds issues since 2013



EUR 53.2 billion

Outstanding covered bonds as of December 31, 2023

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

With an excellent signature

High ratings reflecting the strong ties with the French State

	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

An excellent extra-financial rating

For Caffil:

Corporate ESG Performance Prime C+
RATED BY ISS ESG

A regular and trustworthy issuer of green and social issues

One purpose: to support the environmental transition and the social cohesion of French territories

New sustainable issues program

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

Health social issues program

To finance investments by public hospitals

Our achievements

2023 :
1 green issue
EUR 0.8 billion

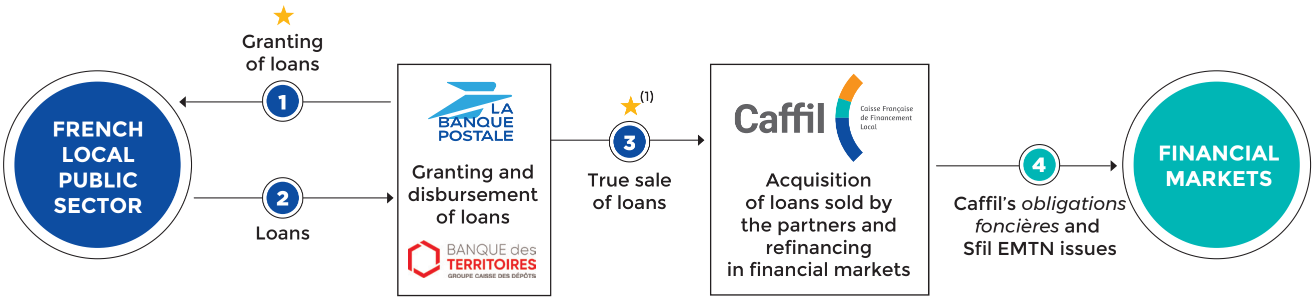
and
1 social issue
EUR 0.5 billion

EUR 6 billion
in thematic bonds
issued since 2019

Leader in its two main markets

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

The Sfil Group refinances medium- and long-term loans originated by its partners La Banque Postale and Banque des Territoires to local authorities and public hospitals. These loans are refinanced by bond issues dedicated to 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 recovery plan and the Green Fund

A green loan offering, broken down into five categories for local authorities:

A **social loan offering**, 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 life
- Territories development and cohesion

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 clients

Local authorities

11,394
borrowers

EUR 38.7 billion
outstanding

EUR 0.8 billion
green loans acquired in 2023

EUR 0.2 billion
social loans to local authorities acquired in 2023

Public hospitals & medico-social sector

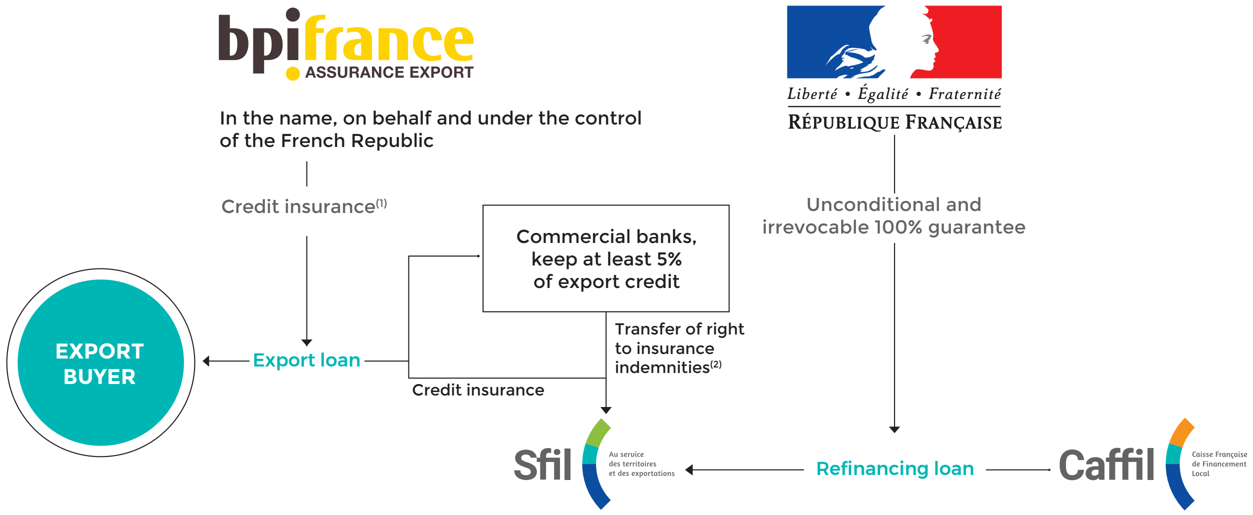
735
borrowers

EUR 6.1 billion
outstanding

EUR 0.4 billion
loans to hospitals acquired in 2023

First liquidity provider for the export credit market

The Sfil Group refinances large export contracts, with the objective to improve the competitiveness of financing associated with French exports. These large export credits are refinanced by bond issues dedicated to institutional investors.



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

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 61.2 billion
Cover pool

EUR 53.2 billion
Covered bonds outstanding

113.8%
Over-collateralization ratio

Activity 2023

EUR 3.4 billion
Loans to the French public sector acquired

EUR 5.0 billion
Export credits refinanced

EUR 3.6 billion
Covered bonds issued

Asset quality

0.19%
Doubtful and litigious loans
(% cover pool)

64.6%
Assets eligible for Banque de France refinancing
(% cover pool)

Liquidity ratio

100%
LCR Ratio

112.5%
NSFR Ratio

01

General scope of business activity

General business environment

01

1.1 Nature and legal framework of the Company

1.1.1 Nature of the Company

Caisse Française de Financement Local (hereinafter referred to as Caffil), created on December 29, 1998 for a period of 99 years, is a credit institution whose business is the refinancing of loans to French public sector entities through the issuance of covered bonds, called *obligations foncières*.

This specialized credit institution was authorized to operate as a *société de crédit foncier* by the *Comité des Établissements de Crédit et des Entreprises d'Investissement* (now part of the French Autorité de contrôle prudentiel et de résolution – ACPR) at its meeting of July 23, 1999. This approval became definitive on October 1, 1999. On January 31, 2013, the Company took the name Caisse Française de Financement Local, replacing Dexia Municipal Agency, upon the sale of its sole shareholder, Sfil (formerly Société de Financement Local), to the French State, Caisse des Dépôts Group and La Banque Postale.

As a credit institution, Caffil is subject to all legal and regulatory provisions that apply to credit institutions. It conducts banking transactions in its ordinary course of business.

Caffil is a French limited liability company (*société anonyme*) with an Executive Board and a Supervisory Board whose registered office is located at 112-114, avenue Émile Zola - 75105 Paris [(1)].

1.1.2 Applicable legal framework

As a *société de crédit foncier*, Caffil engages in specialized transactions that have an exclusive purpose, as defined in articles L.513-2 *et seq*. of the French Monetary and Financial Code. In the case of Caffil, this specialization is exclusively limited to transactions with public sector entities or entities they fully guarantee as specified in its October 1, 1999 authorization and its own by-laws:

Sociétés de crédit foncier issue covered bonds, known as "*obligations foncières*" and may contract other covered bonds, that are or are not tradeable on regulated markets. These instruments are characterized by the legal privilege, which, as a priority, allocates the sums from the Company's assets (cover pool) to pay their interest and reimbursements. *Sociétés de crédit foncier* may also issue or contract non-covered debt.

The bonds that Caffil issues have the "European Covered Bond (Premium)" label.

The legal and regulatory framework applicable to Caffil is set out below.

French legal and regulatory framework

Sociétés de crédit foncier are governed by the contents of articles L.513-2 to L.513-27 and R.513-1-A to R.513-18 of the French Monetary and Financial Code. These articles of the law are complemented by the following regulatory texts:

- Regulation No. 99-10 of the *Comité de la Réglementation Bancaire et Financière* of July 9, 1999, as amended, relating to *sociétés de crédit foncier* and *sociétés de financement de l'habitat*;
- ACPR instructions 2022-I-03, 2022-I-04 and 2022-I-05.

In addition to the laws and regulations described below, Caffil is subject to the same reporting and liquidity ratio obligations *vis-à-vis* the regulator as credit institutions. Monitoring of solvency (solvency ratios, major risks and leverage) is carried out on a consolidated basis at the level of the parent company, Sfil.

(1) *The Ordinary and Extraordinary General Meeting of May 24, 2023 approved the change of the registered office of Caffil from 1-3, rue du Passeur de Boulogne in Issy-les-Moulineaux (92130) to 112-114, avenue Émile Zola in Paris (75015) from June 2, 2023.*

The table below describes the main provisions of the French legal and regulatory framework, including the European provisions on covered bonds, for *sociétés de crédit foncier* as well as its application to Caffil.

Main provisions of the French legal and regulatory framework	Application to Caffil
Legal framework for the operation of *sociétés de crédit foncier*:	

• article L.513-2 which describes in particular:
  • their exclusive purpose which is to finance guaranteed home loans, loans to the public sector and exposure on credit institutions, refinanced by *obligations foncières* and other resources which may or may not benefit from the legal privilege;
  • the possibility of obtaining financing by pledging certain assets;
  • the impossibility of owning subsidiaries or affiliates.
	• assets solely made up of exposure to the public sector and exposure to credit institutions;
	• large volume of available assets eligible for European Central Bank refinancing operations, which provide additional access to financing that can be mobilized very quickly in the event of liquidity need;
	• no equity interest held.

Definition of assets eligible to *sociétés de crédit foncier*:	
• article L.513-3 (home loans); • article L.513-4 (exposures on public sector entities); • article L.513-5 (securitization shares); • article L.513-6 (exposures to credit institutions).	• Caffil's major assets: exposure on public sector entities (article L.513-4), in other words, loans and/or bond issues representing a commitment on, or totally guaranteed by, these public entities; • Caffil's other assets: exposures on credit institutions (article L.513-6) with a credit quality step 1 (triple A or double A level) or step 2 (single A level) rating or, when their remaining maturity does not exceed 100 days, a credit quality step 3 rating. The amount of these exposures is limited, depending on their rating scale, in relation to the total covered bonds issued by Caffil. This asset category is used for Caffil's cash investments.
Legal privilege:	

• article L.513-2: possibility for *sociétés de crédit foncier* to issue debts which may or may not benefit from the privilege;
• article L.513-10: possibility of hedging the risks associated with the assets and liabilities that benefit from the privilege through derivative contracts. In that case, the derivative contract also benefits from the privilege;
• article L.513-11:
  • when a *société de crédit foncier* is subject to a safeguard, bankruptcy, resolution, liquidation, or conciliation procedure, the cash flows generated by the eligible assets after financial instrument hedges, if applicable, are allocated as a priority to service the *obligations foncières* and other resources benefiting from the privilege, also after any financial instrument hedges, if applicable,
  • the liquidation of a *société de crédit foncier* does not accelerate the reimbursement of *obligations foncières* and other debts benefiting from the privilege, which continue to be paid on their contractual due dates with priority over all other commitments;
• article L.513-20: the bankruptcy, safeguard or liquidation of the shareholder of a *société de crédit foncier* cannot be extended to the *société de crédit foncier*;
• article L.513-15: the *société de crédit foncier* entrusts the management of its transactions to another credit institution to which it is bound by an agreement* which itself benefits from the legal privilege defined in article L.513-11;
• article L.613-55-1.I, transposing the BRRD directive: the *obligations foncières* cannot be used to absorb losses in the event of the resolution of the *société de crédit foncier* (bail-in).
	• Caffil contracts that benefit from the legal privilege are:
	  • *obligations foncières*;
	  • registered covered bonds;
	  • derivative contracts that hedge the risks associated with the privileged assets and liabilities;
	  • the management agreement signed with Sfil in accordance with article L.513-15.

Other provisions:	
• articles L.513-12 and R.513-8: the over-collateralization ratio (ratio between the assets covering the privileged debts and the debts benefiting from the privilege) must at all times be greater than 105%.	• Caffil shall at all times maintain an over-collateralization ratio greater than 105%. In practice, for several years, it has been set at a much higher level, in order to comply with the minimum requirements required by external rating agencies to ensure Caffil's current financial rating levels (see section 1.6 "Financial and extra-financial ratings" of the management report).

* *To maintain the privilege which benefits investors in obligations foncières and other covered resources, the société de crédit foncier must not have employees (who would benefit under French law from a first ranking privilege). This management agreement itself benefits from the privilege of article L.513-11, pari passu with holders of privileged debt.*

The other articles of the French Monetary and Financial Code define management and control procedures for *sociétés de crédit foncier*. They can be accessed on the Company's website (http://www.caffil.fr) or on the official Legifrance website (http://www.legifrance.gouv.fr/).

European framework

At the European level, covered bonds are defined and governed by:

- Directive (EU) 2019-2162 of November 27, 2019, known as the Covered Bonds Directive, which aims to harmonize the European models of covered bonds and to regulate issues; it specifies the assets that may be incorporated into the portfolio financed by the covered bonds, the privilege that protects investors, as well as the required levels of over-collateralization, public oversight and transparency in terms of communication. This directive has been transposed into French law and has been applicable since July 8, 2022;
- Article 129 of the Capital Requirements Regulation (CRR), combined with the Capital Requirements Directive (CRD) on regulatory capital requirements; a new version of this article entered into force on July 8, 2022, at the same time as the Covered Bonds Directive.

Covered bonds issued after July 8, 2022 that comply with the Covered Bonds Directive may be awarded the "European covered bond" label. If, in addition, they also comply with article 129 of the CRR, then they can also apply for the "European covered bond (Premium)" label.

Covered bonds issued before July 8, 2022, if they comply with article 52-4 of the UCITS (Undertakings for Collective Investment in Transferable Securities) Directive on the legislative, regulatory and administrative provisions concerning certain undertakings for collective investment securities, may continue to be classified as covered bonds. Investors holding these bonds can continue to enjoy the same financial and regulatory benefits as the labeled issues.

All of Caffil's issues comply with the requirements of the new Covered Bonds Directive, article 129 of the CRR and article 52-4 of the UCITS directive. In this respect, *obligations foncières* issued after July 8, 2022, which are labeled "European Covered Bond (Premium)" and *obligations foncières* issued before that date, all benefit from the best possible financial and regulatory/prudential treatment, and in particular from a preferential weighting of 10% for bank solvency calculations according to the standard method (given their current rating).

Current and future *obligations foncières* issued by Caffil comply with the eligibility criteria for refinancing by the European Central Bank.

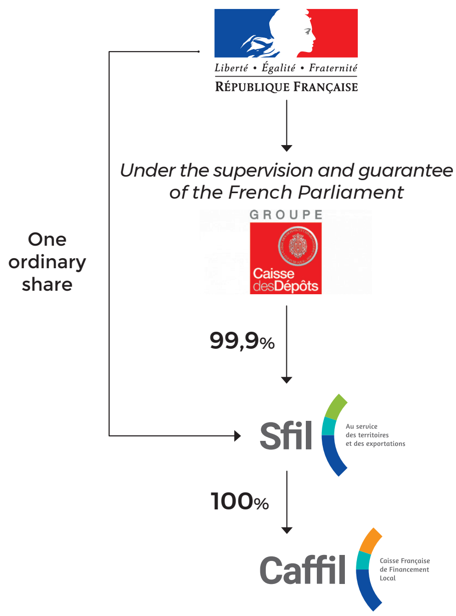
Furthermore, all the *obligations foncières* issued on the basis of the Caffil cover pool benefit from the Covered Bond Label. The European Covered Bond Council (ECBC) created the label in 2012 to improve the quality of the financial information and the transparency of the European covered bonds market. To meet Label requirements, Caffil committed to comply with the above-mentioned directives and to ensure a high level of transparency in its communication to investors. All detailed information on Caffil's issued covered bonds and cover pool is accessible *via* the Covered Bond Label website[1]. A harmonized standard quarterly reporting template (Harmonized Transparency Template - HTT) used by all beneficiaries of the label is presented.

1.2 Shareholding

As of December 31, 2023, Sfil wholly owned Caffil's share capital.

Sfil is a credit institution approved by the ACPR. Since September 30, 2020, its shareholder, Caisse des Dépôts, holds 99.99% of its shares. The French State retained one ordinary share. Sfil's shareholders thus remain firmly anchored in the public sphere, reflecting the missions the French State assigned it. Caisse des Dépôts is the reference shareholder of Sfil.

Sfil is also the institution managing Caffil, in accordance with article L.513-15 of the French Monetary and Financial Code.



(1) https://www.coveredbondlabel.com/issuer/47/.

1.3 Business model

Caffil and its parent company Sfil are key components of the financing scheme set up for French local authorities and public hospitals by the French State in 2013. This system is based on a commercial activity developed by La Banque Postale for which Caffil is responsible for refinancing. As part of its integration into the Caisse des Dépôts Group, Caffil also refinances long-term loans to local authorities distributed by Caisse des Dépôts, *via* Banque des Territoires, since the end of 2022.

Since 2015, the French State has entrusted Sfil and Caffil with a second mission, which is to refinance large export credits with the guarantee of the State.

The objective is to enable large export credits as well as French local authorities and public hospitals to benefit from optimal financing conditions through a high rating and irreproachable risk management.

1.3.1 Local public sector lending

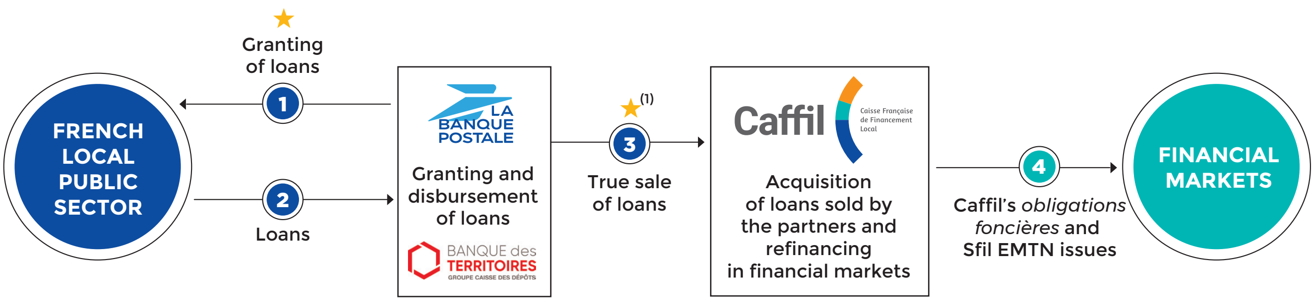
The Sfil Group, fully integrated into the Caisse des Dépôts Group, is at the heart of a system whose objective is to provide French local authorities and public hospitals with sustainable and efficient access to long-term bank financing.

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

- the partners originate loans and then sell them to Caffil;
- the loan offer is intended for all local authorities throughout France, from the smallest municipalities to the largest inter-municipal, departmental or regional structures, as well as to public hospitals;
- 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;
- Caffil acquires loans by using a transfer form (bordereau de cession) that is provided by law and specific to *sociétés de crédit foncier*;
- Caffil finances acquired loans by issuing *obligations foncières* (covered bonds). 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 1.3.3 "Financing *via* the issuance of *obligations foncières*").

These partnerships enable Caffil to maintain control of its credit risk:

- before origination, the two entities involved carry out an initial analysis of the counterparty. Loans that do not meet the credit and eligibility criteria set by Caffil 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. Caffil may then refuse any loan that no longer meets its criteria, 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 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 loans originated by Banque des Territoires:

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

1.3.2 Refinancing of large export credits

The French State entrusted Sfil and Caffil with a second mission: 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 Sfil 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).

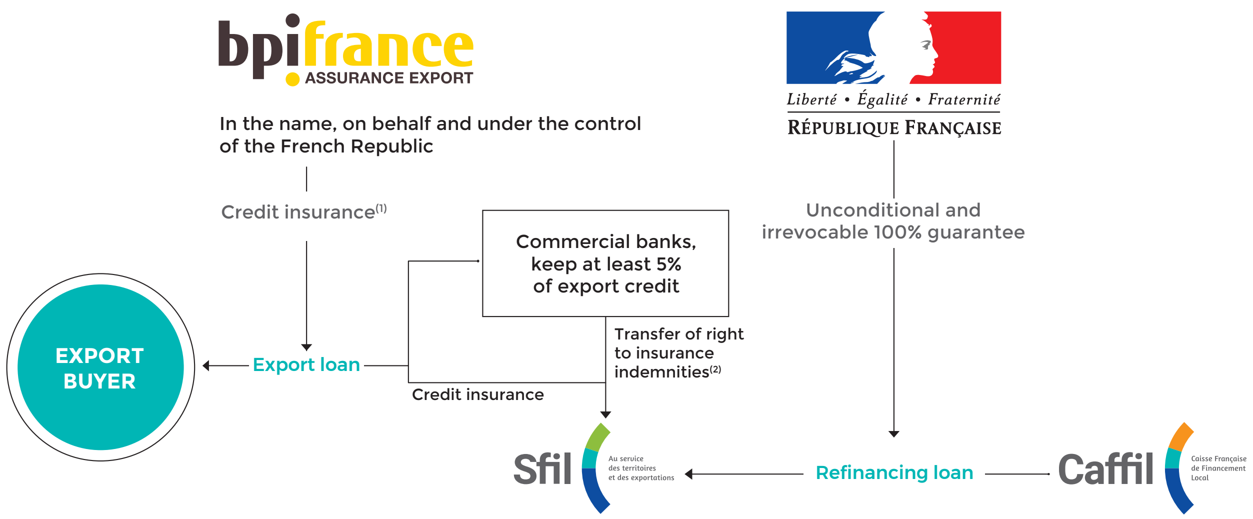
Each of these acquisitions is refinanced by Caffil through the granting of refinancing loans to Sfil, as detailed below (see "Refinancing scheme").

Refinancing scheme

The mechanism operates as follows:

- Sfil contributes to the financial proposal prepared by one or more banks of the banking syndicate granting buyer credit covered by export credit insurance granted by the French Republic;
- 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 credit granted by Caffil. This refinancing loan can benefit from an unconditional first demand guarantee 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 1.3.3 "Financing *via* the issuance of *obligations foncières*").

As a part of a simplification process, Caffil plans to change the terms of its intervention 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 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.

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.

1.3.3 Financing *via* the issuance of *obligations foncières*

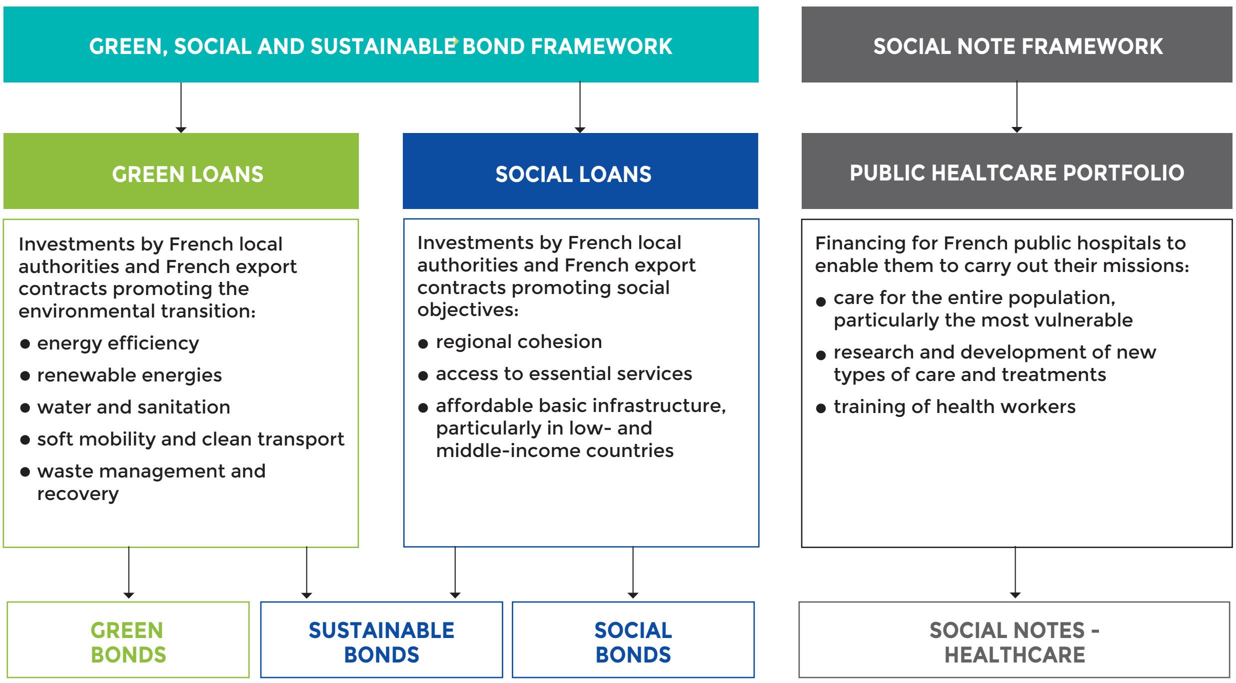
In order to refinance these two activities, Caffil issues *obligations foncières* (covered bonds) on financial markets both in the form of benchmark public issues and in the form of private placements, particularly in the registered covered bonds format, suitable for its very broad investor base. These instruments are characterized by the legal privilege, which, as a priority, allocates the sums from the Company's cover pool to pay their interest and reimbursements.

The *obligations foncières* issued by Caffil benefit from the European Covered Bond (premium) label.

Obligations foncières are the main source of financing for Caffil.

In addition, since 2019, Caffil has issued green and social *obligations foncières* to support its borrowers in their investments in favor of the ecological transition and social cohesion. 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.



Caffil does not use the option of issuing securities with an extendable maturity date. All of Caffil's outstanding issues have a fixed contractual maturity date; there are no plans to change this practice.

1.3.4 Servicing and financing by Sfil

Sfil's role *vis-à-vis* Caffil consists mainly of:

- operational management of all of the Company's transactions in accordance with the regulations applicable to *sociétés de crédit foncier*, in particular within the meaning of article L.513-15 of the French Monetary and Financial Code. In this context, Sfil and Caffil signed a management agreement developed in a Service Level Agreement (SLA) that precisely determines the tasks entrusted to Sfil and the indicators for monitoring the quality of the service provided. This agreement and its Service Level Agreement are regularly updated by both parties;
- provision of Caffil with the non-privileged funding and derivatives it needs to carry out its activities. Sfil obtains the resources necessary to finance Caffil's activity (financing of over-collateralization and derivatives) through the issuance on the financial markets of long-term bonds and, to a lesser extent, short-term debt (Neu CP).

In addition to the commitments made by Caisse des Dépôts as Sfil's reference shareholder, Sfil signed a statement of support for Caffilon November 5, 2020: "*Since January 31, 2013, Sfil has been the reference shareholder of Caisse Française de Financement Local, a société de crédit foncier subject to the provisions of articles L.513-2 et seq. of the French Monetary and Financial Code, and holds 99.99% of its share capital. Sfil will continue to play the role of reference shareholder of Caisse Française de Financement Local and will hold more than 99.99% of the capital over the long term. Sfil, its reference shareholder Caisse des Dépôts et Consignations and the French State will ensure, subject to the European Union rules on State aid, to protect the economic base of Caisse Française de Financement Local and to preserve its financial viability throughout its existence in accordance with the obligations imposed by the banking regulations in force.*"

1.4 Other management agreements

Specific individual agreements have been established with entities that, in the past, have transferred assets to Caffil, and continue to ensure the management of these assets for their national clientele. These assets are managed in run-off mode. At December 31, 2023, the contracts in force were signed with the following entities: Belfius Banque et Assurances (Belgium) and Dexia Crédit Local (Italy). All of these management contracts already existed in previous years.

Management of the registered covered bonds (RCB) subscribed by German investors is entrusted to Landesbank Baden-Württemberg (LBBW).

1.5 Ratings of *obligations foncières* issued

The issuance program is rated by three international rating agencies: Moody's, Standard & Poor's (S&P) and DBRS Morningstar.

The ratings of the *obligations foncières* issued by Caffil provided by these agencies are at the highest level of credit quality. This requires that the quality of the cover pool and strict management rules be consistent with the criteria and approaches of these agencies. The principle by which each agency rates *obligations foncières* (and covered bonds in general) involves taking as a starting point the issuer's rating or that of the parent company if the issuer is not rated, and enhancing this rating by one or more notches in function of existing safeguards (legal framework, quality of assets, balance sheet management, over-collateralization, etc.).

S&P caps the rating of Caffil's *obligations foncières* at one notch above that of Sfil and, consequently, one notch above that of the French State, because some of its derivative contracts do not comply with the agency's methodological criteria (counterparties not rated by S&P or absence of a replacement clause).

The ratings at December 31, 2023 are presented in section 2.1.3 "Financial and extra-financial ratings" of the management report.

02

2023 Management report

Management report

02

2.1 2023 highlights

2.1.1 2023 business activity

Geopolitical and economic context and its impact on activities

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. This increase in interest rates was accompanied by a reduction in asset purchases.

Inflation, although it remained at a high level, fell sharply during 2023.

Advanced economies, and in particular in the euro zone, experienced a marked slowdown in activity given such conditions.

In response to these changes, Caffil fully carried out its missions, in accordance with the strategic objectives of its parent company, Sfil, and building on the solidity and relevance of its public development bank model. Caffil thus refinanced more than EUR 8 billion of loans, characterized by a more marked balance between local public sector lending and refinancing of export credits. Caffil also carried out its funding program under satisfactory conditions despite the market environment that prevailed in 2023.

Local public sector lending

In 2023, Caffil acquired EUR 3.4 billion in loans originated by La Banque Postale and Banque des Territoires, partners of the Sfil Group. This amount came down from EUR 4.8 billion in 2022, due to the decline in volumes that year, which had been strongly affected by the setting mechanism of the usury rate over the period.

2023 was also marked by the significant share of thematic loans. They represented 42% of the loans acquired (EUR 1.4 billion) and broke down between:

- EUR 0.8 billion in green loans to local authorities;
- EUR 0.4 billion in loans to hospitals;
- EUR 0.2 billion in social loans to local authorities.

Launched at the end of 2022, social loans to local authorities met strong demand from local authorities: EUR 0.7 billion have been granted to 169 clients since the launch.

Refinancing of large export credits

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 defense sector.

Thus, since the launch of the activity in 2015, Sfil has supported 16 exporters for 28 operations for a total amount of EUR 16.1 billion, enabling the conclusion of EUR 28 billion in export contracts.

Issuance of *obligations foncières*

In 2023, the covered 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 issue volumes on the primary market.

This context resulted in a shortening 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, Caffil issued a total volume of EUR 3.6 billion in issues over an average overall maturity of 7.5 years with:

- EUR 3.0 billion on the public primary market;
- EUR 0.2 billion *via* a matching transaction carried out on an existing reference line;
- EUR 0.5 billion in the private placements segment.

2.1.2 Financial and ESG ratings

The financial rating of the *obligations foncières* issued by Caffil, at the level of the best credit rating, was not modified during 2023 .

	Moody's	DBRS	Standard & Poor's
Long-term rating	AAA	AAA	AA+
Outlook	-	-	Negative
Date of update	October 2023	October 2023	November 2023

ISS also assesses Caffil on its environmental, social and governance dimensions by ISS. Its current rating (assigned in March 2023) is Prime C+.

2.1.3 Regulatory changes

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

2.1.4 Evolution of accounting and financial publications

As from the 2023 financial year, Caffil no longer publishes financial statements prepared in accordance with IFRS, but only prepared in accordance with the French Gaap. At the same time, it also no longer publishes quarterly financial reports for the first and third quarters, but only an Interim Financial Report and an Annual Financial Report.

Previously, financial statements prepared in accordance with IFRS and quarterly reports were voluntary publications not required by regulations.

In addition, the quarterly publications of the harmonized European reporting (Harmonized Transparency Template) and the asset quality report provide investors with a very detailed view of the Company's situation and, in particular, its cover pool.

2.2 Changes in the balance sheet

EUR billions, value after currency swaps	12/31/2023	12/31/2022	Var. 2023/2022
Cover pool	**61.2**	**59.8**	**2.3%**
Loans	53.2	53.0	0.4%
Securities	6.9	5.0	38.2%
Cash deposit in central bank	1.1	1.8	(41.7)%
Assets removed from the cover pool	**0.3**	**0.4**	**(25.0)%**
Privileged debt	**53.3**	**53.0**	**0.7%**
*Obligations foncières**	53.2	52.9	0.7%
Cash collateral received	0.1	0.1	0.0%
Non-privileged debt	**6.9**	**6.2**	**11.1%**
Sfil	6.9	6.2	11.1%
Equity	**1.5**	**1.5**	**0.0%**

* *Including registered covered bonds.*

The cover pool rose by EUR 1.4 billion in 2023, *i.e.* an increase of around 2.3%. This portfolio increase was accompanied by an increase in privileged debt of EUR 0.3 billion and in non-privileged debt of EUR 0.7 billion.

The main changes in the balance sheet are detailed below.

2.3 Description of assets

The asset portfolio consists mainly of assets held in the cover pool and a few non-eligible assets held outside the cover pool.

EUR billions	12/31/2023	12/31/2022
Assets held in the cover pool	61.2	59.8
Assets held outside the cover pool	0.3	0.4
Total outstanding	**61.5**	**60.2**

2.3.1 Assets held in the cover pool

The cover pool is exclusively composed of exposures to public sector borrowers, or guaranteed by the same, and exposures to credit institutions (within the limits specified by current legislation).

EUR billions	12/31/2023	12/31/2022
Loans and bonds to the public sector	57.4	57.5
of which local public sector and export credit	56.8	56.9
of which treasury investment in public sector bonds	0.6	0.6
Banque de France cash deposit	1.1	1.8
Exposures to credit institutions	2.8	0.5
ASSETS IN THE COVER POOL	**61.2**	**59.8**
Financing commitments granted to refinance large export credits*	6.9	4.0
Financing commitments granted to other public sector loans	0.0	0.0
TOTAL FINANCING COMMITMENTS GRANTED	**6.9**	**4.0**

* *In 2022 and 2023, the commitments granted in respect of large export credits correspond to contracts entered into in the course of payment and to firm refinancing offers from Caffil to Sfil valid at December 31, 2023.*

In 2023, Caffil acquired or refinanced loans to French local public sector originated by its partners for an amount of EUR 3.4 billion. Drawdowns on loans to refinance large export credits granted to Sfil amounted to EUR 1.9 billion during that period. New outstanding loans were offset by amortization of EUR 5.5 billion. At December 31, 2023, total outstanding loans to the French local public sector amounted to EUR 26.4 billion. Large export credits represented outstandings of EUR 7.8 billion at that date.

Cash surpluses are held at the Banque de France or invested in either European public sector bonds or exposures to credit institutions (banking sector securities or short-term loans to Sfil, its parent company). The total amount of cash surpluses increased from EUR 2.9 billion in December 2022 to EUR 4.5 billion in December 2023.

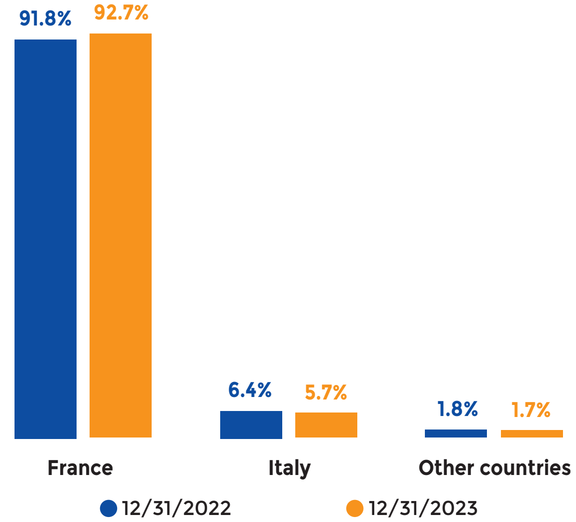
The amount of liquid assets and assets eligible for refinancing by the Banque de France, excluding cash deposited with banks or to the Banque de France, represented EUR 39.5 billion, *i.e.* 65% of the cover pool at end 2023 (compared to EUR 38.1 billion and 64% of the cover pool at end 2022). High quality liquid assets (level 1, 2A and 2B) were composed of exposure to credit institutions amounting to EUR 1.8 billion and of other high quality liquid assets (level 1, 2A and 2B) amounting to EUR 2.4 billion. In addition, other assets eligible for refinancing by the Banque de France before haircut, excluding cash deposited with a bank or the Banque de France, totaled EUR 35.9 billion.

Public sector loans and securities

Geographical breakdown

As of December 31, 2023, loans to the French public sector were predominant (92.7%) in the cover pool (excluding exposures to credit institutions and cash deposits with the Banque de France). The other assets are managed in run-off mode; they correspond to granular and geographically diversified exposures to foreign public sector entities.

The change in the relative proportion of total assets by country was as follows:

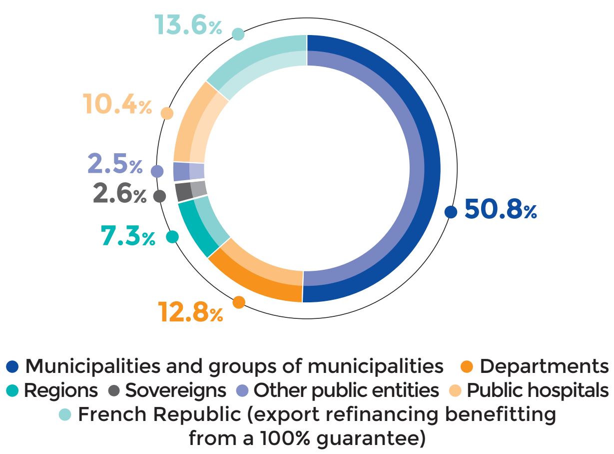


As of December 31, 2023, Italian assets represented the largest portion of non-French assets in run-off mode, with a total volume of EUR 3.2 billion, or 5.7% of public sector loans and securities in the cover pool. These assets are granular exposures (just over 100 counterparties consisting mainly of regional and municipal authorities) distributed throughout Italy.

Breakdown by type of counterparty

Nearly 71% of the cover pool consisted of exposures to French municipalities and their groups, departments or regions.

The breakdown of the cover pool by type of counterparty (excluding exposures to credit institutions and cash deposited with the Banque de France) is as follows:



Exposures to credit institutions

In accordance with article 129 of the CRR and with Directive (EU) 2019/2162 applicable from July 8, 2022, articles L.513-7 and R.513-6 authorize the institution to hold exposures to credit institutions in respect of replacement assets or liquid assets, in addition to exposures to the public sector, which are the main assets of the cover pool.

These exposures considered as safe and liquid correspond to securities, exposures and deposits for which credit institutions are debtors. They are subject to the limits specified below:

- the exposures to credit institutions authorized by law are those benefiting from the best or second-best credit quality step, or the third-best credit quality step when their duration does not exceed 100 days;
- the amount of exposures to credit institutions benefiting from the best credit rating step is limited to 15% of the nominal outstanding of *obligations foncières* and registered covered bonds.

As of December 31, 2023, this amount represented 3.7%;

- the amount of exposures to credit institutions with the second-best credit rating is limited to 10% of the nominal outstanding of *obligations foncières* and registered covered bonds.

As of December 31, 2023, this amount represented 1.6%;

- the amount of exposures to credit institutions benefiting from the third best credit rating and taking the form of short-term deposits or derivative contracts is limited to 8% of the nominal outstanding of *obligations foncières* and registered covered bonds. In addition, the French regulator, the ACPR, does not authorize the conclusion of derivatives with counterparties rated in the third-best credit rating step.

As of December 31, 2023, no exposure to credit institutions was in the third-best step;

- the total amount of exposures to credit institutions with the best, second best or third best credit quality is limited to 15% of outstanding *obligations foncières* and registered covered bonds.

As of December 31, 2023, this amount represented 5.2%;

- the total amount of exposures to credit institutions benefiting from the second best or the third best credit quality step is limited to 10% of the nominal outstanding of *obligations foncières* and registered covered bonds.

As of December 31, 2023, this amount represented 1.6%:

Caffil holds exposures to credit institutions as part of its management of surplus cash. In addition to deposits with the Banque de France and investments in European public sector bonds, its exposures to credit institutions correspond to:

- banking sector bonds;
- loans to its parent company, Sfil;
- the balance of its current bank accounts in various currencies.

They are broken down below according to the rating of the issuers:

EUR millions	Country	12/31/2023	12/31/2022
STEP 1 CREDIT RATING			
Covered bonds	France	693	91
	Other countries	985	394
Other bank bonds	France	21	-
	Other countries	249	-
Loans to the parent company, Sfil	France	-	-
Bank accounts balances	France and other countries	0	-
STEP 2 CREDIT RATING			
Other bank bonds	France	399	-
	Other countries	428	-
Bank accounts balances	France and other countries	10	7
STEP 3 CREDIT RATING			
Bank securities (maturity <100 days) and current account balances	France and other countries	-	-
TOTAL		**2,785**	**492**

Breakdown of the cover pool as of December 31, 2023

	12/31/2023					12/31/2022
EUR millions	Direct exposure		Indirect exposure		Total	Total
Country	Loans	Bonds	Loans	Bonds		
France						
Central governments						
• Export refinancing	-	-	7,784	-	7,784	6,582
• Others	6	-	-	230	236	250
Central banks						
• Accounts with the Banque de France	1,053	-	-	-	1,053	1,808
Regional and local authorities						
• Regions	2,489	60	6	-	2,556	2,592
• Departments	6,602	-	299	-	6,901	7,371
• Municipalities	13,964	12	533	-	14,509	14,910
• Overseas territories	73	-	4	-	76	96
• Groups of local authorities	13,543	38	91	-	13,672	13,681
Public sector entities:						
• Public health institutions	5,969	-	-	-	5,969	6,042
• Others	1,220	225	-	-	1,445	1,282
Credit institutions	11	1,112	-	-	1,123	99
SUBTOTAL	**44,930**	**1,448**	**8,717**	**230**	**55,325**	**54,713**
Germany						
Credit institutions	-	174	-	-	174	-
SUBTOTAL	**-**	**174**	**-**	**-**	**174**	**-**
Austria						
Regional and local authorities						
• Länder	153	-	-	-	153	160
SUBTOTAL	**153**	**-**	**-**	**-**	**153**	**160**
Belgium						
Regional and local authorities						
• Regions	-	-	22	-	-	26
SUBTOTAL	**-**	**-**	**22**	**-**	**-**	**26**
Canada						
Regional and local authorities						
• Municipalities step 1 credit rating	100	-	21	-	122	122
Credit institutions	-	594	-	-	594	344
SUBTOTAL	**100**	**594**	**21**	**-**	**715**	**466**
Spain						
Central governments	-	180	-	-	180	180
Regional and local authorities						
• Regions	-	50	-	-	50	50
• Municipalities	58	-	-	-	58	61
Credit institutions	-	75	-	-	75	
SUBTOTAL	**58**	**305**	**-**	**-**	**362**	**291**

EUR millions	12/31/2023					12/31/2022
	Direct exposure		Indirect exposure		Total	Total
Country	Loans	Bonds	Loans	Bonds		
United States						
Regional and local authorities						
• Federated States step 1 credit rating	-	108	-	-	108	108
SUBTOTAL	**-**	**108**	**-**	**-**	**108**	**108**
Finland						
Credit institutions	-	128	-	-	128	-
SUBTOTAL	**-**	**128**	**-**	**-**	**128**	**-**
Italy						
Central governments	-	1,082	-	-	1,082	1,150
Regional and local authorities						
• Regions	-	1,196	-	-	1,196	1,439
• Provinces	-	364	-	-	364	394
• Municipalities	3	593	-	-	596	683
• Groups of local authorities	-	7	-	-	7	8
SUBTOTAL	**3**	**3,241**	**-**	**-**	**3,245**	**3,675**
Japan						
Regional and local authorities						
• Municipalities with rating step 2	-	25	-	-	25	25
SUBTOTAL	**-**	**25**	**-**	**-**	**25**	**25**
Norway						
Credit institutions	-	182	-	-	182	_
SUBTOTAL	**-**	**182**	**-**	**-**	**182**	**-**
Netherlands						
Credit institutions	-	179	-	-	179	-
SUBTOTAL	**-**	**179**	**-**	**-**	**179**	**-**
Portugal						
Regional and local authorities						
• Municipalities	4	-	-	-	4	5
SUBTOTAL	**4**	**-**	**-**	**-**	**4**	**5**
Sweden						
Regional and local authorities						
• Municipalities	18	-	-	-	18	18
Credit institutions	-	330	-	-	330	50
SUBTOTAL	**18**	**330**	**-**	**-**	**349**	**68**
Switzerland						
Regional and local authorities						
• Cantons step 1 credit rating	65	-	30	-	95	126
• Municipalities step 1 credit rating	133	-	-	-	133	133
SUBTOTAL	**198**	**-**	**30**	**-**	**228**	**258**
GENERAL SUBTOTAL	**45,465**	**6,713**	**8,791**	**230**	**61,199**	**59,795**
COLLECTIVE IMPAIRMENTS					**(14)**	**(18)**
TOTAL COVER POOL					**61,186**	**59,777**

Loans and securities are excluding premium/discount. Loans and securities denominated in foreign currencies are recorded at their euro swapped value. Loans and securities are presented after specific impairments. In addition, Caffil establishes collective and sectoral impairments; these are deducted from the total cover pool.

Certain assets that became ineligible under the new framework were excluded from the cover pool; they are presented in section 2.3.2 "Assets held outside the cover pool".

2.3.2 Assets held outside the cover pool

Assets temporarily excluded from the cover pool

Due to its status as a credit institution, Caffil has access to refinancing operations offered to banks by the Banque de France within the Eurosystem. To manage its cover pool and its over-collateralization or in order to meet the need for temporary liquidity, Caffil may thus convert a portion of its assets into cash. Loans or securities assigned in guarantee with the central bank in order to obtain financing on the occasion of tenders organized by the Banque de France are then taken out of the cover pool and replaced by the cash thus obtained. The same treatment would be applied to assets in the cover pool if they were mobilized in interbank repurchase agreements implemented in the event of a liquidity need.

During the last three years, Caffil has mobilized assets of very small amounts in the context of the regular tests of its operational procedures for accessing refinancing from the Banque de France or bank counterparties.

Assets that have become ineligible

Assets held may also be removed from the cover pool if they are not eligible under article 129 of the CRR, pending maturity or disposal.

This outstanding excluded from the cover pool consisted of nearly EUR 0.3 billion in loans to French local public sector entities that became ineligible for the cover pool.

The outstanding excluded from the cover pool also includes loans granted to regional or local authorities located outside the European Union or to multilateral organizations, which must, since the application of the new directive, have a first- or second-step credit rating from a rating agency. This concerns loans to Swiss municipalities and a loan to an international institution.

2

	12/31/2023					12/31/2022
EUR millions	Direct exposure		Indirect exposure		Total	Total
Country	Loans	Bonds	Loans	Bonds		
France						
Public sector entities*	261	-	-	-	261	307
SUBTOTAL	**261**				**261**	**307**
United States						
Regional and local authorities						
• Federated States with step 3 credit rating	-	-	-	-	-	40
SUBTOTAL	**-**	**-**	**-**	**-**	**-**	**40**
Switzerland						
Regional and local authorities						
• Unrated municipalities	58	-	-	-	58	74
SUBTOTAL	**58**	**-**	**-**	**-**	**58**	**74**
Supranational						
Unrated international organizations	1	-	-	-	1	6
SUBTOTAL	**1**	**-**	**-**	**-**	**1**	**6**
TOTAL OUTSIDE COVER POOL	**320**				**320**	**427**

* *Not eligible for the provisions of article 129 of the CRR.*

Loans and securities are excluding premium/discount. Loans and securities denominated in foreign currencies are recorded at their euro swapped value. Loans and securities are presented after specific impairments. These loans and securities appear as assets on the balance sheet but are not part of the cover pool and do not contribute to over-collateralization.

2.4 Description of debt

2.4.1 Debt benefiting from the legal privilege

As of December 31, 2023, debt benefiting from the legal privilege was composed of *obligations foncières* and registered covered bonds issued by Caffil as well as cash collateral received from counterparties in derivative transactions.

EUR billions	12/31/2023	12/31/2022
Cash collateral received	0.1	0.1
Obligations foncières and registered covered bonds	53.2	52.9
TOTAL	**53.3**	**53.0**

Changes in cash collateral

At December 31, 2023, the cash collateral (or variation margin) received by Caffil was stable compared to the end of December 2022; its amount was EUR 0.1 billion.

Change in issues

As part of a recurring EUR 3 to 6 billion annual program, the issue policy aims first and foremost to build a coherent benchmark curve on the euro market while ensuring the strong performance of its issues on the secondary market. The diversification of funding sources is necessary to achieve long maturities consistent with its needs. This involves an active presence in the private placements market as part of the EMTN program or by issuing registered covered bonds, a format for German investors.

2023 issues

In 2023, Caffil issued a total volume of EUR 3.6 billion with an average duration of 7.5 years, enriching its benchmark curve with four new points, as well as being active on matching transactions and in the private placement segment.

Caffil solicited the public primary market four times for a total amount of EUR 3 billion:

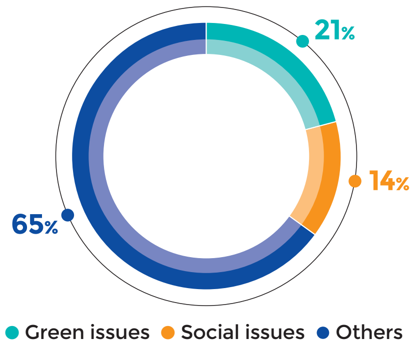
- an issue with a maturity of 7 years in January 2023 in the amount of EUR 1 billion;
- an issue with a maturity of 9 years in March 2023 in the amount of EUR 0.75 billion;
- a green issue with a maturity of 5 years in October 2023 in the amount of EUR 0.75 billion;
- a social issue with a maturity of 5 years in November 2023 in the amount of EUR 0.5 billion.

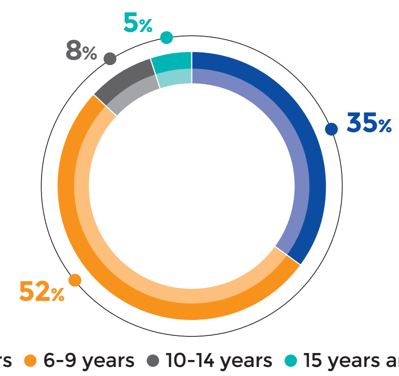
At the same time, Caffil provided additional liquidity to one of its benchmark issues with a matching transaction for an amount of EUR 0.2 billion.

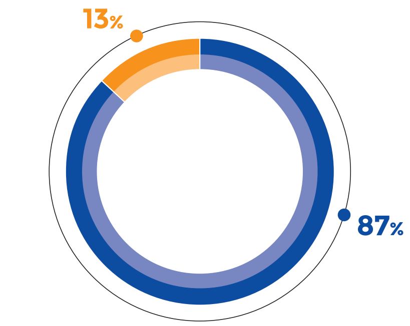
In addition to these public transactions, Caffil responded to specific requests from investors in the private placements segment, in the EMTN and RCB formats, for an amount of EUR 0.5 billion with long maturities.

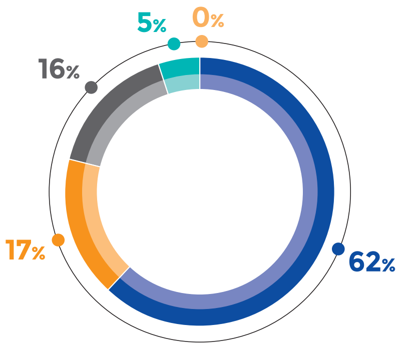
Sustainable bonds represented around 35% of the funding raised in 2023.

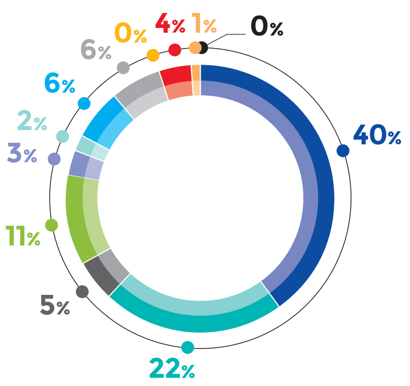
The breakdown of new issues by type and by maturity is presented below, as well as the breakdown of benchmark public issues by investor category and geographic zone:









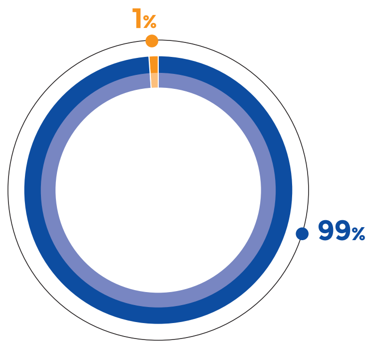


Outstandings at December 31, 2023

The change in outstanding *obligations foncières* and registered covered bonds between December 31, 2022 and December 31, 2023, in swapped value, is as follows:

EUR billions, value after currency swaps	2023	2022
BEGINNING OF THE PERIOD	**52.9**	**52.3**
Issues	3.6	4.9
Amortizations	(3.2)	(4.4)
Buyback	(0.1)	(0.0)
END OF THE PERIOD	**53.2**	**52.9**

At December 31, 2023, issues were broken down by currency as follows:

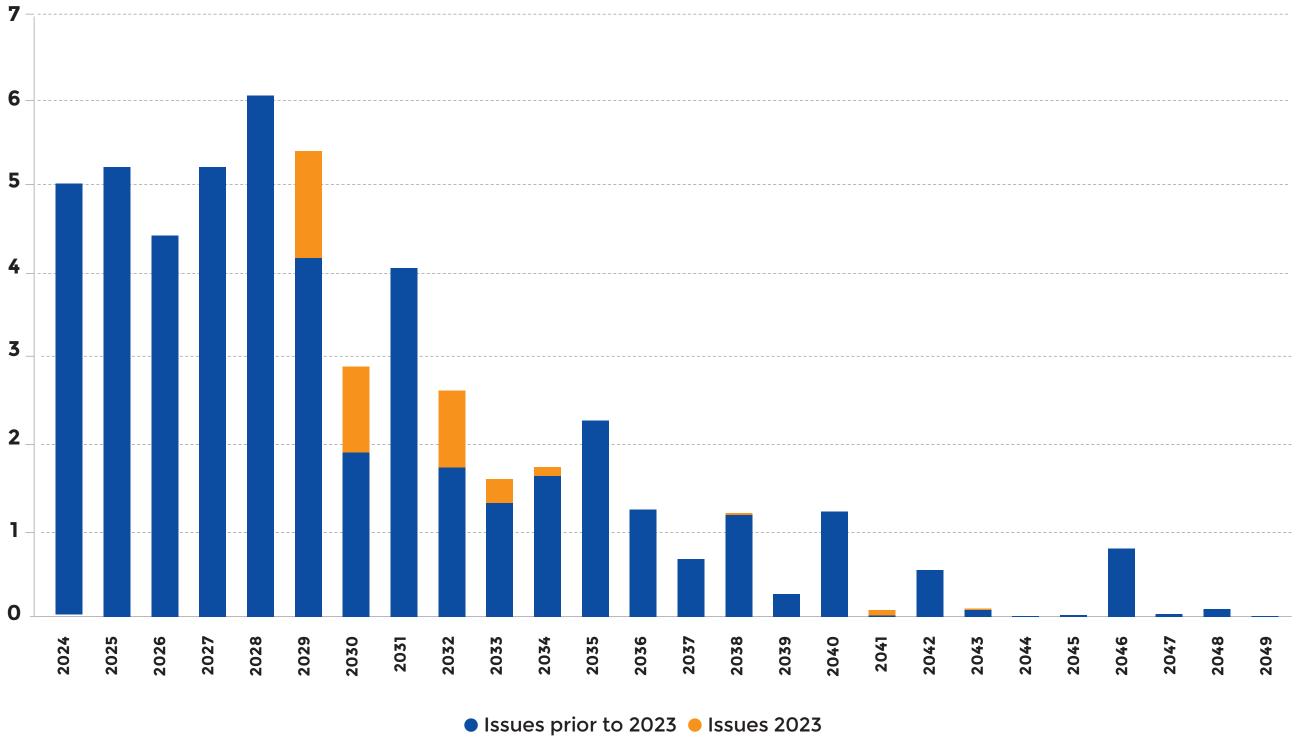


The main other currencies were the GBP for a tranche maturing in 2026 and the CAD for a tranche maturing in 2029.

2

The amortization profile of *obligations foncières* and registered covered bonds is as follows:

EUR billions



Total benchmark public tranches in euros amounted to EUR 41.6 billion.

In addition, in November 2020 and November 2021, Sfil issued two green bonds each for an amount of EUR 0.5 billion. Sfil loaned the funds obtained from these issues to Caffil, with the obligation to use them to finance green loans purchased from La Banque Postale, which originated them. These loans granted by Sfil do not benefit from the privilege of the *société de crédit foncier*.

2.4.2 Non-privileged debt

The cover pool asset surplus compared to *obligations foncières* and registered covered bonds (over-collateralization), the assets held outside of the cover pool (if applicable) and miscellaneous needs are financed by equity and debt that does not benefit from the legal privilege on *sociétés de crédit foncier*. Such financing is obtained through the parent company, Sfil, under the financing agreement. As of December 31, 2023, they were made up of different loans with maturities that could run from one day to ten years with an EURIBOR, EONIA or €STER index.

Temporary financing may also be obtained from the Banque de France. These debts do not benefit from the privilege provided by the law on *sociétés de crédit foncier*. They are guaranteed by loans and/or securities deposited as collateral in the Caffil account opened with the Banque de France. Since the creation of Sfil, except when it regularly uses very small sums to test the access procedure for such funding, Caffil has not contracted any loans from the Banque de France. Neither has it obtained financing from credit institutions other than its parent company.

Change in debt not covered by the privilege, excluding accrued interest not yet due:

EUR billions	2023	2022
Sfil	6.9	6.2
Banque de France	-	-
TOTAL	**6.9**	**6.2**

2.5 Net income

2.5.1 Change in net income

The income statement according to French Gaap is presented below:

EUR millions	12/31/2023	12/31/2022	Var. 2022/2023
Interest margin	179	226	
Net commissions	(3)	(3)	
Provisions and income on trading portfolio	-	-	
Provisions and income on securities	7	(4)	
Other income and expense	-	-	
NET BANKING INCOME	**183**	**219**	**(16)%**
General operating expenses	(103)	(103)	
Taxes	(6)	(7)	
GROSS OPERATING INCOME	**75**	**109**	**(32)%**
Cost of risk	2	6	
OPERATING INCOME	**77**	**115**	**(33)%**
Gains or losses on fixed assets	-	(3)	
Income tax	(11)	(24)	
NET INCOME	**66**	**88**	**(25)%**

The French GAAP financial statements are published in accordance with legal requirements and serve as a base to calculate income subject to corporate income tax.

The methods under French accounting standards, unchanged over the last two financial years, are described in the presentation and valuation rules of the financial statements in the notes to these financial statements. The accounting treatment adopted by Caffil for the recognition of early repayment indemnities for loans and compensation payments for hedging swap cancellations follows the treatment required by the tax authorities. This accounting treatment leads to recognition of the results earlier than would an amortization approach over the life of the transactions. These indemnities and compensation payments are generated by early repayments or renegotiation of the debt of certain borrowers (sensitivity reduction or active management of their debt), but also when liability swaps are terminated in order to match these liabilities with a portfolio of acquired loans, or when asset swaps are terminated in order to match a new bond issue with a portfolio of loans covered by these swaps.

Net income amounted to EUR +66 million for 2023, a decrease of EUR -22 million from 2022. This change was mainly due to the decrease in net banking income for EUR -36 million and to a lesser extent to the cost of risk for EUR -4 million, although with a recovery of EUR 2 million over the year. Administrative expenses, consisting mainly of invoices for Sfil, remained stable despite a context of significant inflation in 2023.

In 2022, net banking income included an exceptional result of EUR +14 million relating to the disposal of loans in the portfolio managed in run-off. Net banking income also included upfront compensation payments recorded in 2022 for EUR +16 million (compared to EUR +9 million in 2023). These payments are directly linked to the accounting treatment of terminations of interest rate hedges as part of the natural matching policy for fixed-rate assets and liabilities (see above). Restated for these items, the decrease in net banking income was more limited (EUR -11 million) in 2023 despite the increase in funding costs in a context of significant volatility on the financial markets and the full-year effect of a 2022 production of loans to the local public sector heavily constrained by the usury rate.

Lastly, in 2023, income tax included an exceptional income of EUR 6 million following the finalization of an agreement with Dexia in the context of the tax adjustment of the 2012 income of the former Caffil branch in Dublin that has been closed since 2013 (see section on legal and tax risk in section 2.11.2 "Management of main risks").

2.5.2 Proposed appropriation of net income

The Board will propose to the Ordinary Shareholders' Meeting a distribution of dividend in the amount of EUR 63.0 million, or EUR 4.67 per share and an appropriation of net income for the financial year as follows:

EUR	
NET INCOME FOR THE YEAR	**66,270,991.50**
Legal reserve (5%)	(3,313,549.57)
BALANCE TO BE ALLOCATED	**62,957,441.93**
Retained earnings	129,443.85
INCOME AVAILABLE FOR DISTRIBUTION	**63,086,885.77**
PROPOSED DIVIDENDS *(EUR 4.67 per share)*	**63,045,000.00**
Retained earnings after allocation	41,885.77

In accordance with article 243 *bis* of the French General Tax Code, it should be noted that during the three previous financial years, Caffil 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	48,600,000	3.60	13,500,000
2021	2022	85,320,000	6.32	13,500,000
2022	2023	83,565,000	6.19	13,500,000

2.6 Return on assets

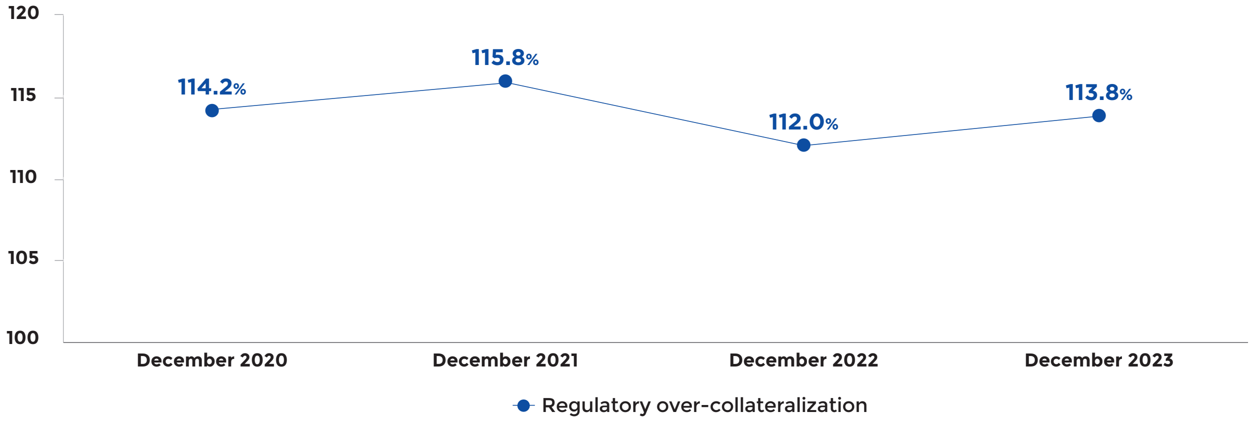
Article R.511-16-1 of the French Monetary and Financial Code, introduced by Decree No. 2014-1315 of November 3, 2014, sets forth that in their Annual Financial Report, credit institutions shall publish the yield on their assets, defined as the ratio between the net income and the total of the balance sheet. For 2023, this ratio is equal to 0.10%.

2.7 Over-collateralization ratio

The over-collateralization ratio, which is calculated on the basis of regulatory standards governing *sociétés de crédit foncier*, is the ratio between the assets of the cover pool (except for assets in default) and the debt benefiting from the legal privilege. Its minimum level has been set by law at 105%, which corresponds to the minimum level that Caffil must comply with pursuant to articles L.513-8, L.513-11 and L.513-12 and the article of the French Monetary and Financial Code.

In practice, the over-collateralization ratio is regularly higher than 105%. To maintain a sufficient rating, a level of over-collateralization of more than 5% may be required by the rating agencies. This requirement depends on the methodology used by each rating agency and the new assets and liabilities recorded on the balance sheet of Caffil. It is also variable over time. Caffil takes these specific requirements into account in the steering of its business to ensure that they are always met.

The rules for calculating the regulatory coverage ratio were modified as of July 8, 2022, when the European Covered Bonds Directive of November 2019 entered into force, without a material impact for Caffil.



Details of the assets and liabilities used to calculate the hedging ratio are presented below:

Assets covering liabilities benefiting from the privilege *Weighted amounts in EUR millions*	**12/31/2023**
Exposures to public sector entities	58,614
Sufficiently safe and liquid securities, exposures and deposits covered by article R.513-6	2,809
Net accrued amounts in respect of forward financial instruments benefiting from the privilege defined in article L.513-11 of the French Monetary and Financial Code	927
Other assets	414
Operations deducted from the assets	-
TOTAL ASSETS	**62,764**

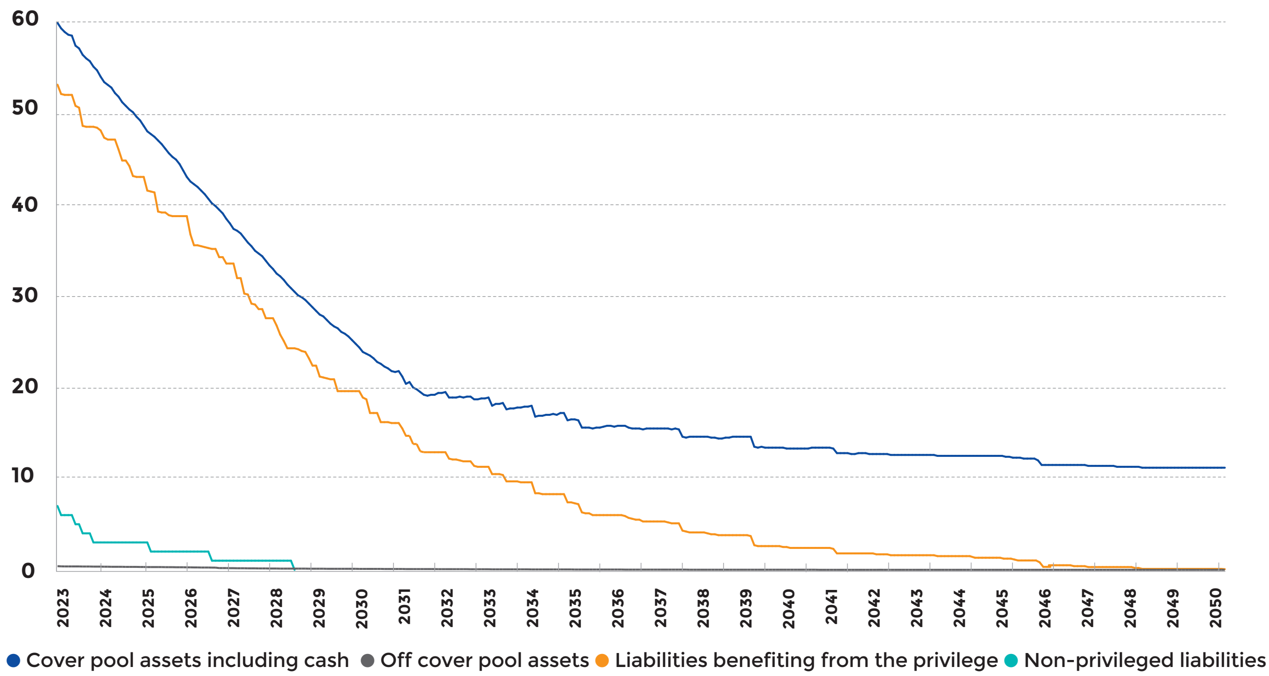
Resources benefiting from the privilege defined in article L.513-11 of the French Monetary and Financial Code *Weighted amounts in EUR millions*	**12/31/2023**
Obligations foncières	47,044
Other bonds benefiting from the privilege	6,094
Liabilities related to these securities	573
Expected maintenance and management costs to terminate the *obligations foncières* program	98
Amounts owed under the contract stipulated in article L.513-15 of the French Monetary and Financial Code	20
Net amounts owed for forward financial instruments benefiting from the privilege defined in article L.513-11 of the French Monetary and Financial Code	1,325
Debt attributable to miscellaneous expenses mentioned in the last section of article L.513-11 of the French Monetary and Financial Code	-
TOTAL LIABILITIES	**55,154**
OVER-COLLATERIZATION RATIO	**113.8%**

The coverage ratio increased from 112% to 113.8% between December 31, 2022 and December 31, 2023, notably due to the increase in funding obtained from Sfil.

Over-collateralization may also be illustrated by the gap between the amortization curves of the cover pool and liabilities benefiting from the legal privilege. The following graph presents the curves as of December 31, 2023.

The projected disposal of assets and liabilities at December 31, 2023 is presented below:

EUR billions



This graph assumes that the cash surpluses generated over time are retained in the cover pool.

2.8 Post-closing events

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

2.9 2024 outlook

In 2024, Caffil will continue to implement the strategic plan of its parent company, Sfil, with the following main priorities:

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

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 Caffil, which plans an issuance program on the primary market between EUR 4 and EUR 5.5 billion.

Acquisitions of loans to the local public sector in 2024 should benefit from:

- the significant increase in the production of loans originated by La Banque Postale in the last quarter of 2023 compared to the last quarter of 2022;
- an acceleration in loan volumes from the partnership between Sfil and Banque des Territoires;
- more favorable financial conditions that should encourage borrowing;
- an increase in local investments in the last phase of the electoral cycle with a corresponding increase in financing needs;
- increased investment in hospitals to achieve the objectives of *Ségur de la Santé*.

The outlook for export-credit refinancing is also very positive. Indeed, the number of consultations and cases under review was an all-time high and the amount of active cases at various stages of negotiation at December 31, 2023 amounted to EUR 62.4 billion. The Sfil-Caffil refinancing scheme should therefore be in great demand for future transactions, in particular for new repayment terms beyond 14 years in accordance with the latest OECD arrangement adopted in July 2023.

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.

2.10 Information on internal control

2.10.1 General description of permanent control

As a *société de crédit foncier*, Caffil is subject to special supervision by the ACPR.

Caffil, which has no employees of its own, has delegated the exercise of its internal control functions to its parent company, Sfil, pursuant to the management agreement that binds the two companies. 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 Sfil Group's internal control system comply with the provisions of the amended ministerial *arrêté* of November 3, 2014. This text requires that an internal control system be set up and specifies in particular the principles relating to:

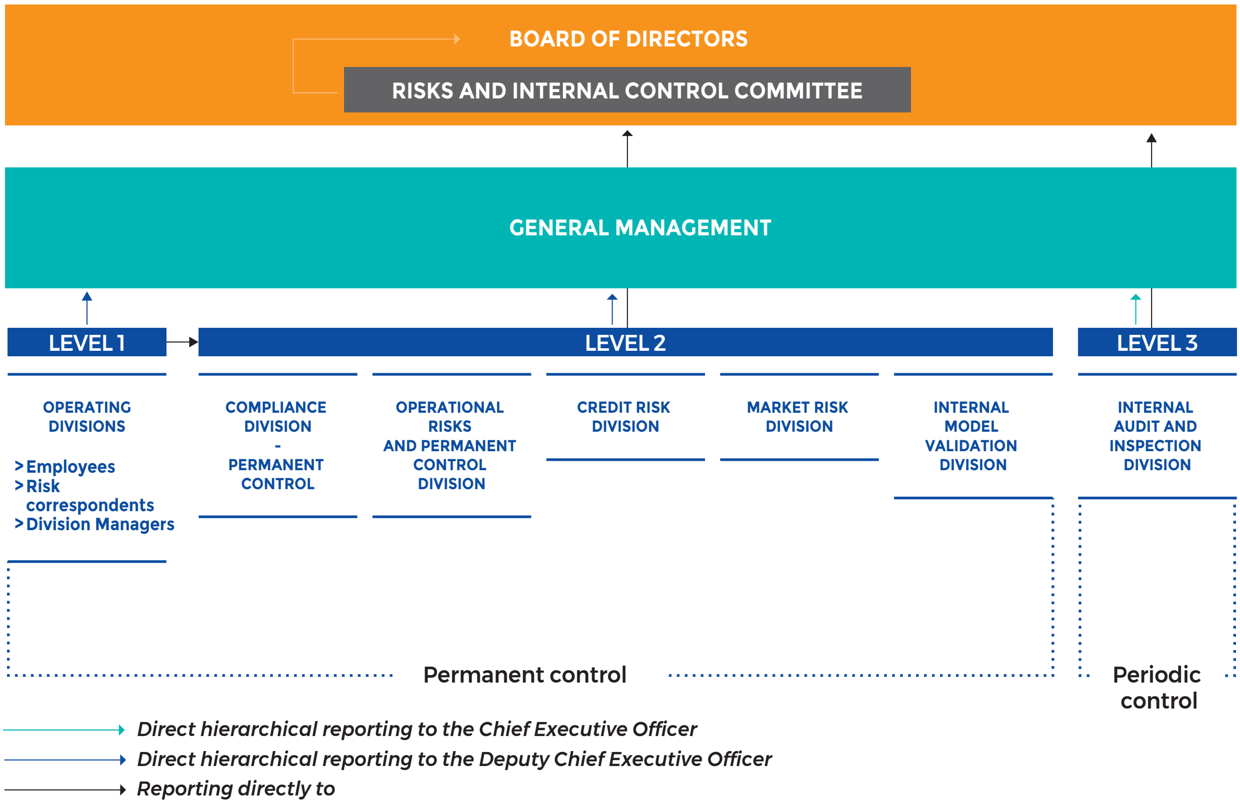
- the systems to control transactions and internal procedures;
- accounting organization and data processing;
- risk measurement systems and their results;
- risk monitoring and control systems;
- the verification of compliance;
- the internal control documentation and information system.

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

The objectives of the internal control system that Sfil is carrying out on behalf of Caffil are more specifically 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;
- monitor compliance with laws, regulations (including those specific to *sociétés de crédit foncier*) and internal policies;
- monitor the operational security of the processes that Sfil implemented to ensure that the transactions of Caffil are conducted properly.

General architecture of the Sfil Group internal control system



In accordance with the amended *arrêté* of November 3, 2014, the general architecture of the Sfil Group's internal control system is based on three lines of defense, 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 pluriannual cycle. The second and third lines of defense are independent control functions.

They report directly to the General management of Sfil and to the Executive Board of Caffil. 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 of control 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. Three members of the Executive Board of Caffil have also been appointed, respectively, as head of the consistency and effectiveness of permanent control, head of the consistency and effectiveness of the internal audit function and head of the implementation of the LCB-FT system, for Caffil.

These functions also report on the performance of their duties to the Sfil Risks and Internal Control Committee, a specialized committee of the Board of Directors of Sfil, which also acts on behalf of Caffil. Every six months, they also present their activity reports, mapping and control plans to the Executive Board, which reports to its Supervisory Board.

They may be heard by the Risks and Internal Control Committee, by the Board of Directors of Sfil and by the Executive Board of Caffil at their request. They also have the right of initiative and may directly contact the Risks and Internal Control Committee orthe Board of Directors of Sfil or the Executive Board of Caffilif 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 control meet as needed in the Internal Control Coordination Committee, which coordinates the Sfil Group's internal control system.

Supervisory body and effective managers

Sfil's 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 with a clear organizational structure and independent and effective risk management, compliance and audit functions exists;

- on the proposal of the effective managers, it determines the strategy and guidelines of the internal control activity and oversees their implementation;
- it reviews the activity and results of internal control at least twice a year;
- it regularly examines, assesses and controls the effectiveness of the governance system, including in particular the clear definition of the responsibilities of 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 and the effective managers of Sfil 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 theBoard of Directors of Sfil or one of its specialized committees, possibly without the presence of the effective managers of Sfil.

Sfil's Risks and Internal Control Committee

For the purposes of carrying out its responsibilities, the Board of Directors of Sfil relies on a Risks and Internal Control Committee, of which it is an offshoot, which also acts on behalf of Caffil and 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 consistent 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 of Sfil and the Supervisory Board of Caffil, and to propose, as necessary, additional actions in this respect;
- carrying out the monitoring of Sfil Group's permanent control, compliance and periodic control system; to this end, it analyzes the reports on internal control and the measurement and monitoring of risks, the activity reports of the Internal Audit division, and any significant correspondence with supervisors and reports thereon to the Board of Directors;
- giving an opinion on the compensation policy and practices, 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.

Sfil's effective managers

The effective managers of Sfil, namely the Chief Executive Officer and the 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 of Sfil or its relevant committee on the operation of this system.

The Chairman of the Executive Board of Caffil reports on the content and decisions of the Risks and Internal Control Committee of Sfil to the Supervisory Board of Caffil.

Caffil's Executive Board

The Executive Board of Caffil is the front-ranking guarantor of the efficient operation of the Company's internal control procedures. In light of the structure of Caffil and of the management agreement which binds it to its parent company, the Executive Board of Caffil relies on the governance and organization of internal control in effect at Sfil and in particular on:

- the Risks and Internal Control Committee, attached to the Board of Directors of Sfil, the role of which, described in the French Commercial Code and in the amended *arrêté* of November 3, 2014, is described in detail above;
- the Chief Executive Officer and Deputy Chief Executive Officer of Sfil, effective managers within the meaning of the regulations, who are responsible for the efficient operation of the group'sinternal control system, within their respective scope as defined in the general architecture of the internal control system. They allocate the resources that the various divisions in charge of control need to carry out their responsibilities, and verify that the objectives are met and that the internal control system is adapted to existing regulations and the activities of both entities. To do this, they regularly receive activity reports and the results of the verifications carried out. These reports are also presented and discussed by the Executive Committee of Sfil. The resulting issues are the subject of proposals for actions and decisions with a view to the continuous improvement of the internal control system.

The first line of defense: controls carried out at operational level

First level of the internal control system, employees, risk correspondents and line managers of the operating divisions of Sfil are responsible for analyzing the risks of each transaction that they handle according to their field of activity, and defining and describing the first-level controls relating to these transactions in the operational procedures, implementing them, checking that these controls are effectively adapted to these risks and modifying them if necessary. The internal control system is the responsibility of each employee, whatever their hierarchical level and their responsibilities.

To this end, they rely on the policies, limits and indicators with a clear separation between the launch of operations and their validation, control or settlement. These policies, limits and indicators are defined by several internal committees (comprising operating, support, and control staff, and chaired by a member of the Executive Committee of Sfil) and constitute the Risk Appetite Statement approved by the Board of Directors of Sfil.

The second line of defense: 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 section.

Objectives

The permanent control system of the Sfil Group, excluding compliance, aims to verify the:

- 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.

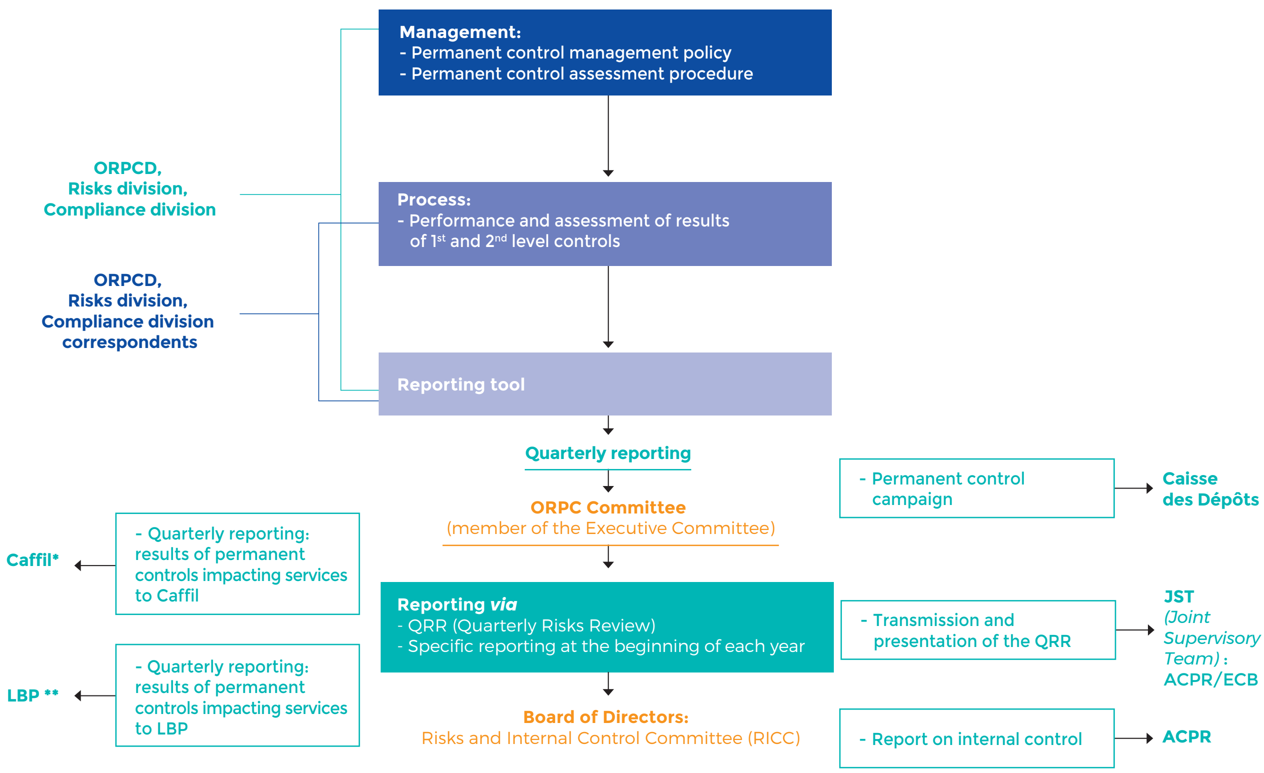
The permanent control system applies to all Sfil Group's divisions, activities and processes.

Organization and governance

The system is steered by the Operational Risks and Permanent Control division with seven employees and a 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 performs second-level controls on operational risks.

PERMANENT CONTROL SYSTEM
EXCLUDING COMPLIANCE



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

Permanent control system excluding compliance

Permanent control excluding compliance is based on a control plan covering the various divisions and activities as well as the processes of the Sfil Group. 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 hedged;
- 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;
- the new activities and new processes of the Sfil Group.

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
	1 Risks and Internal Control Committee meeting dedicated to internal control
Reporting to the Executive Board	Presentation of its annual report by the Operational Risks and Permanent Control division
Reporting to the Supervisory Board	Feedback by the Executive Board of the results of permanent controls impacting the services Sfil provide to to Caffil based on the quarterly risk review or the annual report of the Operational Risks and Permanent Control division

The second line of defense: compliance

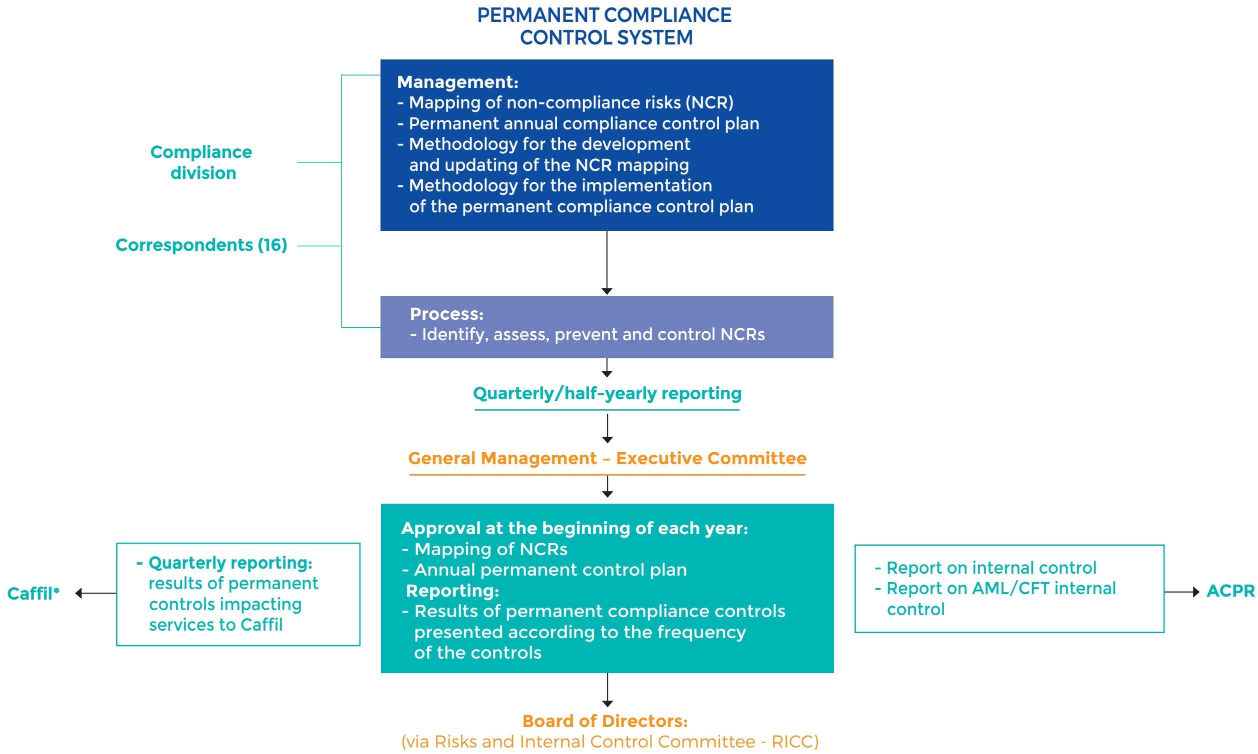
Objectives

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

- compliance with laws, regulations, ethics rules and internal instructions;
- protection for the reputation of the 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 the regulations relating to certain specific sectors (accounting standards, prudential ratios, monitoring of large exposure risk, IT system security, etc.) which are the responsibility of the other functions of the second line of defense.

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 2.11.2. of the management report "Risk of non-compliance"). 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 approval at the beginning of each year to the effective managers of Sfil and the Executive Board of Caffil then to the Risks and Internal Control Committee for approval during a meeting dedicated to the hearing of the managers of the risk, compliance and periodic control functions, without the presence of theGeneral 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 action 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
Identify and assess risks of non-compliance	• presentation of the updated compliance risk mapping including the corruption risk mapping to theRisks and Internal Control Committee on January 26, 2023. • a total of 85 non-compliance risks were mapped in 2023 compared to 86 in 2022.
Manage 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.
Define action plans and monitor them	• 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, only 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 management and governance bodies	• the results of the permanent compliance controls at December 31, 2022 and for the first three quarters of 2023 as well as the monitoring of the action plans were presented to: • the effective managers of Sfil during the Executive Committees of March 21, May 23, September 5, and November 28, 2023; • the Executive Board of Caffil of March 22, May 30, September 5, and December 4, 2023; • the Risks and Internal Control Committee of March 22, May 30, September 6, and December 6, 2023.
Reporting to the banking supervisor	• contribution to the Sfil Group's 2022 internal control report under the guidance of the Internal Audit division. • preparation of the AML/CFT internal control report, submitted to the ACPR for Sfil and Caffil after approval by the Supervisory Board of Caffil on March 23, 2023 and by the Board of Directors of Sfil on March 24, 2023.

The third line of defense: periodic control

Organization and governance

The periodic control function is performed by the Internal Audit division of Sfil. The scope of intervention of this division extends to all activities carried out, operational processes and systems of Sfil and Caffil, without reservation or exception, including essential outsourced activities and techniques to fight against fraud.

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 operational management of Sfil and Caffil 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;
- compliance with 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 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 by the Executive Board of Caffil, and distributed to all Sfil employees to remind them of the rights and duties of the auditors and the 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 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.

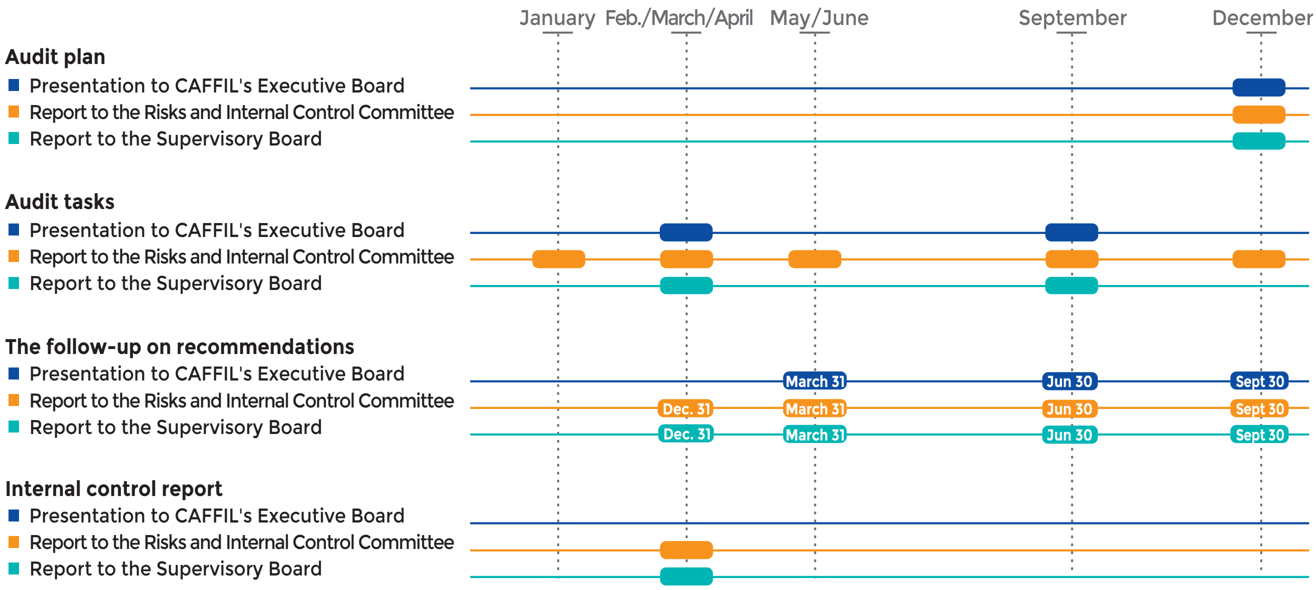
Missions	2022 Performance
Annual risk assessment Approach based on an identification of Sfil Group's strategic objectives then an independent examination of the main risks which could prevent these objectives being attained.	The consolidated risk mapping of the Sfil Group was prepared during the fourth 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 department. 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-year 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 the Risks and Internal Control Committee of Sfil. 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 refinancing); ● support processes (committee procedure, external communication, management of standards, management of IT projects); ● risk monitoring, including the risk of non-compliance excluding AML/CFT, risks related to internal models and information system security and the audit of essential outsourced services.
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 Chairmen of these committees, the Internal Audit division organized the holding of these committees and the monitoring of the actions decided in meetings. This responsibility will be transferred to the General Secretary of Sfil for 2024.	Five Sfil Risks and Internal Control Committees and six Sfil Accounts Committees were organized.

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

(1) *Institut français de l'audit et du contrôle interne (IFACI).*

Internal Audit division reporting

The supervision of the periodic control by the Board of Directors and Risks and Internal Control Committee of Sfil 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 Caffil are regularly informed of the results of the division's activities *via* the reports made to the Executive Committee of Sfil and the Executive Board of Caffil, which then reports to its Supervisory Board.



Specific Controller

The Specific Controller is responsible for ensuring that the Company respects its exclusive corporate purpose and prudential standards specific to *sociétés de crédit foncier*. The Specific Controller is a French professionally certified statutory auditor named by the Executive Board.

The Specific Controller performs controls pursuant to articles L.513-23 and L.513-24 and articles R.513-15 and R.513-16 of the French Monetary and Financial Code and CRBF Regulation No. 99-10. He conducts appropriate audits in cooperation with the Statutory Auditors and is completely independent *vis-à-vis* the Company's managers. He is also liable for the negative consequences of any error or negligence committed in the exercise of his functions. The Specific Controller has access to all information from management, internal control units and internal audit operating divisions. These divisions have been instructed to provide specified information in order to allow the Specific Controller to monitor the over-collateralization ratio, the nature of assets, interest rate risk management, the gap in the average life of assets and liabilities, coverage of cash needs over 180 days, and the coverage plan of privileged liabilities by the assets.

For every Caffil issue contract or on the basis of a quarterly issuance program, he affirms compliance with legal and regulatory standards concerning the over-collateralization ratio of the privileged liabilities by the assets, once the issue has been settled. The Specific Controller certifies that the documents the Company sends to the Autorité de contrôle prudentiel et de résolution meet legal and regulatory requirements for *sociétés de crédit foncier*. It also verifies the existence of the transfer and recovery plan for receivables containing the elements provided for by the regulations on an annual basis.

The Specific Controller submits an annual report on his activity to the Supervisory Board of Caffil, and a copy is addressed to the Autorité de contrôle prudentiel et de résolution.

Supervisors

Given its status as a *société de crédit foncier*, Caffil is subject to regular supervision and controls by the ACPR and the Banque de France.

2.10.2 Procedures for controlling accounting and financial publications

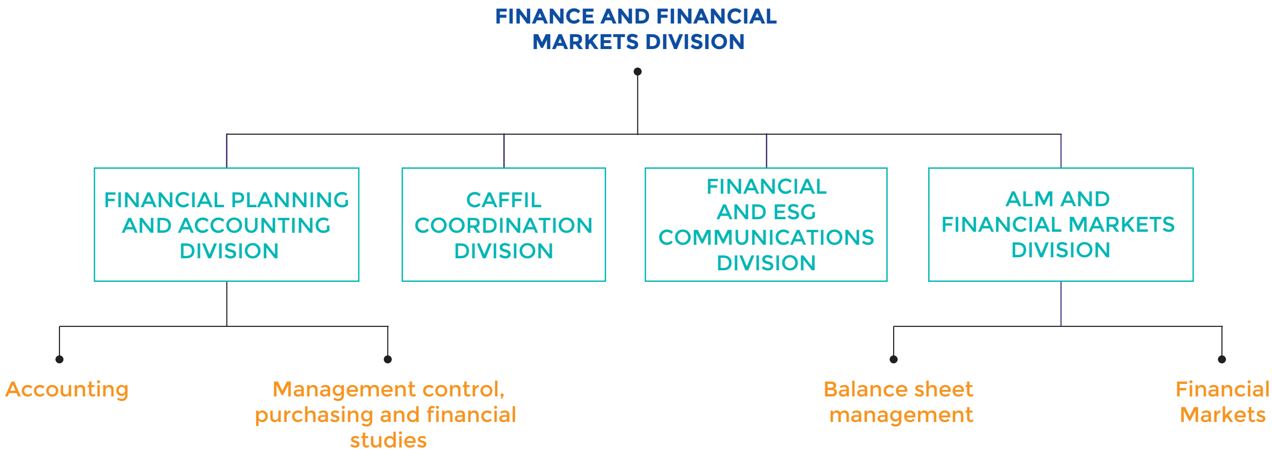
Financial statements

The main aim of the company's annual financial statements, and all the financial data produced by the Accounting department is to give a true and fair view of its assets, financial position and results. The *arrêté* of November 3, 2014 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

Accounting data for Caffil is produced by the Accounting division of Sfil, within the framework of the management agreement between the two companies.

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 is organized 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, through specific reviews. It also prepares the financial statements for publication for Sfil and Caffil. Finally, this team performs tax and regulatory reporting;
- 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 financial statements

The Group's accounting system enables the separate financial statements to be prepared and is in large measure automatically supplied by upstream management 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. 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 of control is conducted by accounting teams that are specialized by products, in particular by analyzing accounting/management data reconciliation, bank reconciliation and technical suspense accounts. Monthly comparisons with management outstandings and reconciliations of micro-hedges make it possible to ensure the correct retranscription of financial operations. These teams also reconcile the accounting data from net banking income with management data produced by separate teams. This cross-referencing is done at least once a quarter and consistency from one period to the next is verified using analytical controls. The main changes must be explained. Finally, these teams also prepare a synthetic memorandum on the work done, which points out areas that need attention and improvement for the processes to be used in future financial statements. 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. 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 annual and interim financial reports 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 a special review during production and in their final version by one of the members of the Executive Board of Caffil, responsible for overseeing this process.

The Executive Board of Caffil approves the annual and interim financial statements at a meeting attended by the two Statutory Auditors and the Accounting division. The principal issues in the period's management report are also examined on this occasion. These annual and interim financial statements are subject to an audit and a limited review by the Statutory Auditors.

The annual and interim financial reports are presented to the Group Financial Statements Committee. They are also presented by the Executive Board to the Supervisory Board and then to the Shareholders' Meeting.

Publication of the financial statements

This accounting and financial information is made public in several ways. In addition to the regulatory publications in the BALO, the Interim and Annual Financial Reports are made available to the public on the Company's website. Interim and Annual Financial Reports are also filed with the French Financial Markets Authority (AMF – Autorité des Marchés Financiers) directly or *via* the provider (Intrado) authorized by AMF.

Role of the Statutory Auditors

The Statutory Auditors comprise a panel of two Statutory Auditors, who are common to Sfil and Caffil.

The Statutory Auditors review the financial statements only on a yearly and half-yearly basis. They are consulted throughout the process of preparation of the financial statements in order to ensure efficiency and transparency.

As part of their due diligence, they analyze accounting procedures and evaluate current internal control systems to determine the nature of their controls following an assessment of the principal 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, the minutes of the meetings of the Executive Board and the Supervisory Board, and the accounting treatment notes or closing summary prepared by the Accounting division.

Their work also includes a review of all the agreements that are regulated. They provide an exhaustive and accurate summary of regulated agreements in the special report they submit at the end of their legal mission.

They employ due diligence to obtain reasonable assurance that financial statements are free from any material misstatement.

Management reporting

The interim and annual financial statements that Caffil provides to its shareholder and the public are supplemented by a management report. 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 Interim and Annual Financial Reports.

2.11 Management of the main risks

Sfil Group's risk appetite is defined by the General Management and Risks Committee of Sfil. It is approved by the Risks and Internal Control Committee of Sfil and ultimately approved by the Board of Directors of Sfil and the Supervisory Board of Caffil.

The risk appetite framework is formalized by indicators that are monitored quarterly by the Risks and Internal Control Committee of Sfil, 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 correcting information is provided.

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

Because the Company is an issuer of covered bonds, the risks authorized for Caffil are strictly selected and limited. A distinction has been made between risks that are compatible and not compatible with the legal and regulatory framework of *sociétés de crédit foncier* and with the specificities of Caffil's by-laws and official approval.

The criteria of the rating agencies define restrictions or limits for risks compatible with the Company's activity.

The general approach decided by the Executive Board of Caffil and applied in every Sfil division in charge of the operations concerned involves monitoring that:

- risks not compatible with the activity of Caffil are not taken by the Company or are eliminated from the start;
- risks compatible with the activity are maintained strictly within authorized limits;
- controls are carried out by the Risks division on the front and middle offices of Sfil. The results of the controls are reported to the Executive Board of Caffil and any anomalies discovered during such controls are reported to the Supervisory Board. Finally, these results are transmitted to the Specific Controller and the data is made available for his review.

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

- to identify, monitor, manage and measure risks using specific methods;
- to decide on limits to be implemented;
- to decide on delegations to assign to the front office teams;
- to decide on the amount of the provisions that are required;
- to inform the relevant committees regarding changes in these risks, proactively warning them that a limit or threshold has been exceeded.

Risk review

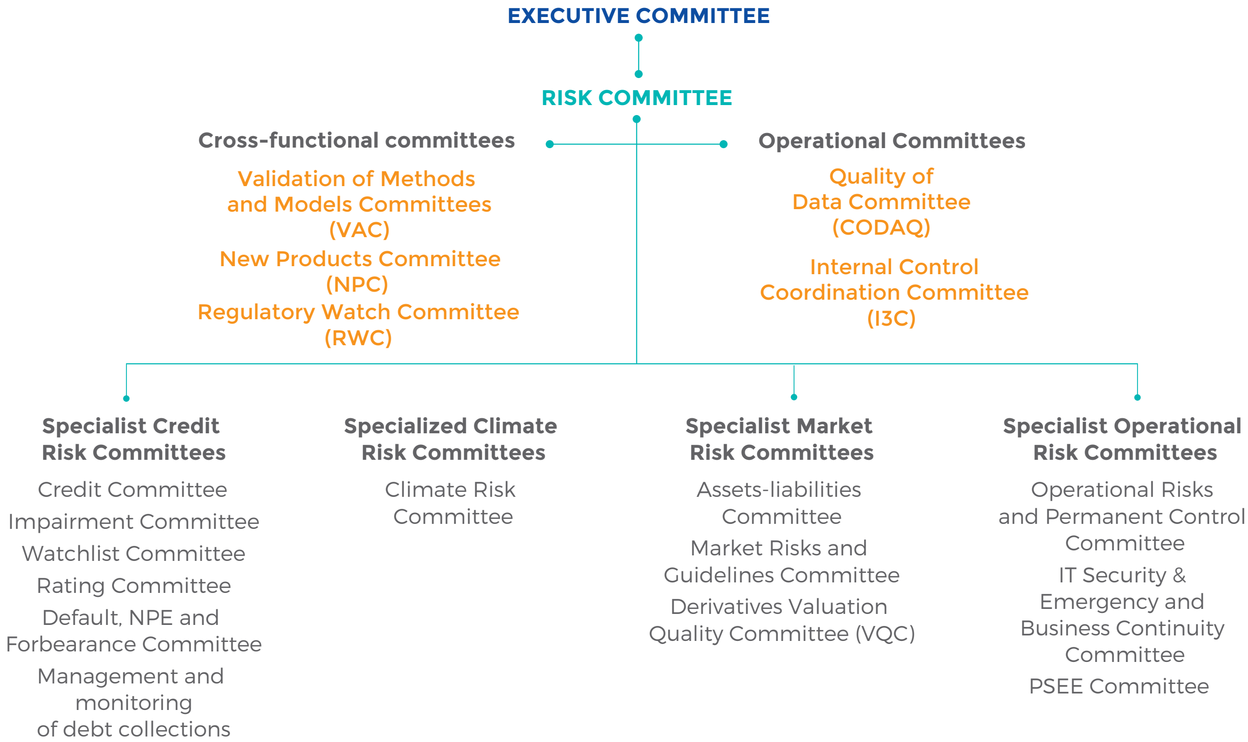
The Chief Risk Officer presents a "Quarterly Risks Review" to the Risks and Internal Control Committee of Sfil. This presents a summary of the main risks of the Sfil Group and their evolution during the past quarter as well as the regulatory changes during the quarter. Information specific to Caffil is presented by the Executive Board to the Supervisory Board.

Governance

All transactions are subject to the control of the various committees set up by Sfil. This control includes the specific rules and limits applicable to Caffil.

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 the General Management of Sfil to ensure compliance therewith.

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



The Chairman of the Executive Board of Caffil is a member of the Risks Committee and of the main committees mentioned above.

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 the Chief Executive Officer or Deputy Chief Executive Officer of Sfil. 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 responsible for examining any new product or management process or any transformation of a pre-existing product or process, insofar as it substantially changes the risk profile or internal processes. It also determines and assesses the risks of non-compliance connected to the creation or significant modification of products or services on the basis of the compliance report which is submitted to it. The Chief Risk Officer informs the Executive Committee of Sfil 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 the Sfil Group (internal audit, compliance and permanent control).

2.11.2 Main risks of Caffil

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:

- 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;
- management of the process of granting loans (new commitments and restructurings) through credit analysis and giving ratings;
- 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;
- 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] (loans and market transactions) and loan restructuring based on an independent analysis carried out by the Risks division,
  - monitors concentration limits and sets credit limits if they exceed certain pre-defined thresholds,
  - 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 **Provisions Committee** determines the amount, established in accordance with French Gaap, of the collective provision, the provision for residual legal risks and the provision for unwinding cross-currency basis swaps;
- 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.

In addition, as part of the asset acquisitions carried out by Caffil, controls on credit risks and the eligibility of assets to a *société de crédit foncier* are carried out at two successive levels:

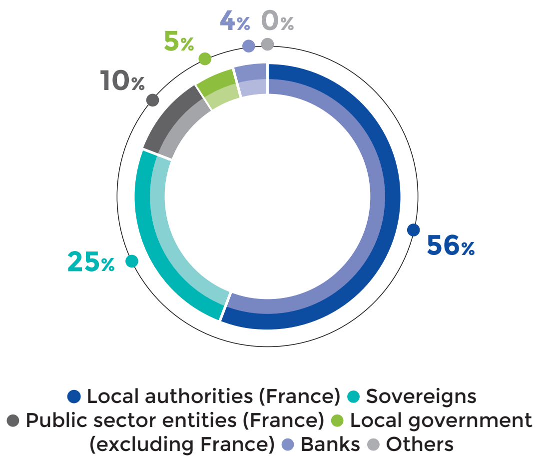
- before the origination of a loan, a preliminary analysis of the counterparty is carried out by the Credit Risks division and by the partners. The loans that do not meet the credit and eligibility criteria of Caffil cannot be transferred to its balance sheet. These eligibility criteria are strictly governed by internal management policies;
- in the case of the partnership with La Banque Postale, before each acquisition of loans by Caffil, a new analysis of loans is carried out. Caffil may then refuse any loan that no longer meets its criteria, before the transfer to its balance sheet;
- the back office carries out permanent daily checks on the outstandings.

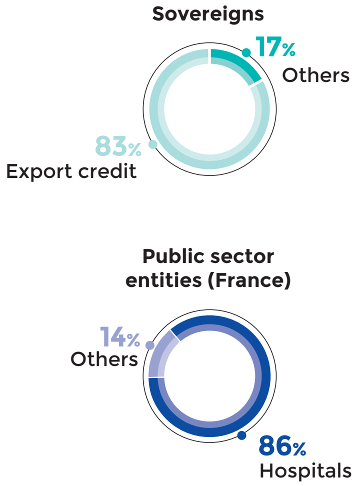
These controls are standardized by procedures.

The Specific Controller also carries out regular, detailed backtesting on the eligibility of Caffil's assets.

(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



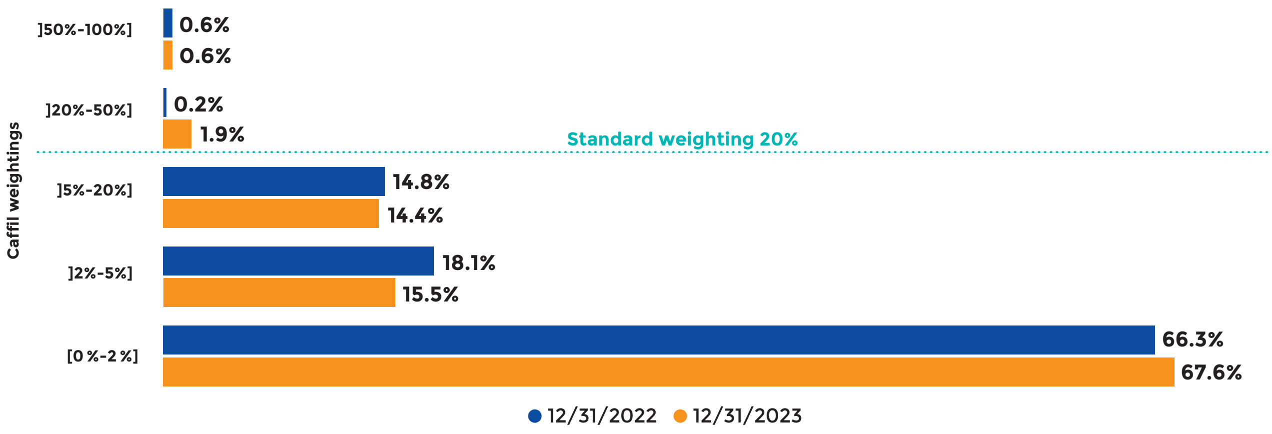


This breakdown represents exposure in the event of default, which takes into account the undrawn portion of loans granted. It therefore differs from that presented in section 2.2, which only presents the outstanding principal of loans in the balance sheet. It may be noted here that:

- 56% of these exposures are concentrated on French local government bodies (regions, departments, municipalities, groups of municipalities, etc.);
- 21% of the exposures result from export refinancing activity;
- 9% of the exposures concern the public hospital sector.

Breakdown of exposures by risk weighting

The quality of the portfolio is illustrated by the risk weighting assigned to assets for the calculation of the solvency ratio. This reflects the fact that for most of its outstandings, Caffil has opted for the advanced method of calculating regulatory equity requirements.



This confirmed the excellent quality of the assets in the portfolio:

- 83% of the portfolio has a risk weighting of 5% or less;
- 3% of the portfolio has a weighting greater than 20%.

The average risk weighting of the cover pool assets is 4.8%, *versus* 20% for European local authorities according to the Basel standard method. It was 4.5% at the end of the previous year.

Weighted exposure with respect to credit risk amounted to EUR 3,374 million. Including other risks, total weighted risks came to EUR 3,377 million.

Arrears, doubtful loans and provisions

Financial year	Non-technical arrears	Doubtful and litigious loans
12/31/2023	**EUR 2 million** *i.e.* 0.00% of assets	**EUR 147 million** (EUR 142 million of which is for loans without arrears)
12/31/2022	**EUR 4 million** *i.e.* 0.01% of assets	**EUR 112 million** (EUR 99 million of which is for loans without arrears)

As of December 31, 2023, non-technical arrears amounted to EUR 2 million and concerned only five clients in France. Non-technical arrears decreased by EUR 2 million in 2023, *i.e.* -50%. They were at their lowest level ever and represented 0.003% of assets.

As of December 31, 2023, doubtful and litigious loans amounted to EUR 147 million, or 0.19% of total assets. They were up slightly by EUR 35 million compared to December 31, 2022 (EUR 112 million). This increase is linked to the decision in 2023 to extend the scope of doubtful loans to exposures to clients during the probationary period (they are no longer in default but remain under surveillance).

Doubtful and litigious loans at the end of 2023 concern only French clients.

The total amount of provisions associated with balance sheet assets (loans or securities) or financing commitments amounted to EUR 21 million at December 31, 2023 and were stable compared to December 31, 2022.

EUR millions	12/31/2023	12/31/2022
Specific impairments	6	2
Collective impairments	15	19
TOTAL	**21**	**21**

As of December 31, 2023, the stock of specific provisions under French standards amounted to EUR 6 million. They were up compared to December 31, 2022, mainly due to the extension of the scope of doubtful loans to clients during the probationary period.

In addition, collective provisions are calculated on the various portfolios of assets and financing commitments. They amounted to EUR 15 million as of December 31, 2023 compared to EUR 19 million as of December 31, 2022. This change is mainly due to decisions taken during the year of entry to/exits from the scope of clients monitored on the credit watchlist.

Bank counterparty risk

Counterparty risk refers to the risk of loss on an exposure linked to the default of a counterparty. It depends on the amount of the exposure, the probability of default on the part of the counterparty, and the portion of the loan that cannot be recovered in the event of default.

Caffil holds two types of banking exposures:

- cash investments in the form of bonds (including covered bonds), current account deposits and occasionally loans to its parent company Sfil. These investments amounted to EUR 2.8 billion as at December 31, 2023 (see 2.2.2);
- derivative contracts, entered into within the framework of its management of interest rate and foreign exchange risks.

Derivative transactions are governed by ISDA or FBF (French Banking Federation) master agreements signed with major international banks, rated at least at the second credit quality stage by the rating agencies. These contracts must meet certain constraints imposed on *sociétés de crédit foncier* (and other issuers of covered bonds) by the rating agencies. Over the last few years, Caffil amended these contracts to take into account recent EMIR regulatory changes (signing of variation margin amendments). All interest rate and currency swaps concluded by Caffil benefit from the same legal privilege as *obligations foncières*. For this reason, Caffil does not pay its derivative counterparties any cash collateral (or variation margin), whereas Caffil does receive cash collateral from them, except for some which benefit from the agencies highest short-term rating.

By way of derogation from this principle, at the end of June 2022, a new derivatives agreement was concluded with Sfil to which was attached only the derivatives that cover the few assets that will be excluded from the cover pool on July 8, 2022 as part of the implementation of the Covered Bonds Directive. Since these derivatives will not benefit from the privilege of the law, the agreement provides for the possibility of exchanging collateral in both directions.

All derivative exposures as of December 31, 2023, are listed below.

EUR billions	Total notional	% of total notional	Mark to Market -	Mark to Market +	Collateral received	Collateral paid	Number of counterparties
Cover pool - external counterparties	76.6	83%	(1.3)	0.1	(0.1)	-	22
Cover pool - Sfil	15.4	17%	(1.4)	-	-	-	1
Outside of cover pool - Sfil	0.2	0%	(0.1)	-	-	0.1	-
TOTAL	**92.2**	**100%**	**(2.8)**	**0.1**	**(0.1)**	**0.1**	**23**

As of December 31, 2023, Caffil is exposed to seven bank counterparties, all of which pay cash collateral for a total amount of EUR 0.1 billion, which neutralizes the fair value of the derivatives entered into with Caffil.

The swaps signed with the five largest counterparties represented a total of 57% of notional amounts.

Climate and environmental risks

Definition of climate and environmental risks

Climate risk is composed of physical risk and transition risk. The physical climate risk 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 of local authorities or non-financial counterparties.

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

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 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 presented in summary form to the Sustainable Development Committee.

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

In addition, as part of the new Sustainable Development Committee set up in 2023, a group dedicated to climate risks and their impacts, managed by the Risks division, aims in particular to discuss work to detect, assess, monitor and manage climate and environmental risks.

Sfil Group 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 of Sfil, which validated a 2024 climate roadmapfor Sfil 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 the decarbonization trajectory 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, on the basis of studies already carried out since 2021, in 2023, Sfil Group 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) which 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 the transition risk intended to assess the local authority's transition challenges and drawn up on the basis of the various studies carried out to date;

ii) a score measuring acute and chronic physical risks based on various studies conducted to date.

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 the following risks: 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 deployment 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 2023 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;
- the definition of decarbonization targets by 2030 for portfolios of loans to the local public sector and certain sectors for export credit operations;
- participation in the EBA Fit for 55 stress test;
- the mapping of reputation risk related to ESG issues.

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. Caffil, as a *société de crédit foncier*, is not authorized to hold a trading or stocks investment portfolio and is therefore not exposed to regulatory market risks.

Certain positions or activities in the banking portfolio of Caffil, even if they do not carry any market risk in the regulatory sense of the term, are nevertheless sensitive to the volatility of market parameters and pose a risk to the accounting result or on equity; they are monitored for non-regulatory market risks. In French Gaap, this also concerns "placement" securities, the losses in value at approval date of which are provisioned.

Market risk governance and monitoring

Market risk monitoring is governed by the Market Risk and Guidelines Committee, which monitors:

- the valuation of provisions for investment securities under French Gaap;
- 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 the Market and Balance Sheet Risks division of Sfil.

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. The funding plan had to be adjusted several times in terms of both volume and maturity.

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 (Alco) Committee, with 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, decide the balance sheet risks management strategy. The Committee checks that it is correctly implemented through management indicator reviews;
- 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 responsible for managing balance sheet risks in compliance with the management limits defined for Sfil and Caffil and the regulatory framework. The principles of this management are described in the ALM management policies. The Market and Balance Sheet Risks division is in charge of defining the balance sheet risk management policy, calibrating and monitoring the limits on ALM indicators and performing second-level controls.

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.

Funding requirements and sources

Caffil's liquidity risk lies mainly in its inability to repay its privileged debts by the due date when there is too great a gap between the repayment rate of its assets and that of its privileged liabilities.

Liquidity needs are mainly threefold:

- the financing of the assets that cover the *obligations foncières* issued and the few assets held outside the cover pool;
- repayment of debts as they fall due;
- financing of the liquidity requirements related to compliance with regulatory ratios, specific *sociétés de crédit foncier* ratios and the constraints associated with compliance with rating agency methodologies used to meet a rating target.

The sources of funding used to meet these requirements, other than the entity's equity, are:

- debt benefiting from the legal privilege, *i.e. obligations foncières*, registered covered bonds and cash collateral received;
- refinancing arising from the financing agreement entered into with Sfil to cover the funding requirements related to Caffil's over-collateralization. It relates to the fact that Sfil is responsible for most of the funding requirement associated with Caffil's over-collateralization (the remainder being total equity).

In addition, Caffil has:

- liquid assets in the form of liquid Level 1, 2A or 2B securities and short-term exposures to credit institutions (including short-term deposits);
- a very large stock of assets eligible for European Central Bank refinancing *via* the Banque de France. Caffil 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.

Mobilizable assets as of December 31, 2023

EUR millions	(nominal value)
Central bank deposits	1,053
High Quality Liquid Assets (HQLA) - exposures to credit institutions	1,678
High Quality Liquid Assets (HQLA) - excluding exposures to credit institutions	2,498
Other eligible securities available at the central bank	923
Eligible private loans with central banks	34,456
TOTAL LIQUIDITY RESERVES	**40,608**

Liquidity risk management principles implemented by Caffil

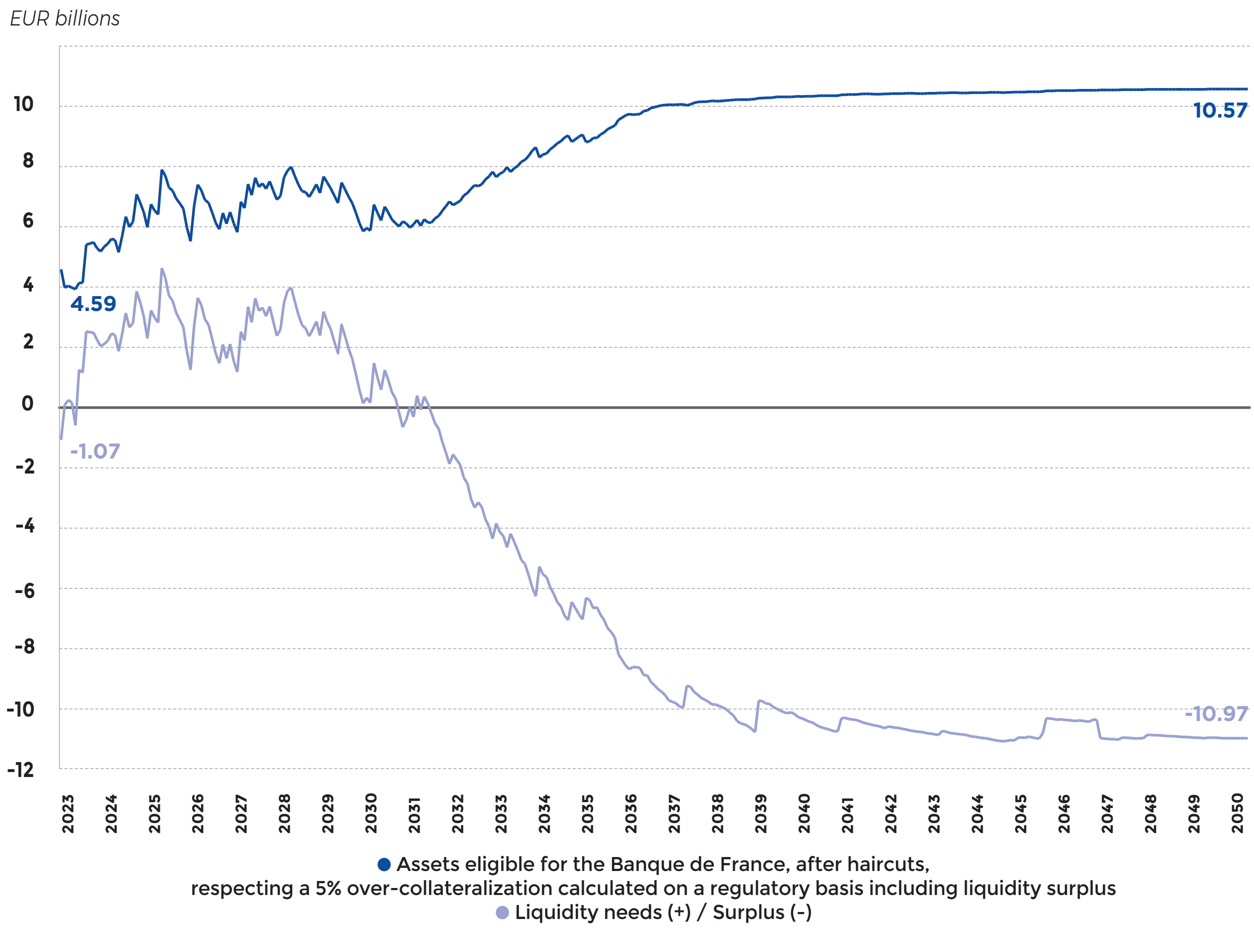
To control its liquidity risk, Caffil relies mainly on static, dynamic and stressed liquidity forecasts in order to ensure that the liquidity reserves at its disposal in the short and long term will be able to cope with its commitments.

The dynamic liquidity projections take into account business assumptions (new assets and new financing), under normal and stressed conditions, in order to ensure that the liquidity reserves at its disposal in the short and long term will be sufficient to cope with its commitments:

- under normal conditions, these forecasts aim to define the amounts and maturity of the various sources of financing that may be raised;
- under stressed conditions, these projections aim to assess the ability to resist a liquidity shock and to determine its survival horizon, which, consistent with its risk appetite, must remain longer than one year.

The aggregate maximum liquidity requirement that Caffil could face in the future in a run-off situation in which it was unable to issue new *obligations foncières* is lower than the maximum funding already occasionally obtained on a one-off basis from the central bank in the past. It is also lower than its refinancing potential with the Banque de France, measured by the amount of eligible assets after haircut that would be available while complying with the minimum over-collateralization required by the regulations.

The chart below shows the forecast aggregate liquidity requirement and the assets needed to cover this requirement:

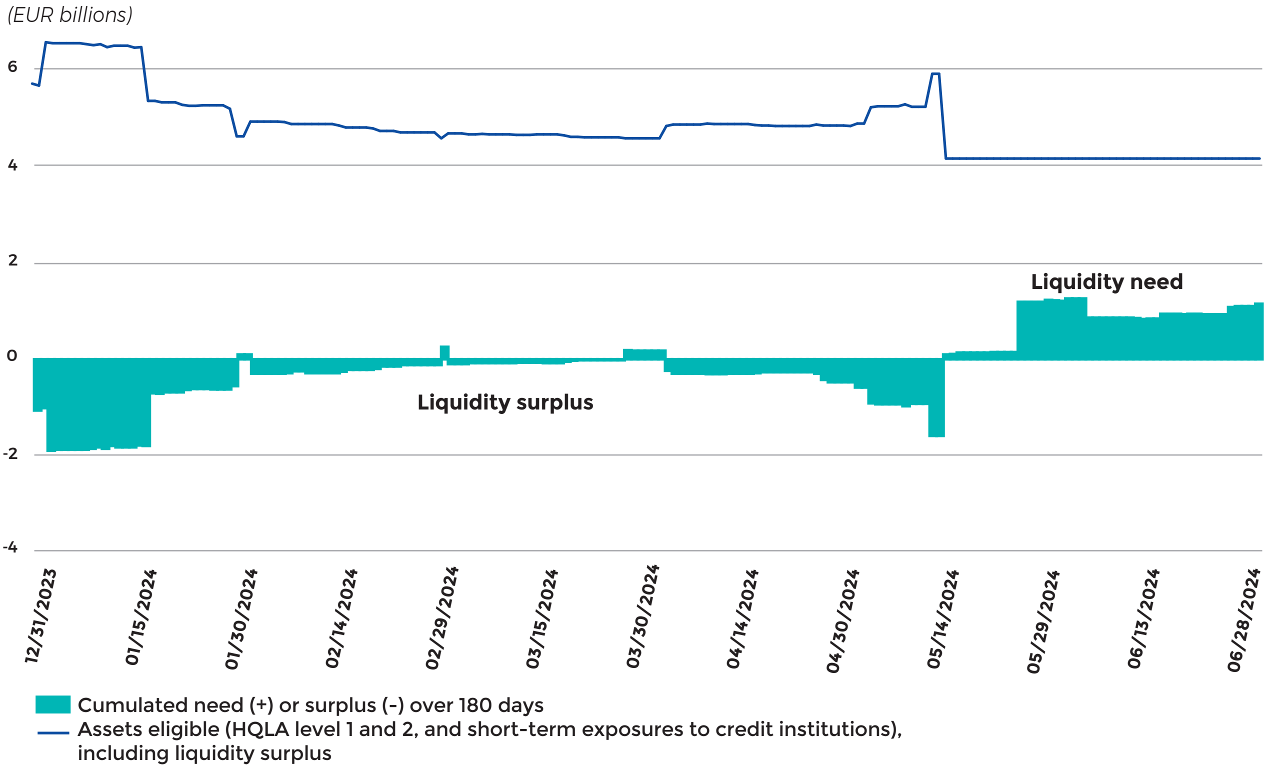


Caffil has its own autonomous, safe resources that enable it to cover its temporary liquidity needs, even in the event of the default of its parent company, since any legal proceedings engaged for the safeguard, bankruptcy or liquidation of its parent company cannot be extended to Caffil (article L.513-20 of the French Monetary and Financial Code).

In addition, Caffil manages its liquidity risk using the following indicators:

- ***the regulatory indicators specific to* sociétés de crédit foncier (SCF)*:***
  - the regulatory over-collateralization ratio: this represents the ratio between assets in the cover pool and debts benefiting from the legal privilege, and must be at least 105% (see section 2.7);
  - the maximum difference of 1.5 years between the average maturity of the privileged liabilities and that of the assets considered as pledged up to the minimum amount necessary to meet the regulatory over-collateralization ratio (see below concerning transformation risk);
- the projection of cash requirements over 180 days: Caffil ensures that at all times its net cash requirements over a period of 180 days, calculated in a situation of run-off, are hedged by high-quality liquid assets (level 1, 2A or 2B) and by short-term exposures to credit institutions (including short-term deposits) in the cover pool. Unsecured receivables deemed to be in default, in accordance with article 178 of the CRR Regulation, cannot be used to cover cash requirements. Cash needs include repayments of *obligations foncières* and registered covered bonds, debt not benefiting from the non-privileged debt and forecast repayments of cash collateral received, after deduction of received assets repayments. This projection is published quarterly in the asset quality report.

At December 31, 2023, the liquidity position at 180 days shows a cash surplus up to mid-May 2024 (with a maximum of EUR 1.9 billion at the beginning of January 2024) and a cash requirement over the rest of the period (with a maximum of EUR 1.3 billion at the end of May 2024). Over the period, liquidity needs are covered at all times by high-quality liquid assets (level 1, 2A or 2B) or by short-term exposures to credit institutions (see chart below). In addition, specific management measures (for example, the completion of a new bond issue or the use of central bank financing) may be taken to cover the needs.



- ***the regulatory liquidity indicators applicable to credit institutions pursuant to the CRR, relating to:***
  - the LCR (Liquidity Coverage Ratio): at December 31, 2023, LCR was 100%. A European delegated act modified the methods for calculating the LCR provided for in the CRR for issuers of covered bonds, in order to bring them into line with the new Covered Bonds Directive. As a result, since July 8, 2022, the LCR of issuers of covered bonds must continue to respect the minimum level of 100% but may no longer exceed it;
  - the Net Stable Funding Ratio (NSFR), a transformation ratio which compares with a one-year horizon, the proportion of available stable funding over required stable funding: as of December 31, 2022, NSFR was 112.5%.
- ***the internal liquidity indicators:***
  - the permanent steering of the over-collateralization ratio, which targets an over-collateralization level consistent with the Caffil's target rating;
  - the difference in duration between assets and liabilities benefiting from the legal privilege (limited to three years): this is published every quarter and came to 0.5 years as of December 31, 2023 (see the specific section on transformation risk below).
- ***the indicators on a consolidated level:***
  - the dynamic financing requirement over a one-year period, as well as the issuance conditions of Caffil;
  - the one-year survival horizon in stressed conditions;
  - management of the maturities of privileged liabilities;
  - the level of unencumbered assets mobilizable in the event of a liquidity crisis;
  - the sensitivity of the net present value of the static liquidity gap to an increase in the Group's funding costs;
  - the consumption of the spread and basis risk appetite for export credit transactions which measures the loss of income on these transactions which could result from stress on the funding costs in euros or foreign currency (USD or GBP).

Definition of the transformation risk contained in the specific components monitored in connection with liquidity risk

Transformation risk is part of liquidity risk. It corresponds to the differences in maturity between assets and the resources used to refinance them.

Caffil manages this risk using the following two indicators:

- duration gap;
- weighted average life gap.

Duration gap

The difference in maturity between assets and liabilities can lead to liquidity risk. As the interest rate risk is controlled (see below), Caffil ensures that the asset and liability maturities match by keeping the difference in duration between assets and liabilities benefiting from the legal privilege to three years or less.

Given the method used to hedge interest rate risk, assets and debts benefiting from the legal privilege are all generally recognized at floating rates after swaps. Caffil's balance sheet thus appears to have a single loan opposite a single borrowing. Durations are calculated as follows: sum of the periods, weighted by the cash flows and discounted at the zero coupon curve rate for the period (t), over the sum of cash flows discounted at the interest rate of the zero coupon curve for the period (t).

$$D = \sum_{t=1}^{T} [(t \times CFt) / (1 + st)^t] \Big/ \sum_{t=1}^{T} [(CFt) / (1 + st)^t]$$

The duration gap between the assets and the liabilities is closely monitored since it is sensitive to fluctuations in interest rates (discount effect) used to calculate the net present value and to significant changes in assets and liabilities.

The duration gap observed in practice remains under the three-year limit, as shown in the table below:

Duration *in years*	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Assets	6.04	5.93	6.24	6.08	6.11
Privileged liabilities	6.16	6.17	6.18	5.76	5.61
ASSET-LIABILITY DURATION GAP	**(0.12)**	**(0.24)**	**0.06**	**0.32**	**0.50**
Duration gap limit	3	3	3	3	3

If the duration only took into account assets eligible for over-collateralization, the duration gap with privileged liabilities would be almost identical.

Weighted average life gap

Changes in the gap in weighted average life can differ from the changes in the gap in duration over the same period, for the evolution in the duration gap is partly attributable to movements in the interest rate curve.

The weighted average life gap of the assets eligible for over-collateralization ratio and of privileged liabilities, as well as the weighted average life gap of all assets and privileged liabilities are presented below.

Weighted average life *in years*	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Assets eligible for the coverage ratio	6.87	6.74	7.01	6.88	6.79
Privileged liabilities	6.92	6.88	6.85	6.38	6.15
GAP IN ASSET ELIGIBLE FOR THE COVERAGE RATIO-LIABILITY WEIGHTED AVERAGE LIFE	**(0.05)**	**(0.14)**	**0.16**	**0.50**	**0.64**
Weighted average life gap	1.5	1.5	1.5	1.5	1.5

Weighted average life *in years*	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Assets	6.86	6.73	7.00	6.87	6.78
Privileged liabilities	6.92	6.88	6.85	6.38	6.15
GAP IN ASSET-LIABILITY WEIGHTED AVERAGE LIFE	**(0.06)**	**(0.15)**	**0.15**	**0.49**	**0.63**

Regulatory limit

Current regulations impose a limit of one-and-a-half year on the weighted average life gap between assets eligible for over-collateralization and privileged liabilities. Caffil complies with this limit.

Interest rate risk

Definition

Interest rate structural risk is defined as the risk of loss incurred in the event of a change in interest rates that would lead to a loss in value of balance sheet and off-balance sheet transactions, excluding any trading portfolio transactions. As Caffil does not hold a trading book, it is not affected by this last exception.

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 fixing dates applied to all the variable rate balance sheet and off-balance sheet items linked to the same index tenor.
Option risk	Arises from the triggering of implicit or explicit options due to a change in interest rates, or the possibility given to the institution or its customer to change the level and/or timing of cash flows of an operation.

Hedging Strategy

Caffil has defined a fixed-rate risk appetite, which is broken down into a system of limits governing the sensitivity of the net present value. In order to manage this sensitivity within the limits set, Caffil has implemented the following hedging strategy:

- micro-hedging of interest rate risk on balance sheet items denominated in a currency other than the euro or indexed to a complex interest rate structure. Certain euro-denominated vanilla transactions may also be micro-hedged if their notional value or duration could lead to a sensitivity limit being exceeded. Micro-hedging is carried out exclusively by 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 €STER (previously against EURIBOR).

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 €STER may be entered into to hedge the fixing risk.

These hedges can be entered into either directly on the market, or through Sfil, which in turn hedges its resulting position in the market.

Non-privileged debt is not hedged. The debts contracted by Caffil with its shareholder to finance the over-collateralization are borrowed either directly with a €STER index and do not need to be swapped, or with a EURIBOR index and then finance assets also indexed to EURIBOR. Where applicable, short-term and fixed-rate debts to the Banque de France are not hedged, but also finance fixed-rate assets.

These different kinds of interest rate risks are analyzed and managed through:

- monitoring of fixed-rate, index and fixing gaps, calculated using a static approach:

Fixed rate gap	Difference between balance sheet and off-balance sheet assets and liabilities for fixed-rate transactions or transactions for which the rate has been set. It is calculated every month until balance sheet run-off.
Index gap	Difference between balance sheet and off-balance sheet assets and liabilities for a given index tenor that has not yet been fixed. This gap is calculated every month until balance sheet run-off.
Fixing gap	Difference between balance sheet and off-balance sheet assets and liabilities for a given index tenor that has not yet been fixed.

Assets portfolios for which the strategy is to be entirely hedged are not sensitive to interest rates changes and thus are not integrated in the calculation of the global sensitivity of Caffil's balance sheet:

- the monthly production of net present value sensitivity indicators;
- the measurement of this risk is equal to the maximum loss in net present value observed compared to eight different interest rate scenarios. These eight scenarios correspond to the six scenarios used for calculating the regulatory "outlier" ratio, to which are added two additional internal scenarios based on historical variations in rates. Unlike regulatory ratios, equity is taken into account in the calculation of these indicators.

The maximum loss observed at the end of the quarter among the eight scenarios used is presented below:

EUR millions	Limit	12/31/2022 *(pro forma)*	3/31/2023	6/30/2023	9/30/2023	12/31/2023
Maximum loss observed in NPV	(80)	(21.1)	(23.5)	(24.6)	(9.2)	(13.9)

Foreign exchange risk

Definition

The 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. The reference currency of Caffil is the euro. The foreign exchange risk reflects a change in the value of assets and liabilities denominated in a currency other than the euro because of fluctuations of this same currency *vis-à-vis* the euro.

Hedging Strategy

Caffil's foreign exchange risk management policy is to incur no foreign exchange risk: it enters into cross-currency swaps against the euro for its issues and assets denominated in foreign currency, on initial recognition at the latest and until their final maturity, thereby ensuring that these balance sheet items' principal and interest rates are hedged. Floating rate exposures in euros generated by this management policy are incorporated into interest rate risk management.

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

Nonetheless, certain loans to refinance large export credits denominated in foreign currency may cause a very limited temporary foreign exchange risk during their drawing phase in case of a shift between effective drawing dates and those initially scheduled and hedged. This residual risk is controlled by a very low sensitivity limit on the euro/currency basis, calculated over the life of the loans.

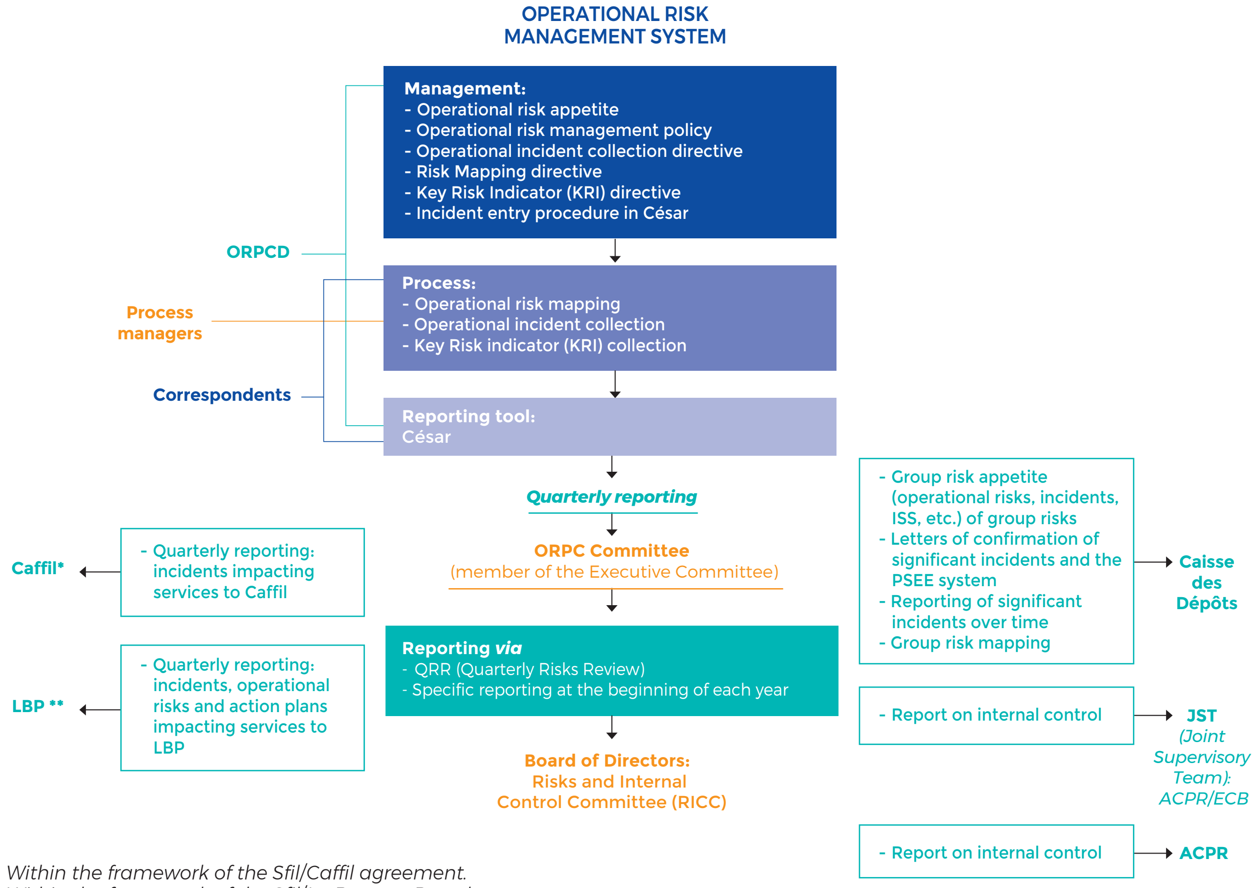
Operational risk

Definition

The Sfil Group defines operational risk as the risk of loss arising from an inadequacy or failure in the processes, personnel and internal systems or from external events including the legal risk. It includes model risks but excludes strategic risks.

The operational risk management processes apply to all divisions, activities and processes of Sfil and Caffil.

Organization and governance



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

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, which is made up of seven employees and a manager.

The management of operational risks and permanent control is organized around three committees:

- the Operational Risks Management and Permanent Control Committee (ROCP), whose role is to:
  - examine the main risks identified following (i) the update of the risk mapping, (ii) the occurrence of an incident, (iii) the permanent control campaigns, (iv) the management of business continuity, (v) information security management, then to 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 IT Security Committee (ISS) and the Recovery and Business Continuity Plan (RBCP), whose role is to monitor the implementation of the IT security policy, the physical security policy and the recovery and business continuity plan as well as the directives and procedures in force, and to arbitrate the problems or alerts that arise from them;
- 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.

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

Measurement and management of operational risk excluding non-compliance risk

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 at the consolidated level as of December 31, 2023.

The Sfil Group's policy for measuring and managing operational risks, excluding 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 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	3 incidents in 2023 impacting the service provided by Sfil to Caffil, resulting in losses above the collection threshold (EUR 10,000) and whose financial impacts in 2023 are limited.
Operational risk identification and assessment	100% of Sfil/Caffil processes have been subject to operational risk mapping (see following section on the identification of operational risks). As part of the overhaul of the internal control system that began 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 (RTR) and presentation to the Risks and Internal Control Committee (CRCI) and to the Supervisory Board of Caffil. Monitoring by the Executive Committee of Sfil 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 of information 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.
Reporting to the Executive Board	Presentation of its annual report by the Operational Risks and Permanent Control division.
Reporting to the Supervisory Board	Feedback by the Executive Board of operational incidents impacting that Sfil renders services to Caffil based on quarterly risk reviews and/or specific reports.

Operational incident collection

Sfil Group has defined an operational incident and loss collection process governed by guidelines and procedures. This process allows Sfil Group to comply with regulatory requirements and 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. Preventative or corrective actions are implemented depending on the outcome of the incident analysis.

Operational risk identification and assessment

An operational risk map is drawn up and regularly updated for each Sfil Group 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.

Monitoring of 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 risk 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 the operating divisions of Sfil. These provisions are intended to protect information against any threat that could affect its confidentiality, integrity or availability. It comprises operational rules, procedures, and operating processes, determined in collaboration with the Technology and Organization division. This set of measures is subject to regular controls, especially regarding authorizations to access the IT applications and systems of Sfil and regarding the respect of IT security rules.

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.

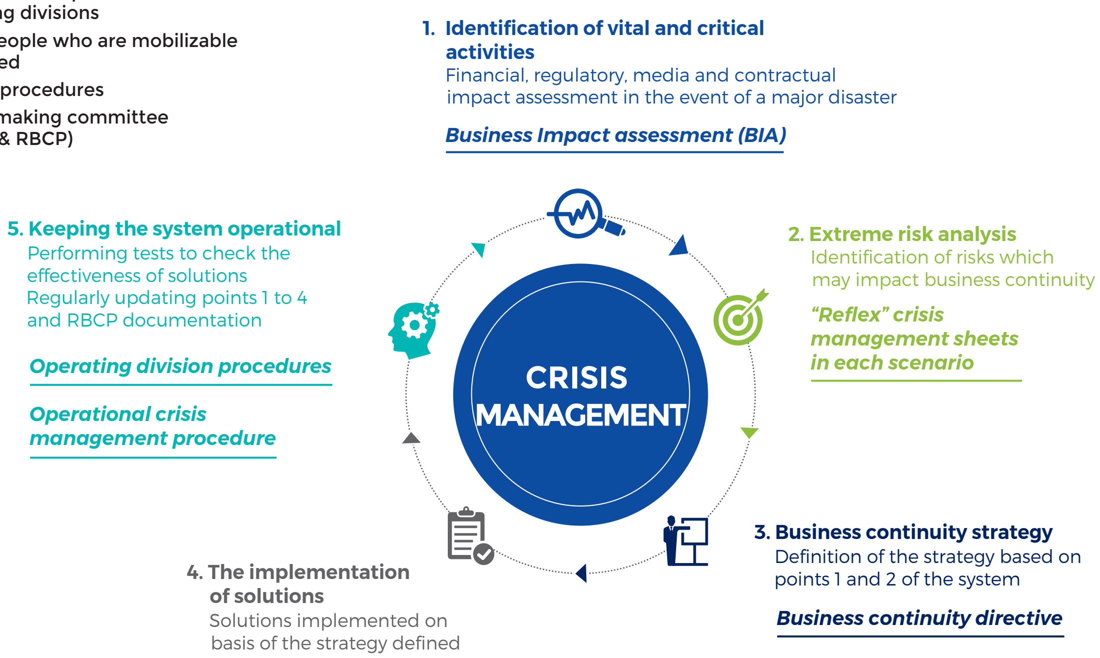
In 2023, the Sfil Group also deployed micro-segmentation on its internal network to isolate the production IT system from the non-production IT system, and to isolate the Swift IT system from the rest of the IT system.

Business continuity and crisis management

The Sfil Group has developed a Recovery and Business Continuity Plan (RBCP). It covers all the measures and procedures aimed at maintaining the provision of services or other essential operational tasks performed by Sfil (and in particular for Caffil), temporarily and if necessary in a downgraded mode.

This system has five key parts and a specific governance:

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



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

Operational risk insurance

The Sfil Group has standard operating liability insurance and loss insurance, comprehensive IT equipment and premises insurance. It also has insurance to cover the liability of its corporate officers, professional liability and fraud. The insurance program covers Sfil and Caffil.

Security of resources

Caffil does not provide its customerswith any means of payment and is not exposed to operational risks in this area.

Non-compliance risk

Definition

Non-compliance risk is defined in article 10 p) of the *arrêté* of November 3, 2014, as amended as the risk of legal, administrative or disciplinary sanction, significant financial loss or damage to reputation resulting from failure to respect the provisions directly applicable to banking and financial activities, irrespective of whether they are legislative or regulatory, national or European and irrespective of whether it concerns professional and ethical standards or instructions from effective managers taken pursuant to guidelines from the supervisory body.

Reputational risk is the risk of damage to the trust in the 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 the Sfil Group are organized into two major categories: regulatory non-compliance risks and risks in terms of financial security.

Regulatory non-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/CFT	Sanctions, asset freezes and embargoes	Export rules

The non-compliance risk management processes apply to all the Sfil Group's departments, 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, puts in place, supervises the compliance system and sees to it that it is respected.

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-CFT/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 the Executive Committee of Sfil. 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.

A report on the compliance system is prepared and submitted to the governing bodies of Sfil and Caffil.

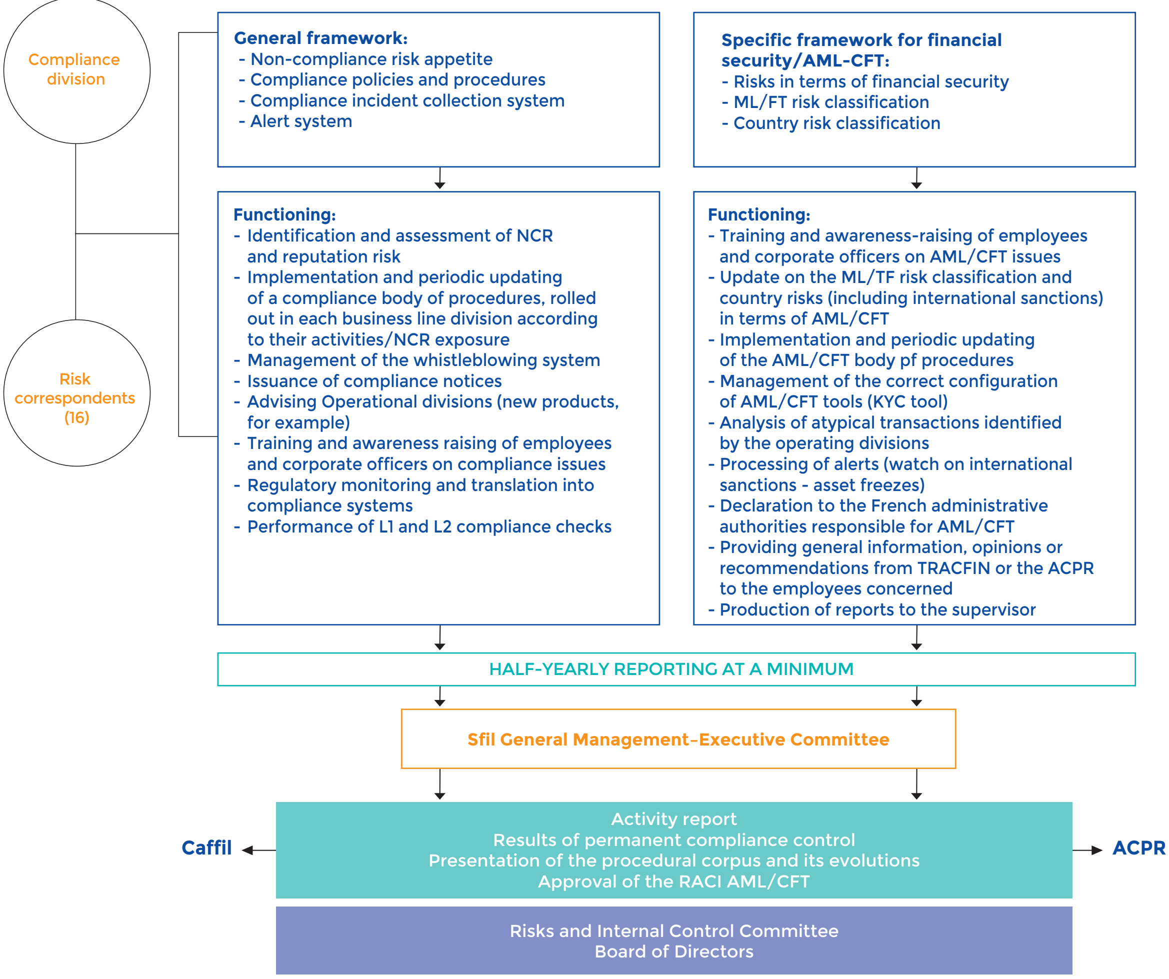
Thus, the General Secretary presents to Sfil's Executive Committee on which the Sfil effective managers sit, and to Sfil's Risks and Internal Control Committee, as well as to the Executive Board of Caffil, a half-yearly activity report and progress on the compliance action plans. The results of permanent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

During the meetings of Sfil's Executive Committee and Caffil's Executive Board, the effective managers evaluate the relevance of the controls, decide on any improvements to be implemented and more generally make a final decision on the main issues related to the compliance system. The other members of Sfil's Executive Committee are responsible for steering the management of non-compliance risks and the first level controls on their scope of responsibility, while remaining consistent with Sfil Group's Risk Appetite Statement. They monitor the implementation of compliance action plans.

The Board of Directors of Sfil and the Supervisory Board of Caffil, through the Risks and Internal Control Committee of Sfil, examine the results of the Compliance division's activity, the result of the compliance controls and the progress of the action plans aimed at correcting the discrepancies noted. They are informed of major compliance issues that impact the compliance system of Sfil, 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 consistent with the Sfil Group's risk appetite. This is defined by General management and approved by Sfil's Risks and Internal Control Committee and *in fine* by the Board of Directors of Sfil and the Supervisory Board of Caffil. 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 Group's policy for measuring and managing non-compliance risk, consists of regularly identifying and assessing its risk exposure and the existing mitigation and control systems to establish whether or not the level of residual risk is acceptable. This policy is divided into four main processes:

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

Implementation of the compliance system

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

- in terms of financial security/AML-CFT, 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-CFT/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/CFT 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/CFT 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 management role, relying increasingly on the permanent control actions of the first line of defense. The change in permanent controls in 2023 was also carried out 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 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.

The monitoring of legal risks focuses on the prevention of lawsuits, the anticipation of legal developments and the respect of governance principles.

The legal risk control is carried out 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 Caffil and their governance.

These three divisions report to the General Secretary, a member of Sfil's Executive Committee, which validates the legal strategies implemented.

Their main missions are:

- 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 (policies, 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 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;
- insurance management (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 contribute to the work of various committees:

- within the framework of its Regulatory Watch Committee, they provide information on the principles underlying legal and regulatory provisions that affect the operations of Sfil and Caffil and their governance;
- within the New Products Committee, the two Legal divisions advise, as necessary, on the cases presented to them;
- the Financing Legal division analyzes the legal risks associated with the cases presented for the Credit Committee; it is associated with the processing of risk or doubtful credit files;
- as part of the weekly Financial Markets Committee, the Financial Markets Legal division presents its analyses of legislative and regulatory texts that impact the bank's capital markets activities and communicates on ongoing contract negotiations;
- 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.

The two Legal divisions also participate in formulating the comments made as part of the audit and internal control operations.

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

As of December 31, 2023, there were five borrowers who had brought suit for non-material amounts.

As of December 31, 2023, to Caffil's knowledge, there were no lawsuits or disputes considered significant between Caffil and its borrowers.

Tax risk

The Accounting division of Sfil is responsible for tax declarations for Caffil and may contact the General Secretary of Sfil 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 as at December 31, 2023.

2.12 Additional information

2.12.1 Payment terms

Pursuant to articles L.441-14 and D.441-6 of the French Commercial Code, Caffil publishes an annual breakdown of the balance of its trade payables by due date.

Caffil has a very limited number of direct suppliers, since its management is contractually entrusted to its parent company, in accordance with article L.513-15 of the French Monetary and Financial Code.

Caffil usually settles its bills as soon as they are recorded, and the balance of amounts owed to suppliers is theoretically always zero. The breakdown of arrears on invoices due at the end of 2023 is as follows:

	Invoices received and not paid at the financial year reporting date whose term has expired					
	0 days (for information)	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	-	-	-	-	-	-
Total amount of invoices concerned excl. VAT *EUR thousands*	-	-	-	-	-	-
Percentage of the total amount of purchases excl. VAT in the financial year	-	-	-	-	-	-
(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: legal or contractual, generally 45 days.
Bank and related transactions are not included in the information on payment terms.

2.12.2 Research and development

Pursuant to the provisions of article L.232-1 of the French Commercial Code, it is specified that Caffil does not carry out any research and development activities.

2.12.3 Non-tax deductible charges and expenses

In accordance with article 223 (4) of the French General Tax Code, no non-deductible expense or charge referred to in article 39-4 of the French General Tax Code was made by the Company during the financial year.

The general operating expenses considered non-deductible following a final tax assessment (article 223 (5), articles 39-5 and 54 (4) of the French General Tax Code) are zero.

2.12.4 Social, environmental and societal information

Caffil is not subject to the provisions relating to non-financial information.

Social, environmental and societal information on Sfil, the parent company of Caffil, is presented in its Annual Financial Report and on its website.

Sfil Group prepares a sustainabilityreport each year that includes the activities of Caffil. This is available on the Sfil website.

2.12.5 Table of results during the last five financial years

Financial position	2019	2020	2021	2022	2023
Share capital *EUR millions*	1,350	1,350	1,350	1,350	1,350
Number of shares	13,500,000	13,500,000	13,500,000	13,500,000	13,500,000
RESULTS OF OPERATIONS *EUR millions*					
Revenues[(1)]	423	326	371	676	1,912
Net income before income tax, amortization, depreciation and contingencies net of reversals	32	68	80	101	68
Income tax	(6)	(19)	(28)	(24)	(11)
Income after income tax expense, amortization, depreciation and contingencies net of reversals	46	59	81	88	66
Exceptional distribution	-	-	-	-	-
Dividend distributed[(2)]	45	49	85	84	63
PER SHARE DATA *EUR millions*					
Revenues[(1)]	31.36	24.12	27.47	50.09	141.65
Net income before income tax, amortization, depreciation and contingencies net of reversals	2.84	6.44	7.98	9.24	5.85
Income tax	(0.45)	(1.43)	(2.04)	(1.75)	(0.80)
Income after income tax expense, amortization, depreciation and contingencies net of reversals	3.40	4.34	6.02	6.52	4.91
Exceptional distribution	-	-	-	-	-
Dividend distributed[(2)]	3.35	3.60	6.32	6.19	4.67

(1) Revenue comprises the following items:
- *interest income, net of macro-hedging expenses;*
- *commissions received;*
- *net income from foreign exchange transactions;*
- *other operating income.*

(2) Proposed dividend distribution in 2024 for the 2023 financial year.

2.12.6 Shareholders' Meeting of May 29, 2024

Composition of the Supervisory Board

It will be proposed to:

- ratify the Supervisory Board's decision of February 15, 2024 to co-opt Ms. Cécile Degove as a member of the Supervisory Board, to replace Ms. Béatrice Gosserez, 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;
- renew the term of office of Cécile Degove as a member of the Supervisory Board for a term of four years, i.e. up to the end of the Shareholders' Meeting called to approve the financial statements for the financial year ending on December 31, 2027.

03

Report on corporate governance

Report Corporate governance

03

This report of the Supervisory Board on corporate governance presented in accordance with articles L.225-68, 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 activity in 2023, its composition, the conditions for the preparation and organization of the Board and its 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 corporate officers, the diversity policy applied to the members of the Supervisory Board and information on the elements likely to have an impact in the event of a takeover bid or public offer.

For the preparation of this report, Caffil refers to:

- the French Commercial Code, as a commercial company;
- the French Monetary and Financial Code, as a credit institution;
- the relevant European regulations for credit institutions;
- the governance provisions adopted by its parent company Sfil, which opted to refer to the Afep-Medef Code of governance as a reference for the Sfil Group.

This report was drawn up by the Supervisory Board of Caffil which gathered the appropriate information from its Executive Board and the General Secretariat of Sfil.

As a reminder, Caffil's operational structure and organization are restricted by its status as a *société de crédit foncier*. It is a legally independent company with its own Supervisory Board and Executive Board. However, in order to preserve the privilege enjoyed by holders of *obligations foncières* and other privileged debt securities, the law stipulates that a *société de crédit foncier* is not allowed to employ staff directly and must entrust the management of all its operations to a credit institution with which it signs an agreement (article L.513-15 of the French Monetary and Financial Code). This is because employees would have a priority that would supersede any other claim in the event of bankruptcy or liquidation, whereas the management agreement benefits from the legal privilege on *sociétés de crédit foncier* with the holders of *obligations foncières* and other privileged debt securities. Caffil has entrusted the management of its operations to Sfil, since January 31, 2013.

All items presented are as of December 31, 2023, unless indicated otherwise.

3.1 Governance

Caffil is a limited liability company with an Executive Board and a Supervisory Board (*société anonyme à directoire et conseil de surveillance*), governed by the provisions of articles L.210-1 *et seq.* of the French Commercial Code. Its activity is governed by articles L.511-1 *et seq.* (credit institutions) and L.513-2 *et seq.* (*sociétés de crédit foncier*) of the French Monetary and Financial Code.

As the French Monetary and Financial Code authorizes an entity to refer to the Governance, Appointments and CSR Committee and the Compensation Committee of its parent company for the definition of its appointment and compensation policy, the Supervisory Board of Caffil has decided not to create a specific committee at its level and to rely on those of Sfil. Similarly, Sfil's Financial Statements Committee, on the one hand, and Sfil's Risks and Internal Control Committee, on the other hand, deal with issues concerning Caffil. The documents presenting these issues are included in the files presented to the Supervisory Board, which is also briefed on these committees' discussions when they are related to the Company.

In terms of governance, Caffil implements the recommendations of the Afep/Medef Code, to which its parent company refers, which are applicable to it as a *société de crédit foncier* whose shares are not listed. The representation of women and men is balanced on the Supervisory Board but is no longer balanced at the level of the Executive Board and should be reviewed at the time of a future appointment. The composition of the Supervisory Board reflects the Company's business activity in terms of skills, training and professional experience. The Board's members are experts in the main areas of activity of the *société de crédit foncier*. In 2023, the members of the Supervisory Board and the Executive Board benefited from training sessions on export credit, cybercrime and the cloud IS, regulations related to sustainable development as well as on the AML-CFT system.

In addition, Caffil has a succession plan for corporate officers.

The main differences between the Company's governance and the provisions of the Afep-Medef Code are as follows:

Code recommendations	Comments
Recommendation 8 - Gender diversity policy within governing bodies	During the last changes within the Executive Board, the gender balance was upset with the replacement of a man by a woman. This choice based on the skills sought will lead to a rebalancing at a future appointment.
Recommendation 10.3 - Presence of at least one-third of independent members on the Supervisory Board	The absence of independent members on the Supervisory Board is the result of a choice by Sfil, shareholder of Caffil, Caisse des Dépôts and the French State, shareholders of Sfil, given the status and role assigned to Caffil within the Sfil Group. However, the specialized committees (Risks and Internal Control Committee, Financial Statements Committee, Governance, Appointments and CSR Committee and Compensation Committee) of the Board of Directors of Sfil, which also act on behalf of Caffil and report to the Supervisory Board of Caffil, include independent members.
Recommendation 12.3 - Meetings of a Supervisory Board at least once a year without the presence of executive corporate officers	The possibility of holding an annual executive session at the end of one of the Supervisory Board meetings is included in the Supervisory Board's internal rules and remains optional (not used in 2023). A Risks and Internal Control Committee is organized without the presence of General management in order to review the entire Sfil Group's internal control system.
Recommendation 15.2 - Staggering of terms of office	The renewal of the Supervisory Board as a whole (with the exception of one member) results from the Company's history and the stability of the number of members.
Recommendation 24 - Number of shares held by Supervisory Board members	This provision is not applicable for Caffil, whose shareholding structure is described above (100% owned and controlled by Sfil, its parent company) and whose shares are not listed.

3

3.1.1 Supervisory Board

Key figures of the Supervisory Board

Number of members	Independence	Women	Average age	Average seniority	Meetings in 2023	Attendance rate
5	0	40%	54 years	9 years and 2 months	6	100%

The role of the Supervisory Board

The Supervisory Board exercises permanent control over the Executive Board's management of the Company. The Shareholders' Meeting appoints the Supervisory Board's members for four-year terms, on the basis of their qualifications and potential contribution to the Company. Sfil's Governance, Appointments and CSR Committee examines a comparison chart and file identifying the key skills the Board is seeking, for each appointment. Although this is an individual assessment, it also considers the Board's collective expertise. The appointments are approved by the European supervisor through the Fit & Proper analysis. Sfil's Governance, Appointments and CSR Committee also took note of the absence of an independent member within the Supervisory Board.

The Supervisory Board meets at least once a quarter, with both Statutory Auditors and the Company's Specific Controller in attendance. The Board met six times during the 2023 financial year. The members' attendance rate was 100% (individual rates are given below). The Chairman of the Supervisory Board or of the Executive Board informs the Board's members of meeting agendas, allowing enough time before the meetings take place for them to review the items for discussion, and provides a file containing the memos or documents relating to said items. The files containing the information and documents sent to the Board enable it to form a clear, reliable and comprehensive view of the Company's situation, profitability and development. At the Supervisory Board Meetings, the Executive Board reviews and comments on the agenda items, using summary presentations where appropriate. The Supervisory Board issues opinions on strategic choices, makes recommendations and, where appropriate, commissions *ad hoc* studies, which are reviewed at subsequent meetings.

The main tasks of the Supervisory Board	Specific work carried out in 2023
• appoint the members of the Executive Board and co-opt the members of the Supervisory Board after a favorable opinion from the Governance, Appointments and CSR Committee of Sfil; • establish a succession plan to prepare and organize changes to the corporate officers; • examine the system of governance; • prepare the governance report; • ensure that effective policies to prevent and manage conflicts of interest exist; • propose the appointment of the Statutory Auditors to the Shareholders' Meeting, after a favorable opinion from the Financial Statements Committee of Sfil.	• appointment of a member of the Executive Board to replace a member who resigned; • appointment of the Chairman of the Executive Board and the Chief Executive Officer; • appointment of the effective directors in charge of implementing the AML-CFT system, permanent control and periodic control; • approval of the update of the Supervisory Board's internal rules; • approval of the updated policy for assessing the suitability of members of the management bodies and key function holders; • annual update on the operation of the Supervisory Board; • preparation of the annual report on governance; • official notice of the Ordinary and Extraordinary Annual Shareholders' Meeting (with proposal to renew the terms of office of the Statutory Auditors and transfer of the registered office).
• authorize the Company's agreements.	• update of the management agreement and the Service Level Agreement between Sfil and Caffil; • updates of the loan assignment agreement between La Banque Postale, Sfil and Caffil; • amendment of the master refinancing agreement between Caffil and Sfil; • approval of the change of service plan;
• monitor the compliance with internal control obligations; • examine the results and activity of internal control; • ensure the existence of an adequate organizational framework for the management of AML-CFT and IT security risks.	• approval of the internal control report, including the AML-CFT internal control report; • followed-up the half-yearly Internal Audit and Compliance reports; • followed-up inspections by supervisors and the responses to their recommendations; • approval of the outsourcing policy; • approval of the 2023-2026 audit plan.
• define risk appetite; • regularly examine the Company's opportunities and risks especially in the financial, legal, social and environmental sectors and the measures taken as a result; • define the terms and frequency for communicating information on compliance with risk limits to it; • approve the overall risk limits which are fixed and reviewed at least once a year by the Executive Board; • regularly examine the Company's policies; • ensure the implementation of compliance policies.	• validation of Caffil's Risk appetite and the relevant aspects of the ICAAP, ILAAP policies and Pillar III report; • approval of Sfil's Preventive Recovery Plan; • mapping of major risks; • approval of the non-compliance risk mapping and the 2023 compliance control plan; • systematic review of quarterly reports on Sfil Group risk monitoring; • annual approval of all the Caffil management policies; • monitoring of the quality of Sfil's services for Caffil; • taking note of the Sfil Group's sustainable development report and what is expected of Caffil in this area.
• perform the controls and verifications it considers appropriate.	• approval of the issuance program; • monitoring of activity comprising i) the conditions for issues and the execution of the issuance program notably the social and green issues, ii) asset acquisitions from La Banque Postale and iii) new loans to refinance signed export credits; • review of the financial statements; • approval of the Executive Board's decision to stop the publication of the financial statements in accordance with IFRS as adopted by the European Union and of the quarterly activity report; • confirmation of the update of the medium-term strategic plan of Caisse des Dépôts and its impacts on the Sfil Group; • approval of the 2024 budget; • approval of the financial reports (half-yearly and annual); • strategic review of the refinancing of large export credits activity; • strategic review of the financing of the local public sector and hospitals in France.

Composition of the Supervisory Board

The Board met six times during the 2023 financial year. The attendance rate of its members is shown below.

Members of the Supervisory Board	Attendance rate
Philippe Mills – Chairman	100%
François Laugier – Vice-Chairman	100%
Nathalie Argourd – Member	100%
Anne Crépin – Member	100%
Béatrice Gosserez – Member*	100%
Florent Lecinq – Member	100%

* *Until November 10, 2023.*

3.1.2 Executive Board

Key figures for the Executive Board

Number of members	Women	Average age	Average seniority	Meetings in 2023	Attendance rate
5	80%	46 years	3 years and 4 months	31	93%

The role of the Executive Board

The Executive Board is in charge of the management and administration of Caffil. It represents and binds it. As such, its role is to take all decisions impacting the Company's activity and results. Moreover, the Executive Board is the first guarantor of the proper functioning of all of Caffil's internal control procedures (see section 2.10 "Management report").

The main tasks of the Executive Board	Specific work carried out in 2023

• convene Shareholders' Meetings;
• decide, by delegation from the Extraordinary Shareholders' Meeting, to increase the share capital and/or determine the terms of this increase, and if necessary carry out a capital reduction;
• modify the share capital following the conversion of convertible bonds, subscriptions using rights detached from hybrid securities containing share subscription options, and the exercise of share subscription options;
• appoint and renew the term of office of the Specific Controller.
	• convening of an Ordinary and Extraordinary Shareholders' Meeting held on May 24, 2023. The purpose of this meeting was to:
	  • approve the 2022 financial statements and the appropriation of net income;
	  • approve the Company's regulated agreements and commitments,
	  • discharge to corporate officers;
	  • reappoint the Statutory Auditors;
	  • approve the amendment of several articles of the Company's by-laws.

• decide to issue *obligations foncières* or Registered Covered Bonds; • decide to acquire assets as part of the two missions entrusted to Caffil; • decide to sell assets; • monitor the Company's outstandings management and balance sheet and off-balance sheet operations.	• annual update of the EMTN issuance program for Covered Bonds; • approval of the annual issuance program and monitoring of its implementation; • approval of quarterly asset acquisitions from La Banque Postale; • monitoring of asset acquisitions from Caisse des Dépôts *via* Banque des Territoires; • signature of five refinancing loans granted to Sfil guaranteed by the French State as part of the export credit refinancing activity.
• validate the Company's risk appetite and its application in the risk analysis and measurement oversight systems and procedures; • monitor the Company's level of risk and take the necessary measures to reduce it if necessary.	• review changes specific to Caffil relating to risk appetite, ICAAP, ILAAP and Sfil's preventive recovery plan; • systematic review of quarterly reports on Sfil Group risk monitoring; • review of litigation; • monitor non-compliance risks *via* the review of the half-yearly report prepared by the Compliance division; • monitor Sfil's internal control system for Caffil *via* the quarterly review of operational incidents, the results of the annual permanent control plan, and the follow-up of audit recommendations.

The main tasks of the Executive Board	Specific work carried out in 2023
• define Sfil's servicing conditions, notably by (i) approving and monitoring the management agreement and amendments thereto, the Service Level Agreement and the associated quality indicators, and (ii) approving Caffil's operational management policies.	• approval of the update of the management agreement and the Service Level Agreement with Sfil in February 2023; • quarterly review of quality indicators covering the provision of services carried out by Sfil; • approval of all the Caffil management policies.
• preparation of the annual and half-yearly financial reports for presentation to the Supervisory Board.	• preparation of six Supervisory Board Meetings; • preparation of two financial reports.
• prepare and close the financial statements in accordance with IFRS* and French Gaap standards.	• approval of the 2022 annual financial statements in accordance with French Gaap and IFRS standards at the Executive Board meeting of February 15, 2023; • approval of the 2023 half-year financial statements in accordance with French Gaap standards at the Executive Board meeting of September 5, 2023.

* *Until the 2022 financial year inclusive for financial statements prepared in accordance with IFRS.*

The Executive Board meets bimonthly on average. A quarterly meeting is dedicated to preparing the next Supervisory Board Meeting. One-off meetings may also be held depending on the urgent issues to be addressed.

The Statutory Auditors are invited to Executive Board Meetings if their attendance is mandatory, in particular during the review of the annual and interim financial statements. Depending on the agenda items, the Chairwoman of the Executive Board may decide, in particular on the proposal of another Executive Board member, to invite any person that she deems useful to present a subject or assist with preparatory discussions for decisions.

Composition of the Executive Board

The Executive Board met thirty-one times during the 2023 financial year. The attendance rate of its members is shown below.

Members of the Executive Board	Attendance rate
Gilles Gallerne – Chairman(1)	96%
Herdile Guérin - Chairwoman(2)	100%
Olivier Eudes - Chief Executive Officer(3)	87%
Thi Lan Anh Pham – Member	87%
Émilie Boissier - Member	90%
Céline Gouy - member(4)	100%

(1) Chairman and member until October 31, 2023.
(2) Chairwoman since November 1, 2023 (previously Chief Executive Officer).
(3) Chief Executive Officer since November 1, 2023 (previously a member).
(4) Since November 1, 2023.

3.2 Directorships and positions of members of supervisory and management bodies

In application of article L.225-37-4 1° of the French Commercial Code, the following list presents the directorships and positions held in 2023 financial year by every corporate officer of Caffil who served during the financial year.

3.2.1 Supervisory Board

The members of the Supervisory Board are experts in the main areas of activity of the *société de crédit foncier*. They are all employees of Sfil, except for the Chairman of the Supervisory Board, who is a corporate officer of Sfil. Almost all of them are either members of the Executive Committee or directors. In addition, the Chairman of the Supervisory Board of Caffil is also a director and Chief Executive Officer of Sfil.

Chairman

Philippe Mills

58 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola - 75015 Paris

Date term of office begins and ends: May 27, 2021-2025

Date of the first mandate: January 31, 2013

Principal function: Chief Executive Officer, Sfil

Other mandates and responsibilities:

- Sfil, Director and Chairman of the Executive Committee
- 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)

Vice-Chairman

François Laugier

59 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola - 75015 Paris

Date term of office begins and ends: May 27, 2021-2025

Date of the first mandate: January 31, 2013

Principal function: Deputy Chief Executive Officer, Sfil

Other mandates and responsibilities:

- Sfil, member of the Executive Committee

Members

Nathalie Argourd

52 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola - 75015 Paris

Date term of office begins and ends: May 27, 2021-2025

Date of the first mandate: May 30, 2017

Principal function: Director of local public sector development, coordination of the sustainable development business lines of Sfil

Other mandates and responsibilities: None

Anne Crépin

54 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola - 75015 Paris

Date term of office begins and ends: May 27, 2021-2025

Date of the first mandate: May 30, 2017

Principal function: Export Credit Director of Sfil (since December 11, 2023)

Other mandates and responsibilities:

- Deputy Director of Export Credit at Sfil (until December 11, 2023)
- Sfil, member of the Executive Committee (since December 11, 2023)
- Member of the National Committee of Foreign Trade Advisors of France - Vice-Chairwoman of the Business Support Commission

Béatrice Gosserez (until November 10, 2023)

58 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola - 75015 Paris

Date term of office begins and ends: May 27, 2020-November 10, 2023

Date of the first mandate: December 12, 2012

Principal function: General Secretary, Sfil (until October 25, 2023)

Other mandates and responsibilities:

- Sfil, member of the Executive Committee (until October 25, 2023)

Florent Lecinq

48 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola - 75015 Paris

Date term of office begins and ends: May 27, 2021-2025

Date of the first mandate: February 25, 2013

Principal function: Chief Financial Officer and Director of Financial Markets, Sfil

Other mandates and responsibilities:

- Sfil, member of the Executive Committee

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3.2.2 Executive Board

Chairman (until October 31, 2023)

Gilles Gallerne

60 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola - 75015 Paris

Date term of office begins and ends: January 31, 2021-October 31, 2023

Date of the first mandate: January 1, 2008

Principal function: General Auditor of Sfil (since November 1, 2023)

Other mandates and responsibilities:

- Head of Caffil Coordination at Sfil (until October 31, 2023)
- Sfil, member of the Executive Committee (until October 31, 2023)
- Association française des sociétés financières (ASF), member of the Board of Directors (until October 31, 2023)
- SCI Bonibar, manager

Chief Executive Officer (until October 31, 2023)

Chairwoman (since November 1, 2023)

Herdile Guérin

50 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola 75015 Paris

Date term of office begins and ends: January 31, 2021-2025

Date of the first mandate: March 18, 2020

Principal function: Head of Caffil Coordination within Sfil (since November 1, 2023)

Other mandates and responsibilities:

- Head of Caffil coordination within Sfil (until October 31, 2023)

Member and, since November 1, 2023, Chief Executive Officer

Olivier Eudes

55 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola 75015 Paris

Date term of office begins and ends: January 31, 2021-2025

Date of the first mandate: May 27, 2015

Principal function: Director of ALM and Financial Markets, Sfil

Other mandates and responsibilities:

- SCI Phœnix, Manager

Members

Thi Lan Anh Pham

39 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola - 75015 Paris

Date term of office begins and ends: January 31, 2021-2025

Date of the first mandate: January 31, 2021

Principal function: Senior ALM Manager of Sfil

Other mandates and responsibilities:

- SARL Mai Kim, co-manager

Émilie Boissier

44 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola - 75015 Paris

Date term of office begins and ends: September 8, 2022-2025

Date of the first mandate: September 8, 2022

Principal function: Director of Middle-office and export credit portfolio, Sfil

Other mandates and responsibilities: None

Céline Gouy

42 years old – French nationality

Business address: Sfil - 112-114, avenue Émile Zola - 75015 Paris

Date term of office begins and ends: November 1, 2023-2025

Date of the first mandate: November 1, 2023

Principal function: Head of Corporate Risk Center of Sfil (since June 1, 2023)

Other mandates and responsibilities:

- Internal auditor of Sfil (until May 31, 2023)

3.2.3 Changes in the composition of the Supervisory Board and the Executive Board

	Departure	Appointment
Supervisory Board	**Béatrice Gosserez** As a member November 10, 2023	
Executive Board	**Gilles Gallerne** As a member and Chairman October 31, 2023 **Herdile Guérin** As Chief Executive Officer October 31, 2023	**Herdile Guérin** As Chairwoman November 1, 2023 **Olivier Eudes** As Chief Executive Officer November 1, 2023 **Céline Gouy** As a member November 1, 2023

3.3 Compensation of members of supervisory and management bodies

In the 2023 financial year, Caffil paid no compensation to the corporate officers who were employees of Sfil and who exercised their terms of office with no specific compensation, except for the Chairman of the Supervisory Board, who is also a corporate officer of the parent company and only in this role receives any compensation. Readers are reminded that Caffil has no Compensation Committee and that reference is made to the Governance, Appointments and CSR Committee and the Compensation Committee that exist at the level of its parent company, Sfil.

3.4 Statutory Auditors

Statutory Auditors are:

PricewaterhouseCoopers Audit

63, rue de Villiers - 92200 Neuilly-sur-Seine (France)

Company represented by Ridha Ben Chamek, partner

Reappointed by the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2023 up to the end of the Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2028.

KPMG SA

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

Company represented by Jean-François Dandé, partner

Reappointed by the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2023 up to the end of the Shareholders' Meeting called to approve the financial statements for the financial year ended December 31, 2028.

3.5 Specific Controller

RSM Paris

26, rue Cambacérès - 75008 Paris

Reappointed by the Executive Board on December 5, 2022 for a period of four years from January 1, 2023.

Represented by Martine Leconte

Alternate: Ratana Lyvong

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

Given that the Company's shares are not listed and that the securities (*obligations foncières*) it issues do not give access to its capital, there is no requirement to give specific information in relation to the provisions of article L.22-10-11 of the French Commercial Code. The composition of the share capital is specified below.

3.6.1 Information about the capital and shares

Amount of capital, number and nature of shares making up the capital

Share capital currently stands at EUR 1,350,000,000 represented by 13,500,000 nominative shares with a face value of EUR 100. There are no other securities giving access to Caffil's share capital.

Breakdown of capital

The share capital is owned by Sfil with the exception of one share which was lent to an individual (*prêt de consommation d'action*), a member of the Supervisory Board.

3.6.2 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 31 of the by-laws. Each share conveys one voting right. At Shareholders' Meetings, the number of votes that may be cast by each shareholder corresponds to the number of shares held plus the number of shares for which the shareholder holds proxy.

3.6.3 Information concerning transactions by managers on the Company's shares

No transactions were brought to the attention of Caffil (see article 223-26 of the AMF General Regulation).

3.6.4 Agreements referred to in article L.225-37-4 of the French Commercial Code

No convention subject to article L.225-37-4 2° of the French Commercial Code requires mention.

3.7 Observations of the Supervisory Board on the Executive Board's report and the 2023 financial year statements

Pursuant to the provisions of article L.225-68 of the French Commercial Code and the by-laws, the Supervisory Board carried out the checks and controls that it deemed necessary in the context of its oversight of the management of Caffil by the Executive Board.

In this respect, the Board examined the annual financial statements for the 2023 financial year presented to it by the Executive Board, in accordance with the law. It also reviewed the Executive Board's management report on Caffil's business during the financial year.

The Executive Board's management report and the financial statements for the financial year ended December 31, 2023 do not call for any particular observations on its part. The Supervisory Board wishes to thank the Executive Board for the initiatives taken and the results achieved during the financial year ended December 31, 2023.

04

Financial statements according to French GAAP

French Gaap Financial Statements

04

4.1 Financial statements

4.1.1 Assets

EUR millions	*Notes*	12/31/2022	12/31/2023
Central banks	*2.1*	1,808	1,053
Government and public securities	*2.2*	3,049	2,889
Loans and advances to banks	*2.3*	6,705	8,016
Loans and advances to customers	*2.4*	47,346	46,238
Bonds and other fixed income securities	*2.5*	2,237	4,186
Equities and other variable income securities		-	-
Investments in non-consolidated companies and other long-term investments		-	-
Investments in consolidated companies		-	-
Intangible assets		-	-
Property and equipment		-	-
Unpaid capital		-	-
Uncalled capital		-	-
Treasury stock		-	-
Other assets	*2.6*	109	93
Accruals and other liabilities	*2.7*	2,236	2,497
TOTAL ASSETS	**2.8**	**63,490**	**64,973**

4.1.2 Liabilities

EUR millions	*Notes*	12/31/2022	12/31/2023
Central banks		-	-
Due to banks	*3.1*	6,210	6,926
Customer borrowings and deposits		-	-
Debt securities	*3.2*	53,337	53,751
Other liabilities	*3.3*	169	162
Accruals and other liabilities	*3.4*	2,240	2,622
Provisions	*3.5*	34	28
Subordinated debt		-	-
EQUITY		**1,500**	**1,483**
Share capital	*3.6*	1,350	1,350
Additional paid-in capital	*3.6*	-	-
Reserves and retained earnings	*3.6*	62	67
Net income	*3.6*	88	66
TOTAL LIABILITIES	**3.7**	**63,490**	**64,973**

4.1.3 Off-balance sheet items

EUR millions	*Notes*	12/31/2022	12/31/2023
COMMITMENTS GRANTED	**4.1**	**4,016**	**6,877**
Financing commitments		4,010	6,870
Guarantees granted		-	-
Commitments on securities		-	-
Other commitments granted		6	7
COMMITMENTS RECEIVED	**4.2**	**12,334**	**16,164**
Financing commitments		250	50
Guarantees received		12,084	16,114
Commitments on securities		-	-
Forward commitments received		-	-
Other commitments received		-	-
OTHER COMMITMENTS		**100,803**	**100,531**
Foreign currency transactions	*4.3*	16,012	13,109
Commitments on forward financial instruments	*4.4*	84,791	87,422

4.1.4 Income statement

EUR millions	*Notes*	2022	2023
Interest income	*5.1*	1,145	2,815
Interest expense	*5.1*	(918)	(2,636)
Income from variable income securities		-	-
Commission income	*5.2*	-	0
Commission expense	*5.2*	(3)	(3)
Net gains (losses) on held for trading portfolio		0	(0)
Net gains (losses) on placement portfolio	*5.3*	(4)	7
Other banking income		0	0
Other banking expense		(0)	(0)
NET BANKING INCOME		**219**	**183**
General operating expenses	*5.4*	(110)	(109)
Depreciation and amortization		-	
GROSS OPERATING INCOME		**109**	**75**
Cost of risk	*5.5*	6	2
INCOME FROM OPERATIONS		**115**	**77**
Gains or losses on fixed assets	*5.6*	(3)	-
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		**112**	**77**
Non-recurring items		-	-
Income tax	*5.7*	(24)	(11)
NET INCOME		**88**	**66**
Basic earnings per share		6.52	4.91
Diluted earnings per share		6.52	4.91

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4.1.5 Equity

EUR millions	Amount
AS OF 12/31/2022	
Share capital	1,350
Additional paid-in capital	-
Commitments to increase share capital and additional paid-in capital	-
Reserves and retained earnings	62
Net income for the year	88
Interim dividends	-
EQUITY AS OF 12/31/2022	**1,500**
MOVEMENTS FOR THE PERIOD	
Changes in share capital	-
Changes in additional paid-in capital	-
Changes in commitments to increase share capital and additional paid-in capital	-
Changes in reserves and retained earnings	88
Dividends paid (-)	(84)
Changes in net income for the period	(22)
Other movements	-
SITUATION AS OF 12/31/2023	
Share capital	1,350
Additional paid-in capital	-
Commitments to increase share capital and additional paid-in capital	-
Reserves and retained earnings	67
Net income for the period	66
EQUITY AS OF 12/31/2023	**1,483**

4.2 Notes to the French GAAP financial statements

4

Note 1 Accounting and valuation policies

1.1 Applicable accounting standards: rules adopted by the French Accounting Standards Board (Autorité des Normes Comptables – ANC)

The financial statements as of December 31, 2023, were examined by the Management Board on February 14, 2024, and presented to the Supervisory Board on February 15, 2024.

Caisse Française de Financement Local 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 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:

As long as loans are not classified as non-performing, they are classified as sound or stressed; they remain in their original position.

Non-performing loans:

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, Caffil 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 Caffil 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 Caffil 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, Caffil 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:

Caffil 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, Caffil 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

Caffil engages in derivative transactions only to hedge the interest rate and foreign exchange risks to which it is exposed in its activity. Depending on their purpose, these transactions are assigned to micro-hedge or macro-hedge portfolios. 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 Macro-hedge transactions

This category includes transactions designed to hedge and manage the Company's overall exposure to interest rate risk on assets, liabilities and off-balance sheet items, excluding micro-hedge transactions. They were authorized on December 1, 1999, by a specific decision of the Executive Board of Caffil.

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.

Termination fees received or paid because of the early interruption of the hedging instrument are recognized in the income statement at the termination date.

1.2.7 Foreign currency transactions

Caffil 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, Caffil 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, Caffil benefits from an irrevocable and unconditional 100% guarantee by the French State, called an enhanced guarantee. Expenses related to these guarantees are recognized *prorata temporis* in the net interest margin.

1.2.10 Taxconsolidation

Caffil belongs to the tax group that is headed up by Sfil. This entity pays the total income tax and lump-sum annual tax owed by the Group. Caffil recognizes in its accounts the tax expense for which it would be liable if it were not a member of the tax group.

Tax savings realized by the tax group are recognized in the accounts of Sfil.

1.2.11 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 Caffil 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).

1.2.12 Identity of the parent company consolidating the accounts of Caisse Française de Financement Local as of December 31, 2023

Sfil
112-114 avenue Emile Zola,
75015 Paris

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

2.1 Central banks

	12/31/2022	12/31/2023
Mandatory reserves	-	-
Other deposits	1,808	1,053
TOTAL	**1,808**	**1,053**

2.2 Government and public entity securities eligible for central bank refinancing

2.2.1 Accrued interest included in this item: 44

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
-	2	144	764	1,936	-	2,846

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]	3,008	2,846	-	2,846	(465)
Other securities	-	-	-	-	-
TOTAL	**3,008**	**2,846**	**-**	**2,846**	**(465)**

(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.

2.2.4 Analysis by type of portfolio excluding accrued interest and changes during the financial year

Portfolio	Net amount as of 12/31/2022	Gross amount as of 12/31/2022	Acquisitions, increase	Amortization, redemption or disposals	Other movements	Exchange rate 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	136	141	-	(26)	1	-	-	116	(13)
Investment	2,871	2,871	100	(249)	8	-	-	2,730	(451)
TOTAL	**3,008**	**3,013**	**100**	**(275)**	**8**	**-**	**-**	**2,846**	**(465)**

(1) These amounts include a premium/discount of EUR 6 million for the placement portfolio and of EUR 38 million for the investment portfolio.
(2) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

2.2.5 Impairment breakdown by country

See note 2.9.

2.3 Loans and advances to banks

2.3.1 Sight accounts and advances to banks

	12/31/2022	12/31/2023
Sight accounts	8	11
Unallocated sums	-	-
TOTAL	**8**	**11**

2.3.2 Term loans and advances to banks

2.3.2.1 Accrued interest included in this item: 83

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
154	43	679	3,199	3,848	-	7,923

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	-	-	-	-
Loans of more than 1 year	6,661	7,923	-	7,923
TOTAL	**6,661**	**7,923**	**-**	**7,923**

2.3.2.4 Breakdown by counterparty

	12/31/2022	12/31/2023
Sfil – Export credits refinancing loans guaranteed by the French State(1)	6,658	7,809
Cash advances granted to Caisse des Dépôts et Consignations(2)	3	113
Banks guaranteed by a local government, *crédits municipaux*	0	0
TOTAL	**6,661**	**7,923**

(1) Caffil grants loans to its parent company, Sfil, to refinance large export credits granted by Sfil. These loans benefit from an irrevocable and unconditional 100% guarantee by the French Republic, referred to as enhanced guarantee.

(2) At the end of 2022, Caffil signed a partnership with Caisse des Dépôts to offer a new long-term and very long-term fixed-rate offer to local authorities and public hospitals in France. In this context, Caffil makes cash advances with Caisse des Dépôts corresponding to the amounts of loans granted by the latter. This cash advance enables Caffil to finance the acquisition of the loans that it has committed to acquire. In return, Caisse des Dépôts also undertakes to sell the loans to Caffil at the end of the drawdown phase of the loan.

2.4 Loans and advances to customers

2.4.1 Accrued interest included in this item: 420

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
612	563	3,079	15,718	25,853	(6)	45,818

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

Economic sector	12/31/2022	12/31/2023
Public sector	45,898	44,862
Other sectors	1,067	957
TOTAL	**46,965**	**45,818**

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	20	6	-	6
Loans of more than 1 year	46,945	45,819	(6)	45,812
TOTAL	**46,965**	**45,825**	**(6)**	**45,818**

2.4.5 Analysis of loans by category of outstanding loans 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 (1) (4)	46,857	45,680	-	45,680
Non-performing loans (2) (4)	49	15	(0)	15
Compromised non-performing loans (3) (4)	59	130	(6)	123
TOTAL	**46,965**	**46,965**	**(6)**	**45,818**

(1) of which loans restructured in the past and now classified as performing for EUR 361 million
(2) of which restructured loans for EUR 0 million.
(3) of which restructured loans for EUR 25 million.
(4) Clients who have undergone restructuring are very largely clients such as French local authorities or public hospitals.

2.4.6 Depreciation for non-performing loans - changes during the year

	Net amount as of 12/31/2022	Allocations	Reversals	Transfers	Amount as of 12/31/2023
For non-performing loans					
On loans	-	(0)	-	-	(0)
On interest	(1)	(0)	1	-	(0)
For compromised non-performing loans					
On loans	-	(4)	-	-	(4)
On interest	(1)	(2)	0	-	(3)
TOTAL	**(2)**	**(6)**	**1**	**-**	**(6)**

Provisions on interest are recorded in Net banking income and provisions on nominal are recorded in Cost of risk.

2.4.7 Impairement breakdown by country

See note 2.9.

2.5 Bonds and other fixed income securities

2.5.1 Accrued interest included in this item: 48

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
22	50	721	1,660	1,684	(1)	4,138

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

	12/31/2022	12/31/2023
Public sector	1,729	1,470
Other sectors (guaranteed by a State or by a local government)	-	-
Credit institutions	486	2,667
TOTAL	**2,215**	**4,138**

2.5.4 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)	1,163	3,012	(1)	3,011	(37)
Other securities	1,053	1,126	-	1,126	(50)
TOTAL	**2,215**	**4,138**	**(1)**	**4,138**	**(87)**

(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 financial year

Portfolio	Net amount as of 12/31/2022	Gross amount as of 12/31/2022	Acquisitions, increase	Amortization, redemption or disposals	Other move-ments	Exchange rate 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	495	499	-	(202)	4	(6)	(1)	294	17
Investment	1,720	1,720	2,547	(429)	5	(0)	-	3,843	(104)
TOTAL	**2,215**	**2,219**	**2,547**	**(631)**	**9**	**(6)**	**(1)**	**4,138**	**(87)**

(1) This amount includes a premium/discount of EUR 65 million for the investment portfolio.
(2) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

2.5.6 Breakdown of impairment by country

See note 2.9.

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2.6 Other assets

	12/31/2022	12/31/2023
Taxes	35	23
Other receivables	6	7
Collateral cash paid to Sfil*	68	63
TOTAL	**109**	**93**

** It should be noted that Caffil has set up a new ISDA framework agreement with Sfil. This new framework agreement enables the implementation of interest rate and exchange rate risk hedging derivatives associated with a very limited number of Caffil's assets that do not meet the requirements of article 129 of the CRR as amended as part of the new covered bonds directive that came into force at the beginning of July 2022. Caffil has complied with this new framework in order to obtain the "European High Quality Covered Bond" label for its obligations foncières. As the new texts are more restrictive as regards the eligibility of certain assets, the derivatives used to hedge the associated risks no longer benefit from the legal privilege. A symmetrical exchange of cash collateral between the parties is carried out in line with market practices.*

It should be noted that all of Sfil's other derivative counterparties benefit from the legal privilege and therefore do not receive any cash collateral paid by Caffil.

2.7 Accruals and other assets

	12/31/2022	12/31/2023
Deferred losses on hedging transactions	876	791
Deferred charges on bond issues	61	58
Prepaid charges on hedging transactions	162	163
Premiums on acquisition of loans	588	548
Other prepaid charges	0	0
Accrued interest not yet due on hedging transactions	542	930
Translation adjustments	-	-
Other deferred income	0	1
Other accruals	6	5
TOTAL	**2,236**	**2,497**

2.8 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	62,950	62,950	64,409	64,409
CHF	130	132	128	138
GBP	129	145	129	149
PLN	53	11	56	13
USD	29	27	46	42
AUD	20	13	20	12
CAD	306	211	306	210
TOTAL		**63,490**		**64,973**

2.9 Breakdown of depreciation by country

	Amount as of 12/31/2022	Amount as of 12/31/2023
GOVERNMENT AND PUBLIC ENTITY - PLACEMENT SECURITIES	**(5)**	**-**
France	(0)	-
Italy	(5)	-
BONDS AND OTHER FIXED INCOME – PLACEMENT SECURITIES	**(3)**	**(1)**
France	(1)	(0)
Belgium	-	-
Canada	(2)	(0)
Finland	-	-
Norway	-	-
Netherlands	-	-
Germany	-	-
Sweden	(0)	-
BONDS AND OTHER FIXED INCOME – INVESTMENT SECURITIES	**-**	**-**
LOANS AND ADVANCES TO CUSTOMERS	**(2)**	**(6)**
France	(2)	(6)

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

3.1 Due to banks

Funding obtained from Sfil, within the framework of the financing agreement, was comprised of different loans with maturities initially between one day and ten years, indexed on EURIBOR or €STER.

3.1.1 Accrued interest included in this item: 96

3.1.2 Debt to credit institutions excluding accrued interest

	12/31/2022	12/31/2023
Sight accounts	-	-
Current account – parent company	-	-
Term borrowing – parent company	6,195	6,830
Unallocated sums	-	-
TOTAL	**6,195**	**6,830**

3.1.3 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
Sight	-	-	-	-	-	-	-
Term	650	-	2,850	2,830	500	-	6,830
TOTAL	**650**	**-**	**2,850**	**2,830**	**500**	**-**	**6,830**

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3.2 Debt securities

3.2.1 Debt securities (*obligations foncières*)

3.2.1.1 Accrued interest included in this item: 433

3.2.1.2 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	Total
Obligations foncières	1,000	-	3,645	18,556	23,854	-	47,055
of which net issue premiums	*(0)*	-	*(0)*	*19*	*(8)*	-	*11*

3.2.1.3 Changes during the financial year excluding accrued interest

Type of securities	Amount as of 12/31/2022	Increases	Decreases	Other movements	Amount as of 12/31/2023
Obligations foncières	46,589	3,447	(2,990)	9	47,055

3.2.2 Other bonds (registered covered bonds)

3.2.2.1 Accrued interest included in this item: 140

3.2.2.2 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 tha n 5 years	Indeterminate	Total
Registered covered bonds	60	38	297	1,982	3,747	-	6,123
of which net issue premiums	-	*(0)*	*(0)*	*(1)*	*30*	-	*29*

3.2.2.3 Changes during the financial year excluding accrued interest

Type of securities	Amount as of 12/31/2022	Increases	Decreases	Other movements	Amount as of 12/31/2023
Registered covered bonds	6,244	218	(338)	-	6,123

3.3 Other liabilities

	12/31/2022	12/31/2023
Cash collateral received	72	94
Accrued interest not yet due on cash collateral received	0	0
Taxes	24	18
Balances to pay on unwound hedging contracts	-	-
Contribution to the support fund*	60	50
Other creditors	13	(0)
TOTAL	**169**	**162**

* *This item includes the residual balance of the commitments made in 2013 by Caffil to contribute EUR 10 million per year over 15 years to the multi-year local government entity support funds, for a total of EUR 150 million.*

3.4 Accruals and other liabilities

	12/31/2022	12/31/2023
Deferred gains on hedging transactions	-	-
Deferred income on hedging transactions	759	631
Deferred income on loans	597	688
Accrued interest not yet due on hedging transactions	526	1,002
Other accrued charges	16	20
Translation adjustments	342	281
Other accruals - liabilities	0	-
TOTAL	**2,240**	**2,622**

3.5 Provisions for risks and charges

	Amount as of 12/31/2022	Increases	Decreases	Other movements	Amount as of 12/31/2023
Loans and commitments(1)	19	1	(5)	-	15
Financial instruments(2)	13	1	-	-	13
Other provisions(3)	2	-	(1)	-	0
TOTAL	**34**	**1**	**(7)**	**-**	**28**

(1) *The change in provisions for loans and commitments is mainly due to additions and removals from the customer credit watchlist approved during the financial year.*

(2) *The change in provisions for risks and charges on financial instruments relates to the change in the market value of the hedged placement securities concerned.*

(3) *As a reminder, in the context of the health crisis and the consequences for the cruise industry, Caffil decided in 2020 to set up a provision for risks on the foreign exchange financial hedging instruments used to refinance the export credits in dollars in this sector. This provision was raised to EUR 1.7 million at the end of 2022. In 2023, Caffil decided to reduce the amount of this provision by EUR 1.3 million in view of the decrease in the underlying risk. As a result, this provision for risks and charges represented EUR 0.4 million at end-December 2023.*

3.6 Breakdown of equity

	Amount as of 12/31/2022	Amount as of 12/31/2023
Share capital	1,350	1,350
Legal reserve	62	66
Retained earnings (+/-)	0	0
Net income (+/-)	88	66
TOTAL	**1,500**	**1,483**

On May 24, 2023, the Ordinary and Extraordinary Shareholders' Meeting decided to allocate the 2022 financial year net profit, *i.e.* a balance of EUR 84 million after taking into account retained earnings and after deduction of the legal reserve, to payment of a dividend in the amount of EUR 84 million.

Caffil's share capital totaled EUR 1,350 million, comprising 13,500,000 shares.

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	62,950	62,950	64,409	64,409
CHF	130	132	128	138
GBP	129	145	129	149
PLN	53	11	56	13
USD	29	27	46	42
AUD	20	13	20	12
CAD	306	211	306	210
TOTAL		**63,490**		**64,973**

3.8 Transactions with related parties

	Parent company(1)		Other related parties(2)	
Analysis by nature	**12/31/2022**	**12/31/2023**	**12/31/2022**	**12/31/2023**
ASSETS				
Loans and advances to banks	6,695	7,891	3	114
Bonds and other fixed income securities	-	-	-	41
Other assets	102	86	-	-
Accruals and other assets	152	226	(0)	1
LIABILITIES				
Due to banks	6,210	6,926	-	-
Debt securities	-	-	354	295
Other liabilities	24	17	-	-
Accruals and other liabilities	263	329	-	0
INCOME STATEMENT				
Interest income	74	441	-	2
Interest expense	(15)	(509)	(13)	(11)
Commission income	-	0	-	-
Commission expense	-	-	(0)	(0)
Net gains (losses) on held for trading portfolio	-	-	-	-
Net gains (losses) on placement portfolio	-	-	-	-
Other banking income	-	0	-	-
Other banking expense	-	-	-	-
General operating expenses	(102)	(102)	-	-
OFF-BALANCE SHEET				
Interest rate derivatives	15,186	14,829	-	-
Foreign exchange derivatives	1,120	1,011	-	-
Financing commitments received	250	50	-	-
Other commitments received(3)	-	-	3	124
Financing commitments given	3,989	6,859	1	10

(1) This item includes transactions with Sfil, the parent company of Caffil.

(2) This item includes transactions with Caisse des dépôts, shareholder of Sfil and La Banque Postale and Bpifrance, subsidiaries of Caisse des Dépôts group.

(3) At the end of 2022,Caffil signed a partnership with Caisse des Dépôts to offer a new long-term and very long-term fixed-rate offer to local authorities and public hospitals in France. In this context, Caffil makes cash advances with Caisse des Dépôtscorresponding to the amounts of loans granted by the latter. This cash advance enables Caffil to finance the acquisition of the loans that it has committed to acquire. In return, Caisse des Dépôts also undertakes to sell the loans to Caffil at the end of the drawdown phase of the loan.

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)]	3,990	6,869
Financing commitments granted to customers[(2)]	20	1
Commitments on securities - commitments to pay	-	-
Other commitments given, assets assigned in guarantee[(3)]	6	7
TOTAL	**4,016**	**6,877**

(1) Within the framework of the export credit business, this amount corresponds to a commitment by Caffil to refinance its parent company, Sfil.

(2) Financing commitments granted to customers correspond to contracts signed for loans not yet paid out to customers at year-end.

(3) It means the irrevocable payment commitment to the Fonds de garantie et de résolution. These commitments are collateralized by remunerated cash deposits of the same amount. The European judgment rejecting the appeal against the Single Resolution Board (SRB) of a bank for the restitution of commitments of a subsidiary whose banking license was withdrawn, did not result in any modification for Caffil in the accounting of these commitments.

4.2 Commitments received

	12/31/2022	12/31/2023
Financing commitments received from credit institutions[(1)]	250	50
Currencies borrowed	-	-
Guarantees received from credit institutions	-	-
Enhanced guarantees[(2)]	10,678	14,748
Guarantees received from local governments and asset transfers as guarantees of commitments on local governments	1,403	1,243
Commitments on securities - securities to be received	-	-
Other commitments received[(3)]	3	124
TOTAL	**12,334**	**16,164**

(1) This item corresponded to the amount of the overdraft, authorized in the current account agreement set up with Sfil, totaling EUR 50 million. In 2022, it also included a deferred-start loan granted by Sfil.

(2) The financing and financing commitments granted to Sfil by Caffil to refinance the former's large export credits benefit from a 100% unconditional and irrevocable guarantee of the French Republic, referred to as an enhanced guarantee.

(3) At the end of 2022, Caffil signed a partnership with Caisse des Dépôts to offer a new long-term and very long-term fixed-rate offer to local authorities and public hospitals in France. In this context, Caffil makes cash advances with Caisse des Dépôtscorresponding to the amounts of loans granted by the latter. This cash advance enables Caffil to finance the acquisition of the loans that it has committed to acquire. In return, Caisse des Dépôts also undertakes to sell the loans to Caffil at the end of the drawdown phase of the loan.

4.3 Foreign currency transactions

Cash and forward foreign exchange transactions are recorded at their value in foreign currencies translated at the exchange rate at the end of the period.

The items Currencies to receive and Currencies to deliver are composed of long currency swaps with intermediate payment flows corresponding to hedging transactions. The Foreign exchange transactions item also includes off-balance sheet foreign currency adjustment accounts in the primary financial statements, which are not presented in the table below.

	12/31/2022	12/31/2023	Fair value as of 12/31/2023
Currencies to receive	7,664	6,273	(229)
Currencies to deliver	8,006	6,554	161
TOTAL	**15,670**	**12,828**	**(67)**

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4.4 Commitments on forward financial instruments

Commitments on forward interest rate financial instruments are recorded in accordance with the provisions of regulations No. 88-02 and No. 90-15: amounts relating to firm transactions are recorded for the nominal value of the contracts.

4.4.1 Analysis of over-the-counter interest rate transactions by residual maturity

	Amount as of 12/31/2022	Up to 1 month	From 1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indeter-minate	12/31/2023
Notional amount	84,791	10,688	1,422	10,835	30,483	33,995	-	87,422
of which deferred start	*8,888*	-	-	*4,650*	*5,525*	*2,422*	-	*12,597*

These hedging transactions include micro-hedge and macro-hedge transactions.

4.4.2 Analysis of interest rate transactions by product type

	12/31/2022	12/31/2023
Interest rate swaps	84,791	87,422
Term contracts	-	-
Interest rate options	-	-
TOTAL	**84,791**	**87,422**

4.4.3 Analysis of interest rate swap transactions

	12/31/2022	12/31/2023	Fair value as of 12/31/2023
Micro-hedge	47,867	46,537	(2,289)
Macro-hedge	36,924	40,885	(80)
TOTAL	**84,791**	**87,422**	**(2,369)**

4.4.4 Analysis of interest rate transactions by counterparty

	12/31/2022	12/31/2023
Related parties	15,186	14,829
Other counterparties	69,605	72,593
TOTAL	**84,791**	**87,422**

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

5.1 Interest and related income/expense

	2022	2023
INCOME	**1,145**	**2,815**
Due from banks	43	327
Due from customers	760	1,302
Bonds and other fixed income securities	56	195
Macro-hedge transactions	285	991
Other commitments	-	-
EXPENSE	**(918)**	**(2,636)**
Due to banks	(13)	(256)
Due to customers	(122)	(57)
Bonds and other fixed income securities	(315)	(1,420)
Macro-hedge transactions	(468)	(903)
Other commitments	-	-
INTEREST MARGIN*	**226**	**179**

* *In 2022, the interest margin included exceptional income of EUR +14 million relating to the sale of loans in the extinguishment portfolio. The interest margin also included upfront gains of EUR +16 million in 2022, compared with EUR +9 million in 2023. These adjustments are directly linked to the accounting treatment of terminations of interest-rate hedges as part of the policy of naturally matching fixed-rate assets and liabilities (see accounting principles). Adjusted for these items, the decline in interest margin was more limited (EUR -26 million), despite the highly volatile financial markets and the general rise in financing costs.*

5.2 Commissions received and paid

	2022	2023
COMMISSIONS (INCOME)	**-**	**0**
Commissions received on securities	-	-
Commissions received on forward financial instruments	-	-
Commissions received on financial services	-	-
Other commissions received	-	0
COMMISSIONS (CHARGES)	**(3)**	**(3)**
Commissions paid on securities	(3)	(3)
Commissions paid on forward financial instruments	-	-
Commissions paid on financial services	(0)	(0)
Others commissions paid	(0)	(0)
TOTAL	**(3)**	**(3)**

5.3 Net gains or losses on portfolio transactions

	2022	2023
Transactions on placement securities*	(4)	7
Transactions on interest rate derivatives	0	0
Foreign exchange transactions	(0)	(0)
TOTAL	**(4)**	**7**

* *This item regroups capital gains and losses on sales and provisions and reversals on this portfolio amount after swaps.*

5.4 General operating expenses

Caffil has no salaried employees in accordance with article L.513-15 of the Monetary and Financial Code. The general management of the operations of Caffil has been entrusted by way of an agreement to its parent company, Sfil, a credit institution.

	2022	2023
Payroll costs	-	-
Other general and administrative operating expenses	(103)	(103)
Taxes	(7)	(6)
TOTAL	**(110)**	**(109)**
of which fees charged back by Sfil	*(102)*	*(102)*

5.5 Cost of risk

	2022	2023
Collective and specific impairments	6	2
TOTAL	**6**	**2**

5.6 Gains or losses on fixed assets

	2022	2023
Transactions on investment securities*	(3)	-
Other operations	-	-
TOTAL	**(3)**	**-**

* *In 2022, this line corresponded to an accounting loss realized as part of an early redemption transaction on an investment security.*

5.7 Corporate income tax

	2022	2023
Income tax for the year	(24)	(17)
Deferred taxes on previous financial years*	-	6
TOTAL	**(24)**	**(11)**

* *In 2023, as part of the tax reassessment relating to the 2012 financial year, Caffil signed a memorandum of understanding with Dexia SA to settle the amounts due between the entities, generating an income of EUR 6 million.*

Note 6 Impact of the war in Ukraine on the Company's financial statements

The foreseeable impacts of the war situation in Ukraine are very limited for Caffil. Caffil has no exposure to Russia or Belarus. Sfil, its parent company, has only one exposure in Ukraine, representing an outstanding amount of EUR 46 million at December 31, 2023. This exposure was granted as part of Sfil's export credit activity and is 100% guaranteed by the French Republic. Sfil is therefore not directly exposed to credit risk on this file. This contract benefited from a refinancing loan granted by Caffil which, in addition to the 100% credit insurance, benefits from the 100% guarantee granted by the French Republic, known as the "*garantie rehaussée*".

Note 7 Post-closing events

No event that had a material impact on the Company's financial situation has occurred since the closing on December 31, 2023.

Note 8 Statutory Auditors' fees

	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	312	300	77%	82%	318	325	77%	89%
Other audit tasks	93	67	23%	18%	97	38	23%	11%
TOTAL	**405**	**367**	**100%**	**100%**	**415**	**363**	**100%**	**100%**

Services other than the certification of accounts mainly include the issuance of comfort letters for the updating of EMTN issue programs or the completion of syndicated public issues, as well as reports on asset allocations associated with the Sfil Group's thematic issues. Services other than the certification of financial statements also included the audit of Caffil's financial statements, prepared on a voluntary basis in accordance with IFRS EU.

4.3 Statutory Auditors' report on the annual financial statements

For the financial 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 Shareholders,

CAISSE FRANCAISE DE FINANCEMENT LOCAL
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 Caisse Française de Financement Local (Caffil) for the year ended 31 December 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 at 31 December 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 Audit 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 these standards are further described in the "Responsibilities of the Statutory Auditors relating to 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 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	How our audit addressed this risk
As part of its activities, Caffil is exposed to credit risk in connection with its credit transactions, particularly to local authorities and hospitals. At 31 December 2023, transactions with customers amounted to €45.8 billion, in addition to financing commitments given for €1 million as shown under off-balance sheet commitments. In relation to credit risk, Caffil 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) impairment. These collective provisions are assessed according to a credit risk model based on an approach consistent with the Basel approach. The conflict in Ukraine and the high level of inflation in the eurozone are destabilising the economic environment in Europe and worldwide, affecting the repayment ability of borrowers. Given the significant judgement required of management in determining the inputs and methods for calculating the collective provisions, we considered that their assessment at 31 December 2023 constituted a key audit matter, in particular in the context of economic instability. Transactions with customers, financing commitments given, collective provisions and risk costs are presented in notes 2.4, 3.5, 4.1, 5.5 and 6 respectively to the financial statements of Caffil.	Against a backdrop of heightened uncertainty, our work consisted primarily in: ● verifying that a governance system is in place that ensures that the appropriateness of the provision models and inputs used to calculate provisions is reviewed at a suitable frequency, as well as an analysis of the changes in collective provisions; ● testing the controls considered key in the provision calculation process; ● analysing assumptions leading to the identification of a deterioration in credit risk; ● assessing the main inputs used to estimate the collective provisions; ● estimating the main assumptions used in developing macro-economic scenarios; ● performing a counter-calculation of the collective provisions, in collaboration with our experts; ● carrying out checks on the IT system, including a review of general IT controls, interfaces and automatic controls for specific data used to define the collective provisions. We assessed the adequacy of the level of credit risk coverage and the overall level of the related cost of risk and, in particular, ensured that it was suitable in the context of the current crisis. We have also examined the qualitative and quantitative information provided in the notes to the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

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 Executive Board and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements, with the exception of the following item.

Concerning the fair presentation and the consistency with the financial statements of the information about payment terms referred to in article D.441-6 of the French Commercial Code, we have the following matter to report: As indicated in the management report, these disclosures do not include banking and related transactions, as the Company considers that such disclosures are not within the scope of the information to be provided.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by articles L.225-37-4 and L.22-10-10 of the French Commercial Code.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the financial statements included in the annual financial report

In accordance with professional standards applicable to the Statutory Auditors' procedures for annual and consolidated financial statements presented according to the European single electronic reporting format, we have verified that the presentation of the financial statements to be included in the annual financial report referred to in paragraph I of article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and prepared under the Chairman of the Management Board's responsibility, complies with this format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018.

On the basis of our work, we conclude that the presentation of the financial statements to be included in the annual financial report complies, in all material respects, with the European single electronic reporting format.

It is not our responsibility to ensure that the financial statements included by the Company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Caisse Française de Financement Local by the Annual General Meeting held on 30 September 2020.

At 31 December 2023, we were in the fourth consecutive year of our engagement.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of 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 expects 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 risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Executive Board.

Responsibilities of the Statutory Auditors relating to 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 of 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 taken by users on the basis of these financial statements.

As specified in article L.821-55 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their 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;
- obtain an understanding of the internal control procedures 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess 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 the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Neuilly sur Seine and Paris La Défense, 27 March 2024

The Statutory Auditors

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

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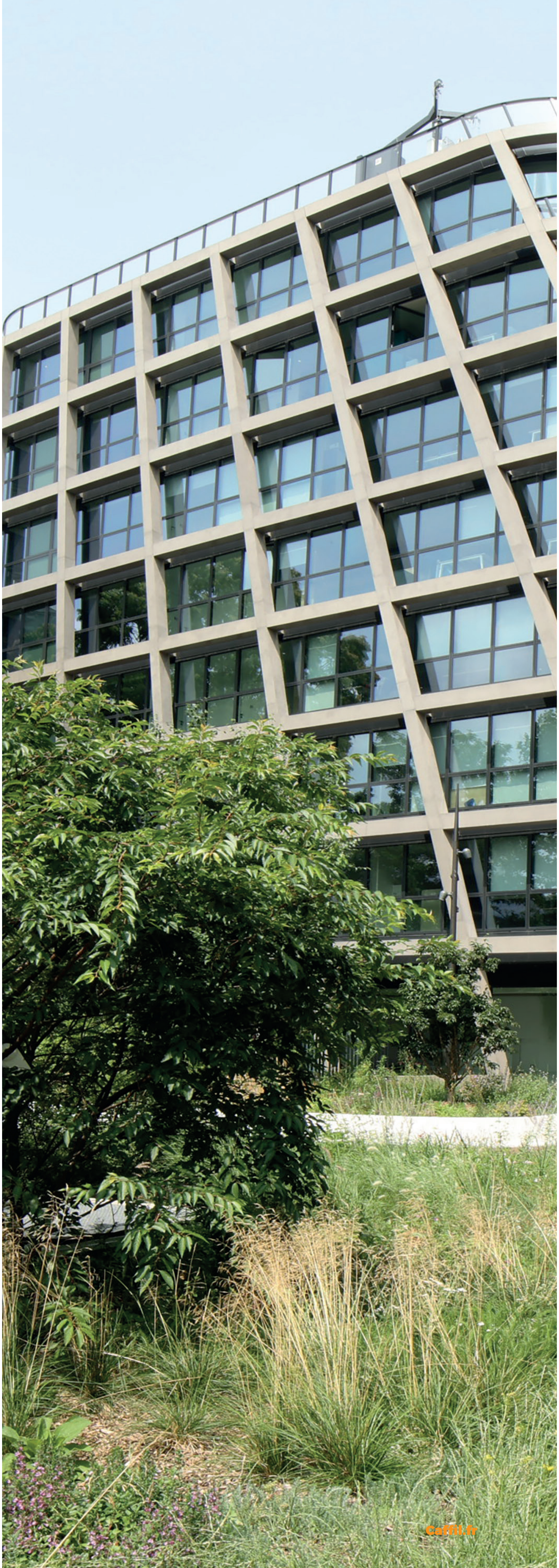
General information



General information

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5.1 Legal and administrative information

Corporate name

Caisse Française de Financement Local

Acronym

Caffil

Registered office

112-114, avenue Émile Zola 75015 Paris, France

Legal structure

A limited liability company with an Executive Board and a Supervisory Board (*société anonyme à directoire et conseil de surveillance*)

Official approval

The Company was approved by the *Comité des Établissements de Crédit et des Entreprises d'Investissement* (CECEI) on July 23, 1999, as a *société financière – société de crédit foncier*. This approval became definitive on October 1, 1999. Ordonnance 2013-544 of June 27, 2013, modified the legal status of *sociétés de crédit foncier* (article L.513-2 of the French Monetary and Financial Code). Since January 1, 2014, *sociétés de crédit foncier* are no longer financial companies (*sociétés financières*), but specialized credit institutions (*établissements de crédit spécialisés*).

Applicable legislation

A limited liability company (*société anonyme*) under the provisions of articles L.210-1 *et seq.* and L.22-10-1 *et seq.* of the French Commercial Code, and of articles L.511-1 *et seq.* and L.513-2 *et seq.* of the French Monetary and Financial Code.

Date of incorporation and duration of the Company

The Company was founded on December 29, 1998, for a period of 99 years.

Purpose

In accordance with article 2 of the by-laws, the exclusive purpose of the Company is:

- to grant or to acquire exposures on public sector entities as defined in article L.513-4 of the French Monetary and Financial Code as well as securitization units or shares of similar entities considered as exposures on public sector entities as defined in article L.513-5 of the French Monetary and Financial Code;
- to hold assets, securities and deposits according to the conditions defined by decree to be considered replacement assets;
- in order to finance the above-mentioned exposures, to issue *obligations foncières* benefiting from the privilege defined in article L.513-11 of the French Monetary and Financial Code and to raise other funds, for which the contract or document intended for the general public within the meaning of article L.412-1 of the French Monetary and Financial Code, or any equivalent document required for admission to foreign regulated markets mentions this privilege.

The Company may also fund the above-mentioned activities by issuing bonds or other sources of financing that do not benefit from the privilege defined in article L.513-11 of the French Monetary and Financial Code.

The Company may mobilize, in accordance with articles L.211-36 to L.211-40 and articles L.313-23 to L.313-35 of the French Monetary and Financial Code, all or part of the assets it holds, regardless of whether or not they are trade receivables.

Within the framework of the achievement of the exclusive purpose mentioned above, the Company may conduct all related operations directly or indirectly associated with its activities or contributing to this exclusive purpose, as long as these operations are carried out in accordance with the terms of articles L.513-2 *et seq.* and R.513-1 *et seq.* of the French Monetary and Financial Code related to *sociétés de crédit foncier*.

Company registration and APE business identification code, LEI

Caisse Française de Financement Local is registered as a corporate entity under the designation PARIS 421 318 064 (*Registre du Commerce et des Sociétés*). Its APE code is 6492Z. Its LEI code is 549300E6W08778I4OW85.

Availability of legal information concerning the Company

Legal documents concerning Caffil may be consulted at the Company's registered office at the following address: 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 38 of the by-laws.

Exceptional events and lawsuits

See the section on legal and tax risk in section 2.11.2 "Management of the main risks" of the management report of this Annual Financial Report.

Statutory distribution of profits

Pursuant to article 39 of the by-laws, income available for distribution comprises net profit (loss) for the financial year minus any prior year losses and any allocations to reserves pursuant to current legislation, plus any retained earnings carried forward from previous years.

From the available surplus, the Ordinary Shareholders' Meeting, voting on a recommendation of the Executive Board, may allocate all or a part of the remaining income to retained earnings.

There are no priority shares or Preferred Dividends.

Shareholders' Meetings

Notice of meeting

Article 27 of the by-laws stipulates that Shareholders' Meetings are convened under the conditions set by law. They are held at the Company's registered office or any other location specified in the notice of meeting. All shareholders have the right to obtain copies of the documents required to make an informed decision concerning the overall management and control of the Company. The types of documents concerned and the terms of their availability and dispatch are determined by applicable legislation and regulations.

Right to attend Shareholders' Meetings

Legal rights apply.

Voting rights

Article 31 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. At Shareholders' Meetings, the number of votes that may be cast by each shareholder corresponds to the number of shares held plus the number of shares for which the shareholder holds proxy.

Information about the capital and shares

Amount of the capital

Share capital currently stands at EUR 1,350,000,000 represented by 13,500,000 nominative shares with a face value of EUR 100. There are no other securities giving access to Caffil's share capital.

Breakdown of capital in the last five years

Date of the Shareholders' Meeting	Date of the capital increase	Amount of the capital increase *in EUR*	Accumulated capital *in EUR*
5/28/2019			1,350,000,000
5/27/2020			1,350,000,000
5/27/2021			1,350,000,000
5/24/2022			1,350,000,000
5/24/2023			**1,350,000,000**

Breakdown of capital	2019	2020	2021	2022	**2023**
Sfil	99.99%	99.99%	99.99%	99.99%	99.99%
Individual investors	0.01%	0.01%	0.01%	0.01%	0.01%

The share capital of Caffil is 99.99% owned by Sfil and 0.01% by a single individual, member of the Supervisory Board (*prêt de consommation d'actions* granted by Sfil). The amount of capital has not changed over the last five years.

5.2 Statement by the person responsible

I, Herdile Guérin, Chairwoman of the Executive Board of Caisse Française de Financement Local, hereby affirm that to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and present fairly, in all material aspects, the assets and liabilities, financial position and results of Caisse Française de Financement Local, and that the management report presents a fair image of trends in the Company's business, results and financial position, as well as a description of the main risks and uncertainties it faces.

Paris, March 27, 2024

Herdile Guérin

Chairwoman of the Executive Board

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Caffil Caisse Française de Financement Local

More information on caffil.fr

A limited liability company with an Executive Board
and a Supervisory Board (société anonyme
à directoire et conseil de surveillance)
Capital of EUR 1,350,000,000
Trade and Companies Register (RCS) 421 318 064 PARIS

Registered office
112-114 avenue Emile Zola
75015 Paris