



# Interim financial report

For the period from January 1 to June 30, 2024



“ The bank serving regional development ”

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# Key figures

First half of 2024

## Business activity

**EUR 2.8 billion**  
 (+157%/1<sup>st</sup> half of 2023)  
 Loans to the French public sector acquired

**EUR 1.7 billion**  
 Export credit contracts signed for EUR 3.1 billion of export contracts

**EUR 4.9 billion**  
 Long-term debt issues

## Balance sheet and operating result

**EUR 70.7 billion**  
 Balance sheet assets

**EUR 64.7 billion**  
 Bond issues

**EUR +103 million**  
 Recurring NBI

**EUR 4 million (<1bp)**  
 Cost of risk

**EUR +31 million**  
 Recurring net income

**55%**  
 Operating ratio

## Financial structure

**37.3%**  
 CET1 ratio

**270%**  
 LCR Ratio  
 EUR 43 billion in mobilizable assets

**123.5%**  
 NSFR Ratio

## Financial ratings

aligned with those of the French sovereign debt





# General business environment



# 01

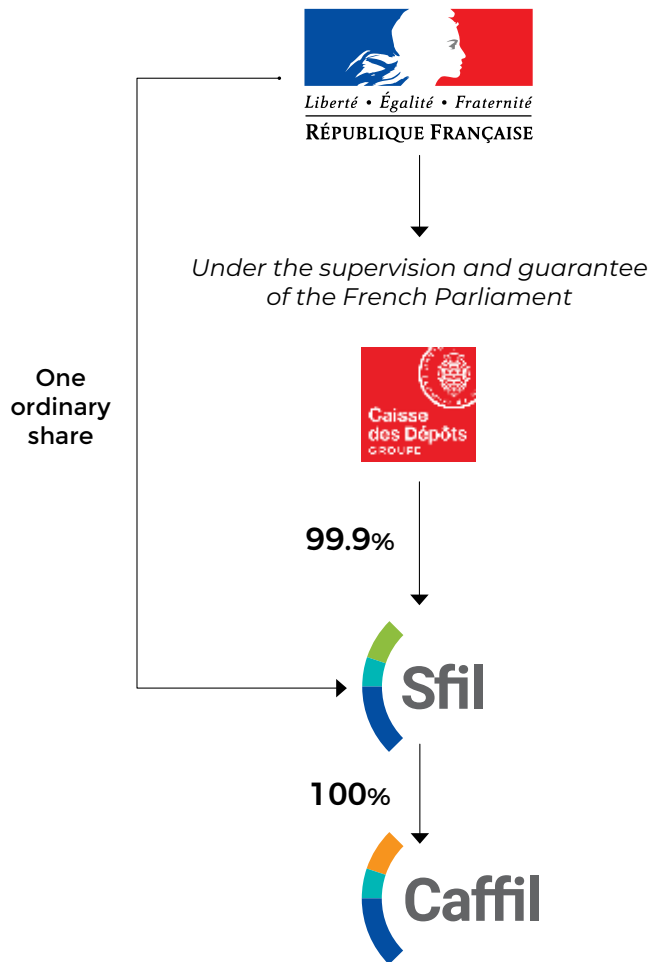
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The *Autorité de contrôle prudentiel et de résolution* (ACPR) College, the French administrative authority responsible for the supervision of banking and insurance undertakings, authorized Sfil as a bank on January 16, 2013. Since September 30, 2020,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

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

Since 2015, Sfil is also entrusted with another key mission for refinancing large export credit contracts as part of a public refinancing scheme aimed at strengthening the competitiveness of French companies in the export market. Initially authorized by the European Commission for a period of five years, it was renewed in 2020 for a further seven years.

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



## 1.1 French local public sector lending

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

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

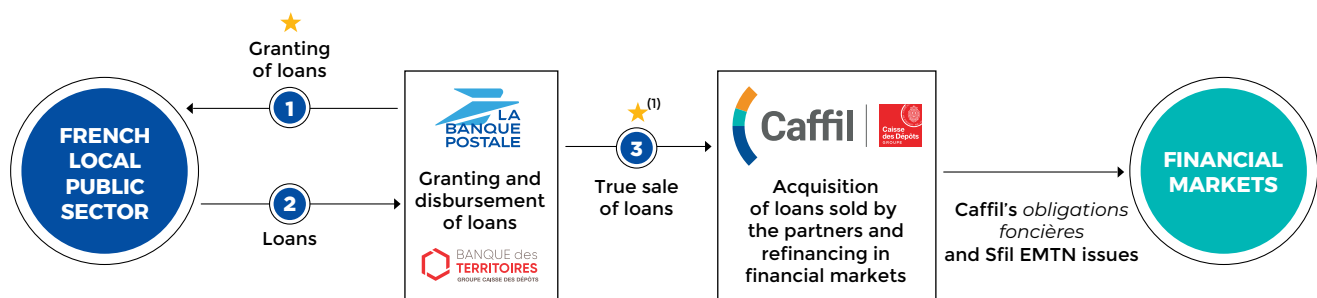
- the partners originate loans and then sell them to Caffil, the Group's *société de crédit foncier*;
- the loan offer is intended for all types of local authorities throughout France, from the smallest municipalities to the largest inter-municipal, departmental or local structures;
- deliberately simply designed, these amortizing loans, for a minimum amount of EUR 40,000, are exclusively denominated in euros and bear a fixed interest rate or a

single-indexed (EURIBOR + margin) or double-phased (fixed rate then variable rate) interest rate;

- Sfil finances acquired loans by issuing *obligations foncières* (covered bonds) and EMTNs. When these are use-of-proceeds loans (*i.e.* green or social loans to local authorities or loans to public hospitals), they are financed by green, social or sustainable bonds (see 1.3 "Financing of Sfil").

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

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



★ Caffil's credit decision-making process

<sup>(1)</sup> Only in the case of the partnership with La Banque Postale

More specifically, loans originated by La Banque Postale:

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

local authorities in the fields of health, education, sport, culture, development and regional cohesion.

The range of loans marketed by Banque des Territoires:

- cover long periods of between 25 and 40 years;
- are mainly intended for the financing of investments that contribute to the environmental transition, on green themes identical to those developed with La Banque Postale or the financing of public hospitals. And since June 2024, the offer also covers three social themes (sport, culture and community life; health, social and family action; as well as education and professional training).

## 1.2 Refinancing of large export credits

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

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

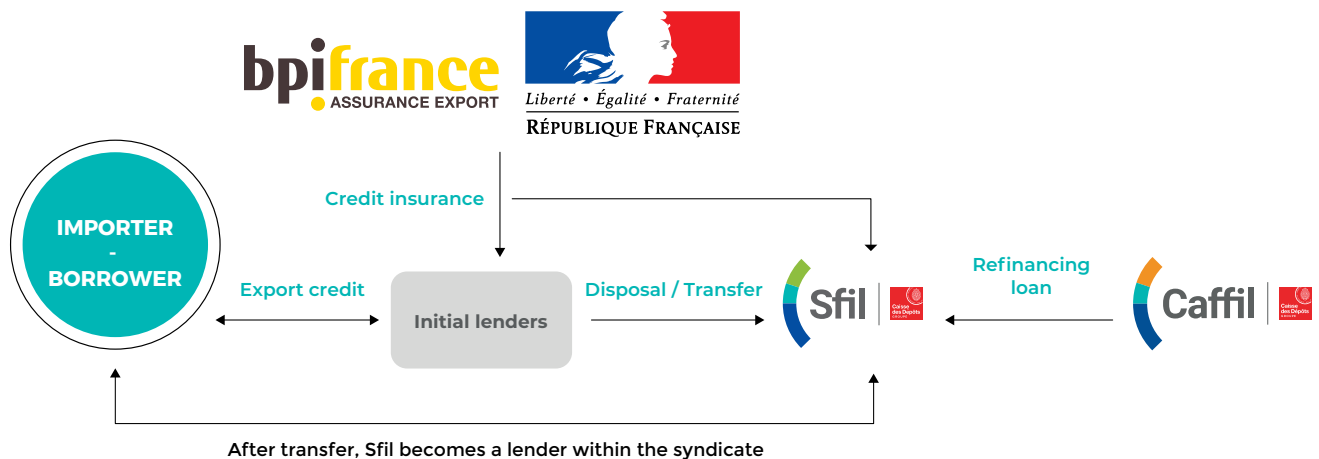
### 1.2.1 Refinancing scheme

The refinancing scheme operates as follows:

- Sfil contributes to the financial proposal prepared by one or more banks of the banking syndicate granting the buyer credit covered by an export credit insurance granted by the French Republic (hereinafter referred to as the "French State");
- after signing the export credit agreement, the partner banks sell to Sfil a share of the loan, the rights attached to it as well as those attached to the portion of the loan that they retain. They retain the portion of the loan that does not benefit from credit insurance (at least 5%);
- Caffil grants Sfil a refinancing loan which is backed by the acquired export credit. In this context, the portion of the export credit acquired by Sfil is pledged to Caffil. Sfil's rights to compensation under the Bpifrance Assurance Export credit insurance policy are also delegated by Sfil to Caffil.

The refinancing loans benefit from an unconditional guarantee on first demand issued by the French State, known as an enhanced guarantee<sup>(1)</sup>. Caffil will no longer use this mechanism for transactions concluded from September 2024 onwards. This change is part of a simplification process of the Sfil Group. It does 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*;

- Caffil finances these loans by issuing *obligations foncières* (covered bonds). When these export credit contracts are eligible, they are refinanced by green, social or sustainable bonds (see 1.3 "Financing of Sfil").



(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.



## 1.2.2 Public export guarantees

Bpifrance Assurance Export manages these guarantees, in the name, on behalf of, and under the control of the French State, pursuant to article L.432.2 of the French Insurance Code. They are therefore granted directly by the French State 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 guarantees for strategic projects, 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 State;
- the French State bears the risks associated with these guarantees. All financial flows (premiums, payments, repayments) are recorded in separate accounting entries by Bpifrance Assurance Export. Premiums and recoveries are received directly on the account of the French State, and payments are made directly from the same account, without passing through the accounts of Bpifrance Assurance Export.

## 1.3 Financing of Sfil

In order to refinance its two activities, the Sfil Group, *via* its subsidiary Caffil, issues *obligations foncières* (covered bonds) in the financial markets in the form of benchmark public issues but also in the form of private placements, particularly in the registered covered bonds format, adapted to its large investor base. These instruments are characterized by the legal privilege, which, as a priority, allocates the sums from the cover pool of Caffil to pay their interest and reimbursements. They carry the European Covered Bond (Premium) label. This

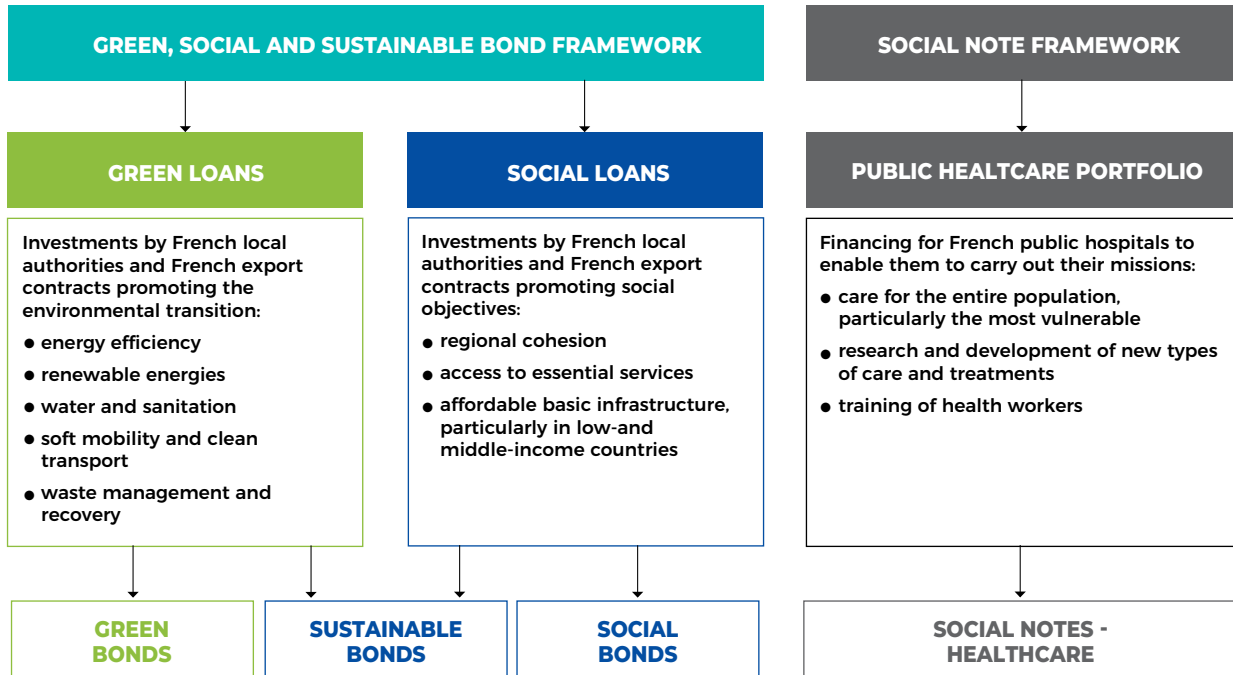
source of financing is the main source of liquidity for the Sfil Group.

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



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

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







# Interim activity report



## 02

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## 2.1 Highlights

### 2.1.1 Geopolitical and macroeconomic context

The entry into its third year of the Russian-Ukrainian conflict and the worsening of tensions in the Middle East characterized the first half of 2024. The period was also marked by a very changing political environment with elections scheduled in 2024 in more than 70 countries, *i.e.* more than half of the world's population and nearly 55% of the global GDP. This electoral phase is marked in particular by the European elections in the first half of the year and the end-of-year US presidential election, including the early legislative elections in France and a renewal of the British Parliament in July. The results of these elections could significantly impact public policies in the countries concerned, possibly introducing uncertainties and volatility for companies and global trade.

On the economic front, the European Central Bank lowered its key rates by 25 bps in June 2024 for the first time since 2019, after noticing a decline in inflation since September 2023. It stood at 2.5% year-on-year in June 2024 compared to 5.5% in June 2023. After a slight increase to 0.3% in the first quarter, growth in the Eurozone stabilized at this level in the second quarter. In France in particular, inflation was 2.2% year-on-year (compared to 4.5% in June 2023). For its part, economic activity continued to grow (+0.3% in the first and second quarters of 2024).

On the other hand, the US Federal Reserve kept its main key rate in the range of 5.25%-5.5% in which it has been since July 2023. This decision took place in a context where inflation in the United States slowed in the second quarter after a rebound in the first quarter. These developments prompted the Fed to be cautious; it announced that it would only consider a single key rate cut in 2024. At the same time, economic activity showed signs of slowing down over the period.

### 2.1.2 Interim activity

#### French local public sector lending

In the first half of 2024, loans to French local authorities and public hospitals, granted through the partners La Banque Postale and Banque des Territoires, increased by 157% compared to the first half of 2023, reaching EUR 2.8 billion.

This period was marked by a very strong increase in production to EUR 2.6 billion (+176% compared to the first half of 2023) for all local authorities and their affiliates, that have launched their investment program, in particular those previously delayed given the macroeconomic and inflationary context in 2023. This increase was particularly strong in the departments and

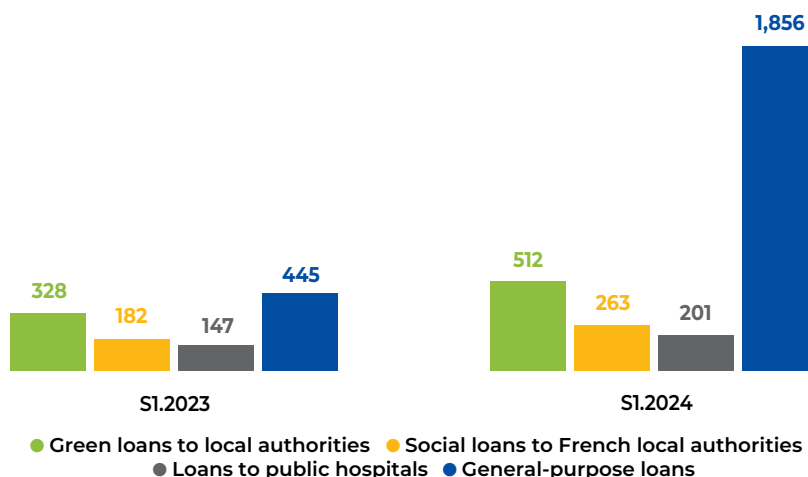
regions. While the latter are experiencing some tensions on their revenue (decrease in real estate transfer duties and VAT), the trend observed in the first half of 2024 was probably related to an anticipation of their financing needs given the uncertainties related to the various electoral deadlines and more favorable financial conditions than in 2023. Borrowings by groups of municipalities also increased significantly. This trend was correlated with the acceleration of investment programs, usually observed during the last phase of the electoral cycle.

Loans granted to public hospitals were up slightly to EUR 201 million, from EUR 147 million at the end of June 2023, due to a gradual recovery in investments. Since the beginning of the year, public hospitals have benefited from a higher level of cash in relation with the payment of subsidies under the *Ségur* Plan. This resource enabled them to launch their investment projects that had been delayed. However, some of these projects had to be redirected towards the renovation of buildings rather than construction. In this context, Sfil extended further financing to public hospitals, based on a long-term assessment of their financial situation and of the positioning of their healthcare offer (healthcare added value).

Use-of-proceeds loans were also up by more than 49% over the first half of 2023. Sfil and its partners granted EUR 512 million in green loans (+56% over the first half of 2023), EUR 263 million in social loans to local authorities (+45% over the first half of 2023) and EUR 201 million (see above) to public hospitals (+37% over the first half of 2023).

The significant amount of green and social loans granted to local authorities over the period confirmed both their strong appetite for these financing instruments and the relevance of the public development bank model. Sfil is strengthening its action to support the local challenges of the environmental transition and social cohesion. Sfil continued to adapt part of its range of green loans to the Environmental Delegated Act of the EU Taxonomy, related to the objectives of sustainable use of water and marine resources, transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems.

The first half of 2024 thus marked the record level of production seen since the start of activity in 2013. At the end of June 2024, the Sfil / La Banque Postale / Banque des Territoires scheme exceeded the cap of EUR 50 billion in loans granted to the French local public sector, including more than EUR 45 billion specifically to local authorities. Sfil has financed projects throughout France for local authorities of all sizes. As a result, the asset portfolio is very diversified, including both loan agreements of up to EUR 200 million to the regions and a few thousand euros with smaller local authorities.



(EUR millions)

### Refinancing of large export contracts

While the global export credit market covered by export credit agencies (ECAs) grew very strongly in 2023, the first half of 2024 saw a decrease in both transaction volumes (-46% compared with the first half of 2023 to USD 36.7 billion) and the number of transactions (-34% from 282 transactions in the first half of 2023 to 187 transactions in the first half of 2024). These trends were mainly due to :

- a decline in the number of transactions in high-income countries;
- a slowdown in transactions in the offshore wind energy sector; and
- a nearly complete extinction of export financing for upstream oil and gas projects.

In contrast, sectors such as transport infrastructure, aeronautics, battery factories and shipbuilding (including cruise ships) remained at a strong level of activity in the first half of 2024.

The first half of 2024 saw the conclusion of two export credit transactions for a total amount transferred to Sfil of EUR 1.7 billion, enabling the conclusion of EUR 3.1 billion of export contracts. These transactions covered Europe and the Americas. They contributed to Sustainable Development Goal 8 aimed at achieving full employment in France.

Since the launch of the activity in 2015, the Sfil Group has supported 30 operations for a total amount of almost EUR 18 billion, enabling the conclusion of EUR 31 billion in export contracts.

In addition, during the TXF forum in June 2024, Sfil received the “Deal of the year Central Asia 2023” award for the financing of locomotives for freight and passenger transport in Kazakhstan. The passenger locomotives financed as part of this transaction emit 89% less gCO2 per passenger-km compared to cars.

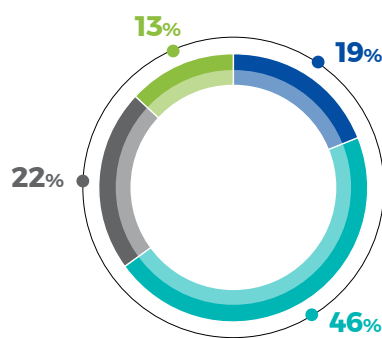
### Bond issuance activity

During the first half of 2024, the bond markets were marked by the end of the monetary tightening cycle of the main central banks (Federal Reserve and European Central Bank) and the anticipation of the first measures in easing their monetary policy. In this promising context, the dynamic bond issuance activity in the sovereign, supranational and agency (SSA) issuers and covered bond segments was supported by strong global demand from investors across a wide range of maturities and was reflected in a movement in spread performance. At the end of semester, the early French legislative elections led to a slowdown in the activity of bond issues and a widening of spreads for French issuers.

In this context, the Sfil Group carried out a total volume of long-term issues of EUR 4.9 billion in the first half of 2024. This activity took the form of:

- EUR 4.2 billion on the public primary market;
- EUR 0.35 billion *via* two matching transactions carried out on existing Caffil reference lines;
- EUR 0.34 billion in private placements.

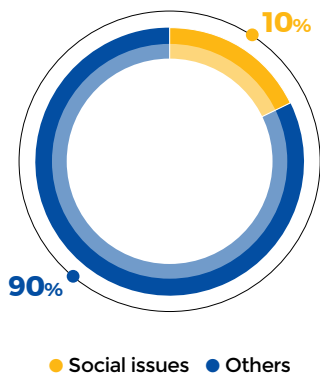
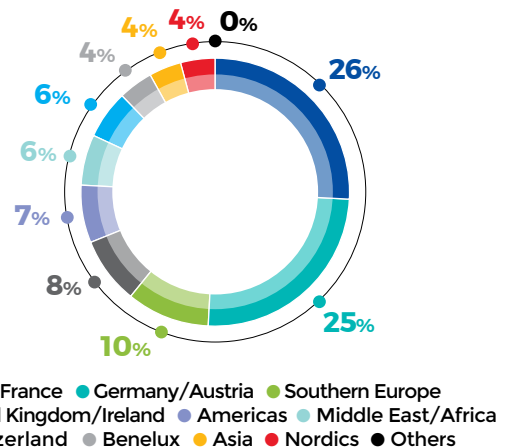
The average maturity recorded for issues and private placements carried out during the period was nine years.



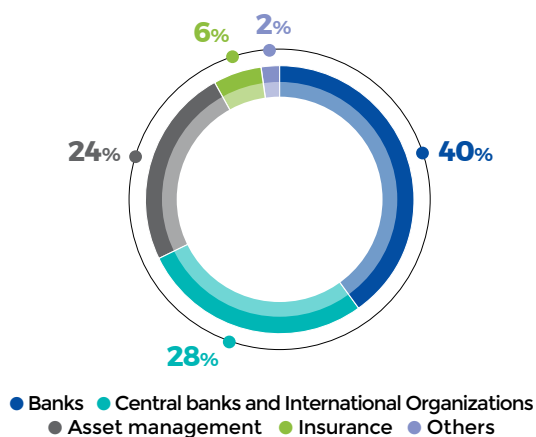
● 0 - 5 years ● 6 - 9 years ● 10 - 14 years ● > 15 years

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

- a Sfil bond with a maturity of 7 years in January 2024 in the amount of EUR 1.25 billion;
- a Caffil *obligation foncière* with a maturity of 10 years in January 2024 in the amount of EUR 1 billion;
- a Caffil social *obligation foncière* with a maturity of 12 years in March 2024 for an amount of EUR 0.5 billion, in line with the Group's objective of achieving a ratio of 25% of green, social or sustainable issues by 2024;
- a Sfil dollar-denominated bond with a maturity of 3 years in April 2024 for USD 1 billion;
- a Caffil *obligation foncière* with a maturity of 15 years in May 2024 in the amount of EUR 0.5 billion.



The breakdown of public issues carried out during the first half of 2024 is presented below:



In addition, Sfil continued to use its program for issuing debt securities at less than one year (NeuCP issuance program). As of June 30, 2024, Sfil's outstanding debt securities of less than one year amounted to EUR 1.22 billion.

### 2.1.3 Credit ratings

The financial strength of Sfil is confirmed by its credit ratings, which are all aligned with the sovereign rating of France.

	Moody's	DBRS	Standard & Poor's
Long-term rating	Aa2	AA (high)	AA-
Outlook	Stable	Stable	Stable
Short-term rating	P-1	R-1 (high)	A-1+
Date of update	5/16/2024	1/29/2024	6/4/2024

The credit ratings by Moody's and DBRS remained unchanged as of June 30, 2024.

On June 4, 2024, Standard & Poor's downgraded Sfil's rating from AA (negative outlook) to AA- (stable outlook) like all other French public agencies. This change results from a mechanical adjustment related to the public shareholding of Sfil following the downgrade of the sovereign rating of France which occurred on May 31, 2024. This rating changed from AA (negative outlook) to AA- (stable outlook).

### 2.1.4 Decarbonization trajectory

Sfil continued its work following the announcement of greenhouse gas emission reduction objectives at the end of 2023. The measurement of financed emissions related to the French local public sector now includes social loans to local authorities that were launched at the end of 2022. In addition, the downstream Scope 3 measurement methodology for transport, roads and highways, the main contributor to financed emissions measured at the end of 2021, was revised during the period in order to refine the results previously obtained. The potential impacts on decarbonization targets are being identified.



The objective for the maritime sector is to achieve by 2030 a zero or positive gap between the energy efficiency of the portfolio and that defined in 2018 by the Poseidon Principles. At the end of 2023, the Poseidon Principles significantly revised the 2018 objective in order to align with the new strategy of the International Maritime Organization (IMO), *i.e.* net zero by 2050 with intermediate targets in 2030 and 2040. This revised strategy has resulted in a new calculation methodology that does not include the specificities of the passenger transport vessels to which the financing granted by Sfil relates. Given these changes, Sfil is evaluating the opportunity to adopt the new objectives set by the IMO or to study other alternatives. The relevance of the indicators used, the complexity of their operational implementation and the market practices adopted for passenger vessels are all decision factors taken into account.

Lastly, based on financed emissions measured at the end of 2021, Sfil announced that it would mobilize EUR 17 billion by 2030 in favor of the environmental transition. At the end of June 2024, Sfil granted EUR 0.5 billion to the French local public sector. As the export credit activity is more cyclical, Sfil did not refinance any sustainable projects over the past period. However, the outlook in this area remains very positive given the financing needs in the basic infrastructure sector in connection with the challenges of climate transition.

Over the past period, out of a total objective of EUR 12 billion by 2030, Sfil also mobilized EUR 0.5 billion for public hospitals and local authority investments with a social dimension (public safety and health, education and training, culture and sport, health and social action, etc.).

Objective 2030	Activity concerned	2022-2023	June 2024
<b>EUR 17 billion in favor of the environmental transition</b>	Financing of the French local public sector Refinancing of export credits	EUR 2.7 billion	EUR 512 million
<b>EUR 12 billion for health and social projects of local authorities</b>	Financing of the French local public sector	EUR 1.7 billion	EUR 464 million

## 2.1.5 Regulatory developments

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) which were published in the Official Journal of the European Union on June 19, 2024, and are due to enter into force on January 1, 2025. On June 21, 2024, the ACPR Resolution College decided to

assimilate exposures to most French local authorities as exposures to a French sovereign risk, in respect of prudential requirements applicable to credit institutions. Local authorities in the scope now benefit from a risk factor of 0% under the standard approach. On July 8, 2024, the European Banking Authority (EBA) also updated the list of entities assimilated to the French State. Following these publications and a decision by the ECB on July 24, 2024, Sfil will calculate all of the bank's risk-weighted assets using the standard approach. This calculation will be effective from the third quarter of 2024.

## 2.2 Changes in the main balance sheet items

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

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

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

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

The main items on the Sfil Group's consolidated balance sheet (management data) <sup>(1)</sup> as of June 30, 2024 are presented in the table hereinafter:

*(EUR billions, equivalent value after currency swaps)*

ASSETS	LIABILITIES
<b>70.7</b>	<b>70.7</b>
of which main balance sheet items in notional amount	of which main balance sheet items in notional amount
<b>67.9</b>	<b>67.9</b>
Cash assets 2.5	Bond issues 64.7
Securities 8.3	Certificates of deposit 1.2
Loans 55.0	Cash collateral received 0.1
Cash collateral 2.1	Equity 1.7
	Other 0.1

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

## 2.2.1 Assets

The net change in the Sfil Group's main assets in the first half of 2024 amounted to EUR 1.6 billion.

This change can be analyzed as follows:

EUR billions, equivalent value after currency swaps

First half of 2024

	First half of 2024
<b>Beginning of the period</b>	<b>66.3</b>
Acquisition and disbursement of loans to the local public sector and export credit	4.1
Amortization of loans and securities to the local public sector and export credit	(2.4)
Change in cash collateral	0.0
Change in cash investment securities	0.4
Change in cash assets	(0.5)
Others	0.0
<b>End of the period</b>	<b>67.9</b>

In the first half of 2024, Sfil acquired EUR 2.8 billion in loans to the French local public sector originated by La Banque Postale and Banque des Territoires. In addition, EUR 1.3 billion of drawdowns were made on export credits.

As of June 30, 2024, Sfil paid EUR 2.1 billion in cash collateral.

The cash and cash equivalents of the Banque de France account as well as the portfolio of securities acquired to invest surplus cash remained stable. As of June 30, 2024, this portfolio of securities consisted of securities from the banking sector (mainly covered bonds) and European public sector securities. It represented an outstanding amount of EUR 4.4 billion.

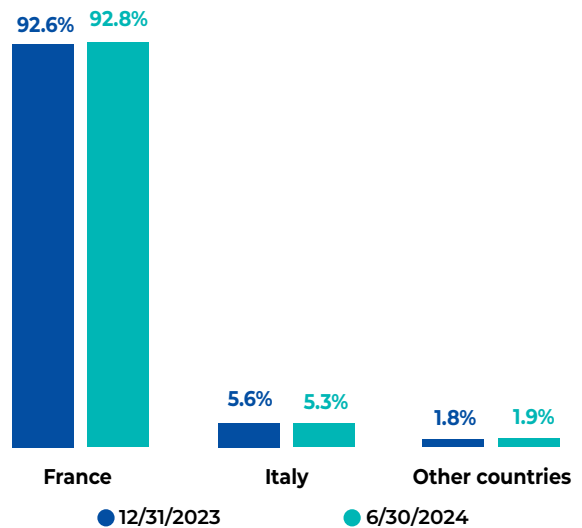
### Breakdown of outstanding public sector loans and securities

The outstanding loans and securities on the Sfil Group's balance sheet totaled EUR 63.3 billion, of which EUR 59.7 billion to the public sector. After taking into account the guarantees received, France was largely predominant with nearly 93% of the total outstandings to the public sector at the end of June 2024.

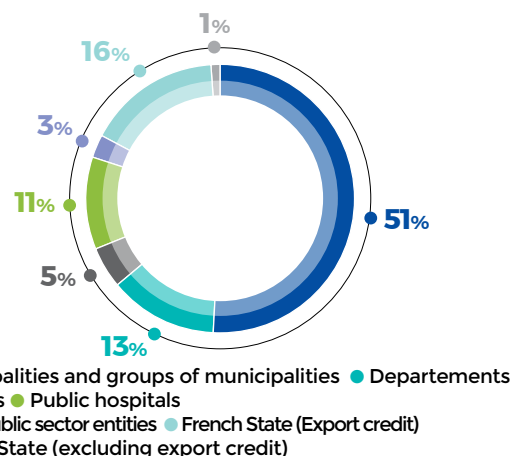
New loans are exclusively originated with the French local public sector or fully guaranteed by the latter. The outstanding loans for the export credit activity amounted to EUR 8.9 billion as of June 30, 2024, and represented 15% of the outstanding loans and securities to the public sector. The other assets with or guaranteed by the local public sector in France represented approximately 78% of the outstanding loans and securities to the public sector.

Outside France, the two largest exposures are located in Italy (sovereign and local authorities) and Switzerland (local authorities) for 5.3% and 0.5% of the outstanding loans and securities to the public sector, respectively. These loans and securities, monitored under run-off management, correspond to geographically diversified exposures to public authorities.

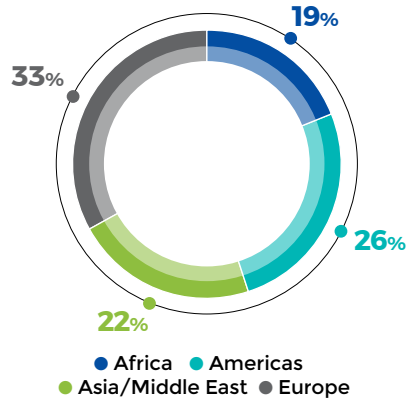
France's relative share increased slightly compared to the end of 2023 (92.8% compared to 92.6%).



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



The graph hereinafter shows, for the relative share of the export credit activity as of June 30, 2024, the geographical breakdown of the importers concerned by the credits granted.



## Exposure to banks

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

- cash assets deposited with the Banque de France, which totaled EUR 2.5 billion as of June 30, 2024;
- cash invested in bank securities (mainly covered bonds) amounting to EUR 4.4 billion, compared with EUR 4.0 billion as of December 31, 2023;
- collateral payments made in the form of cash, in the total amount of EUR 2.1 billion as of June 30, 2024, to banking institutions or clearing houses to hedge the counterparty risk on the derivative portfolio;
- in a much more marginal proportion, deposits in current bank accounts opened with credit institutions.

## 2.2.2 Liabilities

The net change in the Sfil Group's main liabilities in the first half of 2024 amounted to EUR 1.6 billion.

This change can be analyzed as follows:

*EUR billions, equivalent value after currency swaps*

	<b>First half of 2024</b>
<b>Beginning of the period</b>	<b>66.3</b>
Bonds	1.2
<i>of which new issues</i>	4.9
<i>of which amortization</i>	(3.6)
<i>of which buybacks</i>	-
Change in outstanding certificates of deposit	0.4
Change in cash collateral received	(0.0)
Equity and other items	0.0
<b>End of the period</b>	<b>67.9</b>

In the first half of 2024, the new issues of Sfil for EUR 2.2 billion offset the amortization of the stock of EUR 1.0 billion. Over the same period, the new issues of covered bonds by Caffil for EUR 2.7 billion made it possible to replace the issues maturing over the period of EUR 2.6 billion.

Lastly, the cash collateral paid by derivative counterparties remained stable and reached a balance of EUR 0.1 billion at June 30, 2024.

## 2.3 Interim consolidated results

The consolidated net income of Sfil, prepared in accordance with IFRS, was EUR +38 million at June 30, 2024, a 138% increase from June 30, 2023 where it stood at EUR +16 million. This change was partly due to non-recurring items <sup>(1)</sup> which showed a negative balance of EUR 11 million in the first half of 2023 compared to an income of EUR 6 million in the first half of 2024, as detailed below.

The non-recurring items are more specifically related to (i) the volatility of the valuation of the portfolio of derivatives for EUR +1 million, (ii) the impacts of the valuation of loans that do not meet the SPPI criterion in application of IFRS 9 for EUR +8 million and (iii) the linearization over the year of taxes fully recognized at January 1 in accordance with IFRIC 21 for EUR -2 million.

	6/30/2023				Recurring income	6/30/2024				
	Accounting income	Restated non-recurring items				Accounting income	Restated non-recurring items			Recurring income
		Fair value adjustment on hedges	Fair value adjustment of non-SPPI assets	Linearization over the year of expenses recognized in the first half of the year		Fair value adjustment on hedges	Fair value adjustment of non-SPPI assets	Linearization over the year of expenses recognized in the first half of the year		
<b>Net banking income</b>	91	5	(13)	-	99	114	1	10	-	103
General operating expenses	(68)	-	-	(6)	(62)	(60)	-	-	(3)	(57)
<b>GROSS OPERATING INCOME</b>	<b>23</b>	<b>5</b>	<b>(13)</b>	<b>(6)</b>	<b>37</b>	<b>55</b>	<b>1</b>	<b>10</b>	<b>(3)</b>	<b>46</b>
Cost of risk	1	-	-	-	1	(4)	-	-	-	(4)
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>24</b>	<b>5</b>	<b>(13)</b>	<b>(6)</b>	<b>38</b>	<b>51</b>	<b>1</b>	<b>10</b>	<b>(3)</b>	<b>42</b>
Income tax	(8)	(1)	3	1	(11)	(13)	(0)	(3)	1	(11)
<b>NET INCOME</b>	<b>16</b>	<b>4</b>	<b>(10)</b>	<b>(5)</b>	<b>27</b>	<b>38</b>	<b>1</b>	<b>8</b>	<b>(2)</b>	<b>31</b>

Restated for these non-recurring items, the recurring net income as of June 30, 2024 amounted to EUR +31 million, up EUR 4 million (+15%) compared to June 30, 2023. An item-by-item analysis of this change in recurring net income shows that:

- the net banking income amounted to EUR +103 million for the first half of 2024 compared to EUR +99 million in the first half of 2023, an increase of EUR 4 million (+4%). This increase reflects the very good level of activity on export credit in 2023 and the first half of 2024 as well as on the local public sector during the first half 2024;
- the operating expenses, taxes and depreciation amounted to EUR 57 million, down by EUR 5 million compared to the first half of 2023. This change is mainly due to the end of the contribution to the Single Resolution Fund from 2024 as well as operational costs under control which decreased by 6% between the two periods;

- the cost of risk was limited to EUR 4 million as of June 30, 2024, reflecting the very good quality of Sfil's exposures. As of June 30, 2024, the cost of risk represented less than 1 basis point of financial assets at amortized cost.

This very solid performance was in line with the objectives of the public development bank model of Sfil. The EUR 4 million increase in recurring income also reflected Sfil's resilience despite a volatile macroeconomic context and the increase in financing costs for all issuers of bank debt securities and covered bonds.

(1) The restated non-recurring items are as follows:

- fair value adjustments concerning hedges: as a reminder, since 2013 carrying amount adjustments have affected the hedging implemented by the Sfil Group to cover its interest rate and foreign exchange risks. These adjustments basically concern accounting for adjustments linked to the application of IFRS 13, which mainly introduced the recognition of valuation adjustments with reference to CVA (Credit Valuation Adjustment) and DVA (Debit Valuation Adjustment). These accounting valuation adjustments are recorded in the income statement as net gains or losses on financial instruments at fair value through profit or loss;
- the changes in the valuation of a portfolio of non-SPPI loans (recognized at fair value through profit or loss under IFRS 9 although intended to be retained) due to the change in its credit spread;
- the linear extrapolation of charges taken into account as of January 1 of each year per IFRIC 21.

## 2.4 Post-closing events

No significant event that influenced the Company's financial situation has occurred since the closing on June 30, 2024.

## 2.5 Outlook for the second half of 2024

In the second half of the year, the Sfil Group will continue to implement the operational objectives defined for 2024, in line with the "Objective 2026" strategic plan:

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

The beginning of this second half of 2024 was marked by a more volatile financial environment with a widening of the OAT-Bund spread and French credit spreads in general following the early legislative elections in France. However, the impact on the refinancing cost of the Sfil Group is moderate to date. On July 11, Sfil issued a EUR 1.25 billion green bond with a five-year maturity and an OAT spread of +29 bps under very satisfactory market conditions. The Sfil Group achieved more than 70% of its 2024 issuance program with this transaction.

Local authorities remain a pole of stability, enjoy sound financial health and have ambitious investment programs planned for the end of the current electoral cycle. In this context, the activity is set to remain dynamic in the second half of the year, during which borrowing is traditionally stronger. More specifically, the volume of use-of-proceeds loans is expected to continue to grow, driven by several factors:

- the new greenhouse gas reduction targets by 2030 (-55%) provided for by the third version of the National Low Carbon Strategy which publication has been delayed. These should call for an upward reassessment of the investment effort of local authorities as initially estimated in the I4CE study of October 14, 2022<sup>(1)</sup> and which already provided for the necessary doubling of "climate investments" to EUR 12 billion per year. The report of the French General Inspectorate of Finance, published in October 2023, confirmed this necessary effort and reassessed it at EUR 21 billion for local authorities;
- the obligation for local authorities with more than 3,500 inhabitants to initiate a "green budget" approach, particularly for investment expenditure, whose implementing decrees are expected during the second half of the year. This transparency measure should make it possible to better identify investments favorable to the transition and to make the efforts undertaken more objective.

Public hospitals are also expected to step up their investment efforts during the second half of the year, in order to achieve the objectives of the *Ségur* plan.

The outlook for export-credit refinancing is also very positive. Indeed, requests for the Sfil refinancing scheme are at a record level, *i.e.* an average of 20 per month since the beginning of 2024. Files under assessment amounted to EUR 68 billion for a total of approximately 170 projects, indicating a particularly dynamic activity in the months and years to come.

In addition, the discussions that the Sfil Group started previously with the European authorities are still ongoing. A favorable outcome would enable Sfil to broaden the type of public assets that the Group could finance under its current mandates.

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

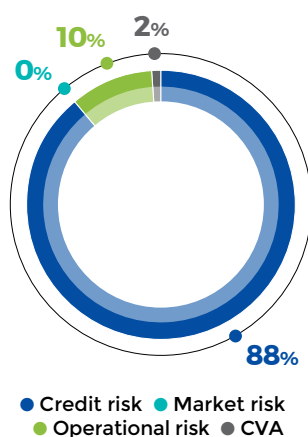
## 2.6 Management of the main risks

### 2.6.1 Risk profile

The risk profile of the Sfil Group is low as indicated in the analysis below.

Nature of risk	Overall risk assessment
<b>Credit</b>	<ul style="list-style-type: none"> <li>• New production on the local public sector exclusively dedicated to French public-sector borrowers, with an extremely low historical default rate (less than 2%)</li> <li>• Exposures to Italy (local authorities and sovereign) under run-off management and without any borrower in default</li> <li>• Export loans fully covered by Bpifrance Assurance Export <sup>(1)</sup> hedging both political and commercial risk, thus making Sfil's residual risk extremely low</li> </ul>
<b>Climate and environmental</b>	<ul style="list-style-type: none"> <li>• Relatively limited direct exposure to the economic sectors that emit the most greenhouse gases (public borrowers and, for export loans, exclusion of sectors exposed to fossil fuels)</li> <li>• Exposure to physical risk reflects that of the French territory</li> </ul>
<b>Rate</b>	<ul style="list-style-type: none"> <li>• Systematic hedging of the Sfil Group's fixed-rate balance sheet items <i>via</i> a natural matching of assets and liabilities or the implementation of interest rate derivatives</li> </ul>
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>• Rigorous management of the illiquidity risk exposure using internal and regulatory stress scenarios</li> <li>• A commercial pricing policy consisting of passing on all financing costs in the loans granted</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>• Due to the Sfil Group's nature as a public development bank, there is no trading portfolio and therefore no market risks in the regulatory sense of the term.</li> </ul>
<b>Foreign exchange</b>	<ul style="list-style-type: none"> <li>• Foreign currency outstandings systematically hedged from entry on the balance sheet to maturity</li> </ul>
<b>Operational</b>	<ul style="list-style-type: none"> <li>• Mapped in a granular manner and subject to permanent control with a very low number of operational incidents and marginal materiality</li> </ul>

As of June 30, 2024, the Group's risk-weighted assets were up by a limited amount to EUR 4.1 billion (EUR +62.5 million compared to the end of 2023). They mainly arise from credit risk.



Ratios	CET1 ratio	Total capital ratio	Leverage ratio	LCR	NSFR
Minimum requirement	8.56% (SREP)	12.5% (SREP)	3%	100%	100%
Value as of June 30, 2024	37.3%	37.3%	9.9%	270%	123.5%

(1) See 1.2.1 Refinancing scheme for large export credits

## SREP

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

As of June 30, 2024, the Total Capital equity requirement was 12.5%, of which:

- 8% for Pillar 1 Total Capital, the level applicable to all entities;
- 1% in respect of the P2R (Pillar 2 Requirement), of which 0.56% in Common Equity Tier 1 (CET1) capital and 0.75% in Tier 1 capital;
- 2.5% for the capital conservation buffer, the level applicable to all entities;
- 1% in respect of the countercyclical buffer on relevant exposures.

In addition, as of June 30, 2024, the CET1 Capital requirement was 8.56% and the T1 capital requirement was 10.25%.

As of June 30, 2024, Sfil's consolidated CET1 and Total capital ratios both stood at 37.3%, a level representing respectively over four and nearly three times the minimum requirement set by the European supervisor at that date. The CET1 ratio was stable compared to December 31, 2023, when it stood at 37.5%.

## Leverage ratio

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

This regulation was clarified *via* Regulation No. 876/2019 of May 20, 2019, which introduced a minimum requirement of 3% for the leverage ratio, as well as measures aimed, in particular, at excluding promotional loans and the export credit activity

from the total exposure calculation. Thus, the Sfil Group benefits from specific and appropriate calculation rules for establishing its leverage ratio.

Calculated using the methodological principles of this regulation, the Sfil Group's leverage ratio was 9.9% as of June 30, 2024 and thus comfortably exceeds this minimum 3% requirement.

## MREL

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

## 2.6.2 Main risks

### Credit risk

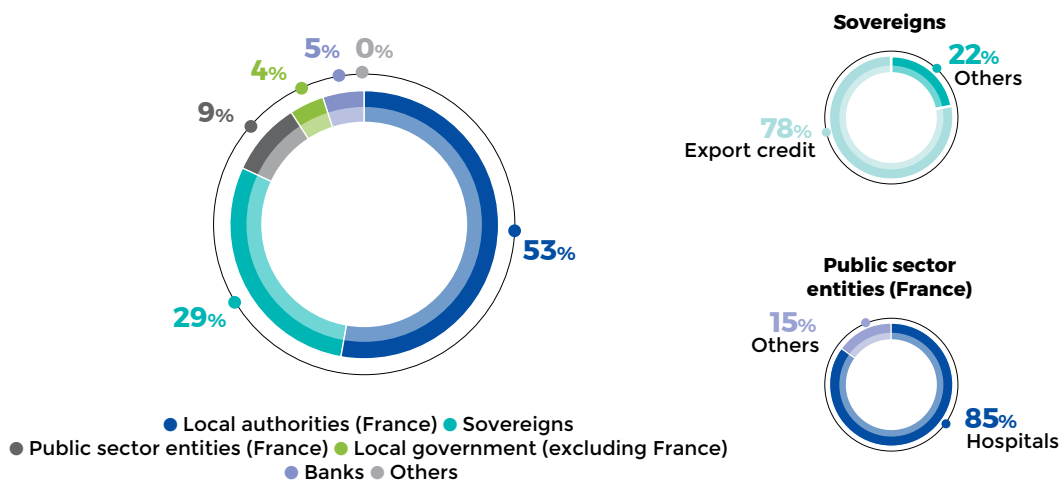
#### Definition and management of credit risk

Credit risk is the risk incurred in the event of default by a counterparty or counterparties considered to be the same group of clients.

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

- defining credit risk policies, guidelines and procedures, as well as the delegations to be granted;
- management of the credit granting process;
- monitoring of the analysis and internal rating processes.

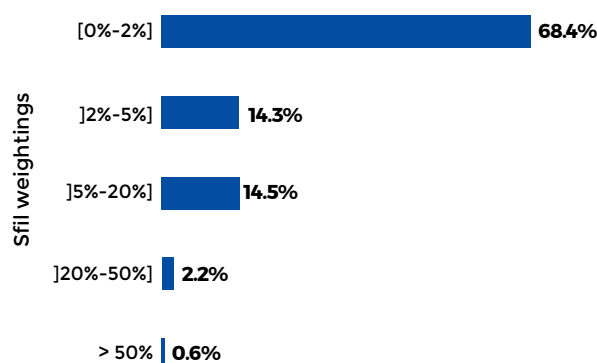
### Exposure to credit risk



The credit risk exposures, measured using the EAD (Exposure At Default) metric, amounted to EUR 75 billion as of June 30, 2024:

- over 53% of this exposure is concentrated in French local public authorities (regions, departments, municipalities and groups of municipalities, etc.);
- almost 29% of this exposure is included in “sovereign” items including 78% as a result of the export credit activity;
- almost 9% of this exposure comes from French public sector entities, including 85% from public stakeholders in the hospital sector.

The quality of the Sfil Group's asset portfolio is illustrated by the risk weighting assigned to its assets for the calculation of the solvency ratio. For most of its outstandings, the Group opted for the advanced method of calculating regulatory equity requirements. As of June 30, 2024, the amount of risk-weighted exposures (RWA) stood at EUR 3.6 billion for credit risk, including overlays. The breakdown of exposures by risk weighting, calculated on the basis of the counterparty's probability of default and the Group's loss given default, was as follows:



This analysis confirms the high quality of the assets, as, excluding tangible fixed assets, 82.7% of the portfolio has a weighting of less than or equal to 5% and 97.2% of the portfolio has a weighting of less than or equal to 20%.

Furthermore, Sfil has only one exposure in Ukraine, which at June 30, 2024 represented an outstanding amount of EUR 39.4 million. This transaction is 100% guaranteed by the French Republic and Sfil is not therefore directly exposed to credit risk on this outstanding loan.

## Arrears, doubtful loans and provisions

Arrears (excluding technical arrears)	Carrying amount before impairment of financial assets and financing commitments classified as Stage 3	Non-Performing Exposures
EUR 2 million	EUR 141 million	EUR 155 million
	(of which loans without arrears EUR 128 million)	(of which loans without arrears EUR 138 million)

Arrears (excluding technical arrears) reached a very low residual level of EUR 2 million at June 30, 2024, which remains the lowest level of arrears recorded since the creation of Sfil in early 2013. Arrears are stable compared to December 31, 2023 (EUR 2 million) and are concentrated only on a few French counterparties.

Pursuant to IFRS accounting standards, and more specifically to IFRS 9, all financial assets recognized at amortized cost and at fair value through equity, as well as financing commitments, are provisioned for Expected Credit Loss (ECL). They are classified in three Stages:

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

Stage 3 outstandings correspond mainly to clients:

- with an outstanding unpaid for more than 90 days;
- whose financial position is such that, even in the absence of an unpaid outstanding, it is possible to conclude that the debtor is unlikely to pay;

- that were in a situation of real default and for which arrears of more than 90 days were settled. These outstandings are kept in Stage 3 for a minimum period of one year, known as the “probation period”.

Thus, the definition of default (Stage 3) under IFRS accounting standards covers a larger perimeter than the notion of doubtful and litigious loans under French GAAP and is very close to the regulatory definition of Non-Performing Exposures (NPE). In addition to Stage 3 assets, the latter includes non-performing assets recognized at fair value through profit or loss (i.e. non-performing assets that do not meet the Solely Payment of Principal and Interest - SPPI criteria under IFRS 9).

Impairment is recorded on all financial assets and financing commitments recognized at amortized cost for expected credit losses, including Stages 1 and 2 outstandings. The related impairment is based on forward looking scenarios (defined by probability of occurrence), and takes into account expected losses over the next 12 months (Stage 1) or the asset's life (Stages 2 and 3).



EUR millions	Gross carrying amount (before expected credit losses)		Expected credit losses	
	12/31/2023	6/30/2024	12/31/2023	6/30/2024
Stage 1	59,053	62,617	(14)	(12)
Stage 2	7,092	6,057	(33)	(38)
Stage 3	155	141	(5)	(5)
<b>TOTAL</b>	<b>66,300</b>	<b>68,815</b>	<b>(52)</b>	<b>(56)</b>
Non-Performing Exposures	168	155		

The gross carrying amounts increased significantly between December 31, 2023 and June 30, 2024 due in particular to strong refinancing of export credit transactions and acquisitions of local public sector loans. At the same time and despite the volatile and disrupted macroeconomic context throughout the semester, the expected credit losses increased only slightly from EUR 52 million to EUR 56 million.

As a reminder, in 2020 and in the context of the health crisis, it was decided to monitor on watchlist, and consequently to transfer from Stage 1 to Stage 2, part of the export credit portfolio corresponding to the refinancing of the cruise sector. Given the improvement in the financial health of the counterparties concerned, their ratings were reviewed at the end of 2023 and early 2024. It was also decided, during the first half of 2024, to transfer back to Stage 1 some of the historical exposures previously transferred to Stage 2. As of June 30, 2024, the impairments associated with the export credit portfolio of the cruise sector represented EUR 7 million compared to EUR 16 million as of December 31, 2023.

Stage 3 outstandings as well as Non-Performing Exposures are very limited and respectively amounted to EUR 141 million (approximately 0.2% of the gross carrying amount of the financial assets and financing commitments recognized at amortized cost) and EUR 155 million as of June 30, 2024. They are down compared to December 31, 2023. These amounts are once again the lowest levels observed since the beginning of 2018 and the implementation of IFRS 9.

## Climate and environmental risks

### Definition of climate and environmental risks

Climate and environmental risk is defined as the risk of a negative financial impact resulting from the current or future effects of environmental factors on the bank's counterparties or its investments. It breaks down into physical risk and transition risk.

Physical risk is defined as the risk of any negative financial impact on an institution resulting from the physical effects of environmental factors on the bank's counterparties and its investments.

- The physical climate risk can be acute if it results from extreme events (floods, storms, hurricanes, forest fires, heat

waves, drought) or chronic if it results from longer-term changes in climate models (loss of snow cover, coastal erosion, sea level rise, shrinkage and swelling of clays).

- Physical risks can also be induced by environmental factors (scarcity of aquatic resources, loss of biodiversity, pollution, scarcity or depletion of resources).

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

### Climate and environmental risk management

The management of transition risks by the 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 pathways and production targets for green loans.

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

With regard more specifically to the rating of climate and environmental risks, in 2023, Sfil developed a rating tool for the local public sector (municipalities, inter-municipal groups with or without own-source tax revenue, departments, regions and public hospitals) on the basis of studies already carried out since 2021. This rating tool will eventually be systematically used for granting loans and monitoring risks. The methodology implemented incorporates both direct and indirect risks (vulnerability of the local economic fabric) and includes three distinct components forming an overall climate and environmental rating. The three components of this rating are:

- i) A score measuring transition risk that is intended to assess transition challenges for local authorities and drawn up on the basis of the various studies carried out to date:
- a study carried out in 2022<sup>(1)</sup> by the Institute for the Climate Economy (I4CE), sponsored by Sfil and ADEME, in order to quantify the investment needs of local authorities as part of the transition to a low-carbon economy, as defined by the National Low Carbon Strategy (SNBC);
  - measurement of the carbon footprint of local public sector borrowers and financed emissions.
- ii) A score measuring acute and chronic physical risks based on various studies conducted to date, and respectively covering:
- the impact of acute physical risks on French local authorities;
  - the risk of loss of snow for the ski resort communities;
  - the impact of sea level rise.

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

- iii) A score measuring chronic environmental risks. The rating, expressed in the form of an outlook, covers risks related to air, water and soil pollution, scarcity and depletion of resources (waste), water stress and loss of biodiversity.

In addition, Sfil implemented various actions in the first half of 2024, for instance:

- launch of the operational roll-out of rating work;
- a first use of climate and environmental ratings in the construction of the 2024 ICAAP;
- production of a qualitative sectoral mapping of the environmental risks of the export portfolio;
- definition of indicators based on the measurement of the footprint of the portfolio of loans to the local public sector and a concentration limit on this same portfolio;
- participation in the EBA Fit for 55 stress test.

## Market risk

### Definition and scope of market risks

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

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

Certain positions or activities in the Sfil Group's banking book, which, even if they do not carry market risk in the regulatory sense of the term, are nevertheless sensitive to the volatility of market parameters and pose a risk to the accounting income or equity. They are therefore monitored as non-regulatory market risks. It concerns mainly:

- risks arising from changes in the value of financial assets recognized at fair value through profit or loss or through equity;
- certain derivatives classified as hedges according to IFRS, for which there may be a difference between the valuation of the hedged risk and the valuation of the hedging item (derivative), which are valued using different yield curves;
- changes in accounting valuation adjustments on derivatives, such as credit valuation adjustments (CVA) and debit valuation adjustments (DVA), recognized in net income in accordance with IFRS;
- the provision for investment securities in accordance with the French accounting standards;
- risks that may materialize at the level of Sfil's individual financial statements, in connection with its derivatives intermediation activity carried out on behalf of Caffil, if the derivatives that Sfil enters into with external counterparties are not perfectly mirrored with Caffil.

Market volatility eased in the first half of the year: the benchmark index for the credit component of the portfolio of loans recognized at fair value through profit or loss continued to increase, but at a slower pace than last year (+9 basis points since the beginning of the year). This negative effect was more than offset by changes in the other parameters used to calculate the "credit" value. In the end, the loan value improved by EUR 9.6 million and, taking into account the amortization of the portfolio, the revaluation result was positive by EUR 22.9 million over the first half of 2024.

It should also be noted that these results have no economic impact on Sfil, insofar as these assets are intended to be maintained on the balance sheet until maturity and are, moreover, financed at maturity.

## Balance sheet risk

During the first half of the year, balance sheet risk management took place in a context of stabilizing European interest rates and declining volatility. Acknowledging the decline in inflation and the slowdown in the economy, the ECB showed pragmatism by lowering its key rates as of June without waiting for inflation to return to its 2% target. However, the announcement of the dissolution of the French National Assembly and early legislative elections in France resulted in a rise in uncertainties, leading to a widening of the OAT spread against the Bund and, consequently, in the cost of refinancing Sfil. All other things being equal, the cost of refinancing Caffil was relatively spared by the increase in the OAT yield.

The interest rate risk management method, which aims to limit the exposure to interest rate risk as much as possible, is relatively insensitive to market fluctuations.

The foreign exchange risk is marginal, as foreign currency outstandings are systematically hedged as soon as they are recognized on the balance sheet and until maturity.

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

## Liquidity risk

### Definition

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

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

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

### Financing requirements and sources

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

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

The sources of funding used, other than the entity's equity, are:

- the debt benefiting from the legal privilege, *i.e.* the covered bonds issued by Caffil and the cash collateral it receives;
- the long-term bond issues and negotiable debt securities issued by Sfil;
- the financing provided, if necessary, by shareholders Caisse des Dépôts and La Banque Postale under the credit agreements implemented.

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

## Mobilizable assets as of June 30, 2024

EUR millions, nominal values

Deposits in central bank	2,472
High Quality Liquid Assets (HQLA) – exposures to credit institutions	2,255
High Quality Liquid Assets (HQLA) – excluding exposures to credit institutions	2,710
Other eligible available securities in central bank	1,186
Eligible private loans in central bank	34,711
<b>TOTAL LIQUIDITY RESERVES</b>	<b>43,333</b>

The total of assets that can be mobilized to meet a liquidity requirement amounted to EUR 43.3 billion (see table above).

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

For Caffil, the amount of liquidity reserves taken into account in the calculation of the Liquidity Coverage Ratio (LCR) is capped at the amount of net cash outflows over 30 days, in accordance with the changes made in July 2022 to the calculation of the LCR in the context of the entry into force of the Covered Bonds Directive <sup>(1)</sup>.

### Liquidity risk management principles implemented by the Sfil Group

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

Dynamic liquidity forecasts take into account business assumptions (new assets and new financing), under normal and stressed conditions:

- under normal conditions, these projections aim to define the amounts and maturity of the various sources of financing that can be mobilized in order to ensure the sustainable refinancing of the business and compliance with regulatory indicators in the short and long term (issues of covered bonds for Caffil, issues of negotiable debt securities (EMTNs) or drawdowns on liquidity lines to its shareholders for Sfil);
- under stressed conditions, these forecasts aim to assess the Sfil Group's capacity to withstand a liquidity shock and to determine its survival horizon, which, in line with its risk appetite, must remain longer than one year.

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

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

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

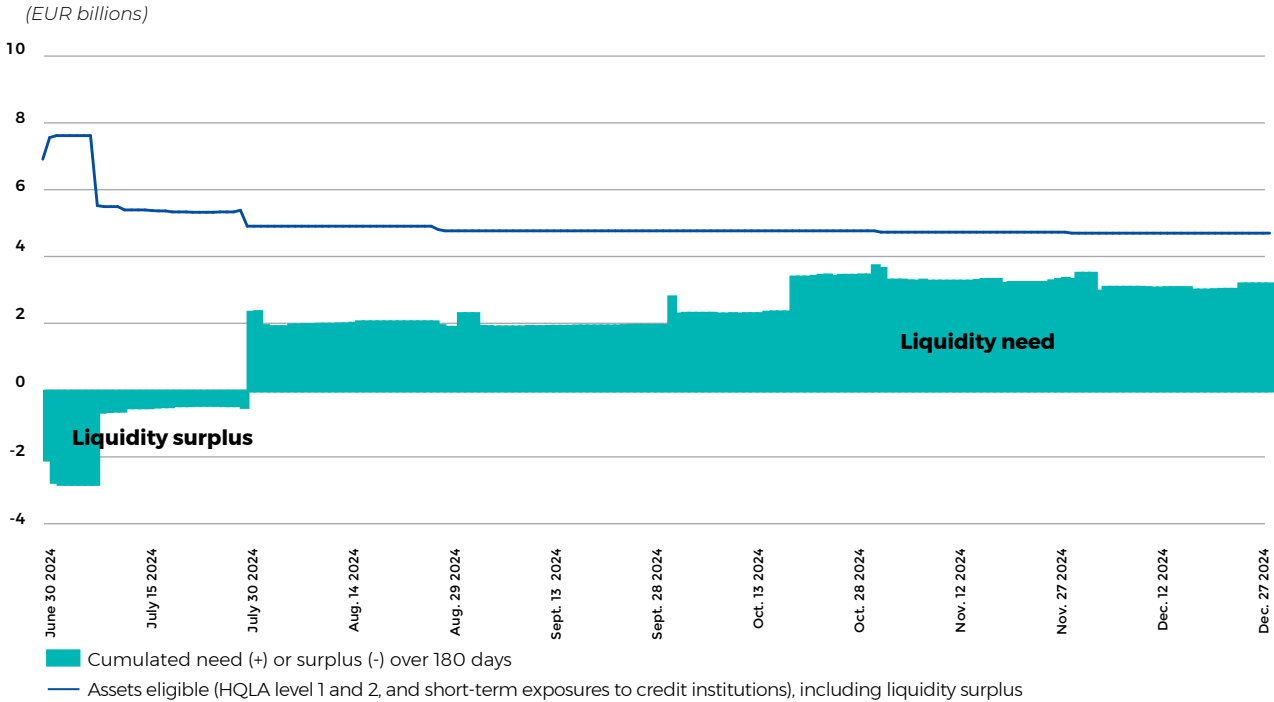
## Regulatory liquidity indicators

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

- the regulatory over-collateralization ratio: this represents the ratio between assets in the cover pool and debts benefiting

from the privilege of the law on *sociétés de crédit foncier*, and must be at least 105%;

- 180-day cash needs forecast: Caffil ensures that at all times its cash needs over 180 days are covered by liquid assets or short-term exposures to credit institutions, as defined in the regulations applicable to issuers of covered bonds.



- the maximum gap of 1.5 years between the average maturity of privileged liabilities and that of assets considered as pledged up the minimum amount necessary to meet the regulatory over-collateralization.

Sfil and Caffil must also comply with the regulatory liquidity indicators applicable to credit institutions in application of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013, regarding:

- the Liquidity Coverage Ratio (LCR): as of June 30, 2024, the LCR was 270% on a consolidated basis;
- the Net Stable Funding Ratio (NSFR), a transformation ratio which compares with a one-year horizon, the proportion of available stable funding over required stable funding: as of June 30, 2024, Sfil's NSFR was 123.5% on a consolidated basis.

## Internal liquidity indicators

The Sfil Group monitors the following main internal liquidity indicators:

- the Group's dynamic funding requirements over the next year, as well as the respective issuance conditions for Sfil and Caffil;
- the over-collateralization ratio, which targets an over-collateralization level consistent with Caffil's target rating;
- the one-year survival horizon in stressed conditions;
- the management of the Sfil Group's financing deadlines;

- the level of unencumbered assets available in the event of a liquidity crisis;
- the duration gap between assets and privileged liabilities: it is published quarterly. As of June 30, 2024, it stood at 0.49 years;
- sensitivity of the net present value of the consolidated static liquidity gap to an increase in the Sfil Group's funding costs;
- the consumption of spread and basis risk appetite for export credit transactions, which measures the loss of income on these transactions that may result from stress on the Group's cost of financing in euros or from an increase in the cost of financing in foreign currencies (USD or GBP).

## Interest rate risk

### Definition

As Sfil has no trading activity, interest rate risk is limited to "banking book" activities (IRRBB, Interest Rate Risk of the Banking Book). According to the Basel Committee, it refers to the current or future risk to which the bank's equity and profits are exposed due to unfavorable movements in interest rates that affect the positions of the banking book.

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

<b>Fixed interest rate risk</b>	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.
<b>Basis risk</b>	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.
<b>Fixing risk</b>	Results, for each index, from the gap between the adjustment dates applied to all the variable rate balance sheet and off-balance sheet items linked to the same tenor.
<b>Option risk</b>	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 a transaction.

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

### Hedging Strategy

The Sfil Group has defined a fixed-rate risk appetite for Caffil, which is broken down into a system of limits governing the sensitivity of the net present value (NPV). In order to manage this sensitivity within the limits set, the hedging strategy implemented is as follows:

- micro-hedging of interest rate risk on balance sheet items denominated in a currency other than the euro or indexed to a complex rate structure. Certain euro-denominated vanilla transactions may also be micro-hedged if their notional value or duration could lead to a sensitivity limit being exceeded. Micro-hedging is carried out 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 covered bonds denominated in euros. For the management of fixed-rate risk, this macro-hedging is obtained as much as possible by matching fixed-rate assets and liabilities *via* the termination of swaps and, for the remainder, by setting up new swaps against €STR. Basis risk and floored Euribor risk are managed by setting up basis swaps;
- this fixed-rate risk management is supplemented by monitoring of the fixings of transactions at adjustable rates in order to ensure that they do not lead to the short-term

sensitivity limit being exceeded. Where appropriate, swaps against €STR may be entered into to hedge the fixing risk.

Concerning the parent company Sfil, the hedging strategy involves a perfect micro-hedge of the interest rate risk, by swaps against €STR either by matching asset and liability transactions on the same index or, as regards the export credit activity, by hedging transactions carried out under the stabilization mechanism. There is, therefore, no interest rate risk at the level of the parent company, or only a temporary exposure related to the desynchronization between the hedged item and the hedging item.

### Interest rate risk indicators

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

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

Since January 1, 2024, the calculation of the NPV sensitivity also includes transactions with floors on Euribor.

<i>EUR millions</i>	Limit	6/30/2023	12/31/2023	6/30/2024
Maximum NPV loss observed	(80)/80	(25.5)	(15.4)	(20.8)

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

As of 6/30/2024	Interest rate shock applied	Results <i>EUR millions</i>
Regulatory sensitivity of NPV	+200 bps	(139)
	-200 bps	193
	Steepening	(15)
	Flattening	5
	Short-term increase	(42)
	Short-term decrease	56

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

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

- the **sensitivity of the net interest margin (NIM)**: the risk in terms of income is monitored through the sensitivity indicator of the NIM, calculated for (i) a parallel shock of +200 bps and (ii) a parallel shock of -200 bps floored at -100 bps. The sensitivity of the NIM is calculated on a like-for-like basis over a one-year horizon. As of June 30, 2024, the sensitivity of the Sfil Group's NIM was as follows:

Sensitivity of the net interest margin over 12 months (EUR millions)	Limit	12/31/2023	6/30/2024
Parallel increase in rates of 200 bps	(37)	(3.8)	(8.6)
Parallel decrease in rates of 200 bps	(37)	2.0	8.1

## Foreign exchange risk

### Definition

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 Sfil Group's reference currency is the euro; foreign exchange risk thus reflects any change in the value of assets and liabilities denominated in a currency other than the euro resulting from that currency's fluctuation against the euro.

Issues and assets denominated in foreign currencies generally give rise, at the latest when they are recognized on the balance sheet and until their final maturity, to a cross-currency swap against the euro, thereby ensuring currency hedging of these balance sheet items' nominal and interest rates. The floating rate exposures denominated in euro resulting from this management are covered by interest rate risk management.

### Foreign exchange risk management

The foreign exchange risk is monitored using the net foreign exchange position in each currency, calculated on all foreign currency balance sheet receivables, commitments and accrued interest not yet due. The net 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.

### Basis risk EUR/Foreign currencies

Basis risk is defined as the risk of loss related to the mismatch in the basis of the matching between uses and resources denominated in different currencies.

Regarding Sfil, the basis risk is linked to the refinancing in euros of export credits denominated in USD or GBP. These export credit loans denominated in foreign currencies may generate a limited foreign exchange risk for Caffil. This residual risk is controlled by a sensitivity limit on the euro/currency basis, calculated over the life of the loans. Sfil does not accept any structural basis risk.

## Operational risk

### Definition

In accordance with the latest version of Regulation (EU) No.575/2013 (CRR3), operational risk is defined as "the risk of loss resulting from an inadequacy or failure of processes, personnel and internal systems or external events, including but not limited to legal risk, model risk or information and communication technology (ICT) risk, but excluding strategic risk and reputation". Legal risk is also detailed below in a dedicated section.

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

### Operational risk measurement and management

The Sfil Group has opted for the standard method of calculating the regulatory equity requirement for operational risk. This requirement amounted to EUR 32.8 million as of June 30, 2024.

Sfil's activities in the first half of 2024 generated only two incidents above the collection thresholds that only generated losses in man-days.

## Non-compliance risks

### Definition

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

Non-compliance risks are broken down into the following four categories:

- Financial security risk (including AML-FT);
- Ethical, professional conduct and corruption risk (including conflict of interest);
- Risk related to the protection of customers' interests and compliance with other banking and financial regulations;
- Risk related to the protection of personal data.

The non-compliance risk management processes apply to all the Sfil Group's divisions, activities and processes. The monitoring and control of these risks is based, among other things, on a mapping of non-compliance risks and an associated internal control system.

### **Implementation of the compliance system**

In terms of financial security / AML-FT, the Sfil Group, as part of the project to manage money laundering and terrorist financing risks, finalized the review of its AML/FT normative corpus, which is consistent with the corpus of its parent company, Caisse des Dépôts. This corpus was presented to and validated by the governance bodies of the Sfil Group in March 2024. During the first half of the year, Sfil's Compliance division focused on the operational implementation of these new standards to ensure consistency with intra-group reporting standards, thus enabling enhanced steering of the AML-FT systems. Sfil's Compliance division is a member of Caisse des Dépôts' AML-FT Steering Committee, which enables, among other things, to share best practices in terms of financial security.

In terms of the fight against corruption, the risk mapping is the cornerstone of risk management to identify, assess and prioritize the Sfil Group's exposure to corruption risks. The mapping is reviewed once a year for presentation to the governance bodies of the Sfil Group. 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 its activities. The Sfil Group has a recently updated third-party supplier assessment procedure. The procedure is an important part of its system. In particular, 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 promotes an anti-corruption culture in employee behavior. Lastly, the Sfil Group's internal whistleblowing system complies with the regulatory requirements of the European Banking Authority's guidelines transposed by the Wasserman laws and the implementing decree of October 3, 2022.

When it comes to protecting customer interests, risks are mapped and reviewed once a year. Training on customer protection was rolled out and provided to business lines in conjunction with customers. The importance that the Sfil Group attaches to this topic is reflected in its Ethics and Professional Conduct Code.

In terms of personal data protection, the Personal Data Protection Officer ensures that the associated compliance systems are maintained. An annual report on the activity of the Data Protection Officer and the compliance of the Sfil Group with the European regulation on the protection of personal data is presented once a year to the governance bodies of the Sfil Group.

The fact that the Sfil Group's Permanent Control division reports directly to the General Secretariat gives it independence *vis-à-vis* the Compliance division and in particular the AML-FT system in accordance with regulatory requirements. The permanent control system aims to provide reasonable assurance on the level of risk control. The control plan evolves in line with regulatory changes, the activities of the Sfil Group and changes in risks. In this context, the governance bodies of the Sfil Group approve the compliance control plan once a year.

The training plan presented to the Risks and Internal Control Committee in March 2024 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 the Sfil Group insofar as it contributes to spreading 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 compliance training plan provides for a program dedicated to corporate officers on governance and compliance.

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 risks**

#### **Legal risk**

Legal risk is defined 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.

As of June 30, 2024, to the bank's knowledge, there were no lawsuits or disputes considered significant between the Sfil Group and its borrowers.

As of the same date, to the best of the bank's knowledge, there were no other governmental, legal or arbitration proceedings that could have, or have had over the last 12 months, a material impact on the Sfil Group's financial position or profitability.

#### **Tax risk**

The tax risk corresponds to the possible non-compliance with the applicable tax regulations.

There was no change during the first half of 2024 concerning the file linked to the treatment of the taxation in Ireland of the income of the former Dexia Municipal Agency (former name of Caffil) branch in Dublin, which closed in 2013.



## Governance





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# 03

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## 3.1 Board of Directors and specialized committees

Several changes took place during the first half of 2024 within Sfil's governance bodies, including its Board of Directors.

Ms. Virginie Chapron du Jeu replaced, as of March 22, 2024, Mr. Pierre Sorbets as Chairman of the Board. On the same date, Mr. Christophe Laurent was co-opted by the Board. In addition, three new independent members, Ms. Dominique Aubernon, Mr. Frédéric Coutant and Ms. Véronique Ormezzano, were appointed to replace outgoing independent directors by the Shareholders' Meeting held on May 30, 2024.

The new composition of the Board of Directors is as follows:

- Ms. Virginie Chapron du Jeu, Chairwoman
- Mr. Philippe Mills, Chief Executive Officer
- Caisse des Dépôts et Consignations, represented by Mr. Alexandre Thorel
- Ms. Dominique Aubernon, Independent Director
- Ms. Sandrine Barbosa, Director representing the employees
- Mr. Serge Bayard
- Mr. Frédéric Coutant, Independent Director
- Ms. Brigitte Daurelle, Independent Director
- Mr. Othmane Drhimeur
- Mr. Jean-Baptiste Héricher, Director representing the employees
- Ms. Perrine Kaltwasser
- Ms. Cécile Latil-Bouculat, Director representing the employees
- Mr. Christophe Laurent
- Mr. Pierre Laurent
- Ms. Véronique Ormezzano, Independent Director

Attend meetings of the Board of Directors without voting rights:

- Mr. Armel Castets, non-voting board member
- Mr. Thomas Perdriau, Secretary of the Social and Economic Committee

With regard to the Board of Directors' specialized committees, their composition has also been modified and is as follows:

### Financial Statements Committee

- Ms. Brigitte Daurelle, Chairwoman
- Ms. Dominique Aubernon
- Mr. Othmane Drhimeur
- Mr. Jean-Baptiste Héricher
- Mr. Christophe Laurent
- Ms. Véronique Ormezzano
- Mr. Alexandre Thorel

### Risks and Internal Control Committee

- Ms. Véronique Ormezzano, Chairwoman
- Mr. Frédéric Coutant
- Ms. Brigitte Daurelle
- Mr. Othmane Drhimeur
- Ms. Cécile Latil-Bouculat
- Mr. Pierre Laurent
- Mr. Alexandre Thorel

### Governance, Appointments and CSR Committee

- Ms. Dominique Aubernon, Chairwoman
- Ms. Brigitte Daurelle
- Mr. Jean-Baptiste Héricher
- Mr. Alexandre Thorel

### Compensation Committee

- Mr. Frédéric Coutant, Chairman
- Ms. Sandrine Barbosa
- Ms. Brigitte Daurelle
- Mr. Alexandre Thorel

## 3.2 Executive Committee

Two new members were appointed to Sfil's Executive Committee:

- Ms. Cécile Degove, in February 2024, as General Secretary, Director of Legal Affairs and Compliance
- Mr. Emmanuel Dupuy, as Chief Risk Officer, from April 1, 2024

Mr. Frédéric Meyer, Director of Human Resources, was appointed Director of Communications and Human Resources as of January 1, 2024.

The composition of Sfil's Executive Committee is now as follows:

- Mr. Philippe Mills, Chief Executive Officer
- Mr. François Laugier, Deputy Chief Executive Officer

- Mr. Stéphane Costa de Beauregard, Director of Local Public Sector, Transactions and CSR
- Ms. Anne Crépin, Director of Export Credit
- Ms. Cécile Degove, General Secretary, Director of Legal Affairs and Compliance
- Mr. Emmanuel Dupuy, Chief Risk Officer
- Mr. Florent Lecinq, Director of Finance and Financial Markets
- Ms. Donia Mansouri, Director of Transformation
- Mr. Frédéric Meyer, Director of Communications and Human Resources

In addition, Mr. Gilles Gallerne, General Auditor, is a permanent guest of the Executive Committee.



# Interim French Gaap Financial Statements



## Interim condensed consolidated financial statements

# 04

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## 4.1 Financial Statements

### 4.1.1 Assets

<i>EUR millions</i>	<i>Note</i>	<i>12/31/2023</i>	<i>6/30/2024</i>
Central banks	2.1	2,980	2,473
Financial Assets at fair value through profit or loss	2.2	2,251	1,953
Hedging derivatives		2,189	2,279
Financial Assets at fair value through equity	2.3	80	16
Financial Assets at amortized cost			
Loans and advances to banks at amortized cost	2.4	67	71
Loans and advances to customers at amortized cost	2.4	51,393	53,083
Securities at amortized cost	2.4	7,985	8,463
Fair value revaluation of portfolio hedge		405	121
Current tax assets		13	14
Deferred tax assets		67	61
Tangible assets		32	30
Intangible assets		21	21
Accruals and other assets		2,165	2,127
<b>TOTAL ASSET</b>		<b>69,648</b>	<b>70,711</b>

### 4.1.2 Liabilities

<i>EUR millions</i>	<i>Note</i>	<i>12/31/2023</i>	<i>6/30/2024</i>
Central banks		-	-
Financial liabilities at fair value through profit or loss	3.1	431	327
Hedging derivatives		4,318	4,289
Financial liabilities at amortized cost			
Due to banks at amortized cost	3.2	-	-
Customer borrowings and deposits at amortized cost		-	-
Debt securities at amortized cost	3.2	62,894	64,104
Fair value revaluation of portfolio hedge		53	30
Current tax liabilities		2	2
Deferred tax liabilities		-	-
Accruals and other liabilities		227	250
Provisions	3.3	13	15
Subordinated debt		-	-
<b>EQUITY</b>		<b>1,709</b>	<b>1,694</b>
Capital		1,445	1,445
Reserves and retained earnings		256	270
Net result through equity		(49)	(58)
Net income		56	38
<b>TOTAL LIABILITIES</b>		<b>69,648</b>	<b>70,711</b>

### 4.1.3 Income Statement

EUR millions	Note	H1 2023	2023	H1 2024
Interest income	5.1	1,973	4,740	2,613
Interest expense	5.1	(1,891)	(4,576)	(2,528)
Fee and commission income	5.2	5	8	2
Fee and commission expense	5.2	(2)	(4)	(2)
Net result of financial instruments at fair value through profit or loss	5.3	0	1	28
Net result of financial instruments at fair value through equity	5.4	1	-	-
Gains or losses resulting from derecognition of financial instruments at amortized cost	5.5	5	9	1
Gains or losses resulting from reclassification of financial assets at amortized cost to fair value through profit or loss		-	-	-
Gains or losses resulting from reclassification of financial assets at fair value through equity to fair value through profit or loss		-	-	-
Other income		0	0	0
Other expense		(0)	(0)	(0)
<b>NET BANKING INCOME</b>		<b>91</b>	<b>178</b>	<b>114</b>
Operating expenses	5.6	(59)	(103)	(53)
Depreciation and amortization of property and equipment and intangible assets	5.7	(9)	(16)	(7)
<b>GROS OPERATING INCOME</b>		<b>23</b>	<b>60</b>	<b>55</b>
Cost of risk	5.8	1	11	(4)
<b>OPERATING INCOME</b>		<b>24</b>	<b>70</b>	<b>51</b>
Net gains (losses) on other assets		-	(0)	(0)
<b>INCOME BEFORE TAX</b>		<b>24</b>	<b>70</b>	<b>51</b>
Income tax		(8)	(14)	(13)
<b>NET INCOME</b>		<b>16</b>	<b>56</b>	<b>38</b>
<b>EARNINGS PER SHARE (EUR)</b>				
• Basic		1.69	6.08	4.05
• Diluted		1.69	6.08	4.05

### 4.1.4 Net income and unrealized or deferred gains and losses through equity

EUR millions	H1 2023	2023	H1 2024
<b>NET INCOME</b>	<b>16</b>	<b>56</b>	<b>38</b>
Items that may subsequently be reclassified through profit or loss	2	(4)	(10)
Unrealized or deferred gains and losses of financial assets at fair value through equity	(0)	(0)	0
Unrealized or deferred gains and losses of cash flow hedges derivatives	(2)	(2)	0
Unrealized or deferred gains and losses of cost of hedging derivatives	5	(4)	(13)
Tax on items that may subsequently be reclassified through profit or loss	(1)	1	3
Items that may not be reclassified through profit or loss	-	1	-
Actuarial gains and losses on defined-benefit plans	-	1	-
Tax on items that may not subsequently be reclassified through profit or loss	-	(0)	-
<b>TOTAL UNREALIZED GAINS OR LOSSES THROUGH EQUITY</b>	<b>2</b>	<b>(3)</b>	<b>(10)</b>
<b>NET INCOME AND GAINS OR LOSSES THROUGH EQUITY</b>	<b>18</b>	<b>53</b>	<b>28</b>

## 4.1.5 Equity

	Capital and reserves			Unrealized or deferred gains and losses				Total	Total equity
	Share capital, additional paid-in capital	Retained earnings and net income for the period	Total	Remeasurement gains (losses) related to post-employment benefit plans, after tax	Net change in fair value of financial assets at fair value through equity, after tax	Net change in fair value of cash flow hedging derivatives, after tax	Net change in fair value of cost of hedging derivatives, after tax		
<i>EUR millions</i>									
<b>EQUITY AS OF JANUARY 1, 2023</b>	<b>1,445</b>	<b>320</b>	<b>1,765</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>(46)</b>	<b>(45)</b>	<b>1,720</b>
Stocks issued	-	-	-	-	-	-	-	-	-
Dividends	-	(64)	(64)	-	-	-	-	-	(64)
Changes in fair value of financial assets through equity	-	-	-	-	(0)	-	-	(0)	(0)
Changes in fair value of derivatives through equity	-	-	-	0	-	(1)	(3)	(4)	(4)
Net income for the period	-	56	56	-	-	-	-	-	56
Other movements	-	-	-	-	-	-	-	-	-
<b>EQUITY AS OF DECEMBER 31, 2023</b>	<b>1,445</b>	<b>312</b>	<b>1,757</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>(49)</b>	<b>(49)</b>	<b>1,709</b>
Stocks issued	-	-	-	-	-	-	-	-	-
Dividends	-	(42)	(42)	-	-	-	-	-	(42)
Changes in fair value of financial assets through equity	-	-	-	-	0	-	-	0	0
Changes in fair value of derivatives through equity	-	-	-	-	-	0	(10)	(10)	(10)
Net income for the period	-	38	38	-	-	-	-	-	38
Other movements	-	-	-	-	-	-	-	-	-
<b>EQUITY AS OF JUNE 30, 2024</b>	<b>1,445</b>	<b>307</b>	<b>1,752</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>(59)</b>	<b>(58)</b>	<b>1,695</b>



## 4.1.6 Cash flow statement

<i>EUR millions</i>	H1 2023	H1 2024
<b>NET INCOME BEFORE TAX</b>	<b>24</b>	<b>51</b>
+/- Net depreciation and amortization of tangible and intangible fixed assets	2	7
+/- Depreciation and write-downs	(1)	4
+/- Expense/income from investing activities	-	-
+/- Expense/income from financing activities	-	-
+/- Other non-cash items	(75)	(163)
<b>Non-monetary items included in net income before tax and other adjustments</b>	<b>(73)</b>	<b>(152)</b>
+/- Cash from interbank operations	(19)	109
+/- Cash from customer operations	(106)	(1,735)
+/- Cash from financing assets and liabilities	(636)	(38)
+/- Cash from not financing assets and liabilities	(12)	(14)
- Income tax paid	(29)	(20)
<b>Decrease/(increase) in cash from operating activities</b>	<b>(802)</b>	<b>(1,699)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>(851)</b>	<b>(1,800)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>(32)</b>	<b>(5)</b>
+/- Cash from or for shareholders	-	(42)
+/- Other cash from financing activities	203	1,358
<b>CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>203</b>	<b>1,315</b>
<b>EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)</b>	<b>-</b>	<b>-</b>
<b>INCREASE/(DECREASE) IN CASH EQUIVALENTS (A + B + C + D)</b>	<b>(680)</b>	<b>(490)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>2,009</b>	<b>3,008</b>
Cash and balances with central banks (assets & liabilities)	1,969	2,979
Interbank accounts (assets & liabilities) and loans/sight deposits	39	29
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1,328</b>	<b>2,518</b>
Cash and balances with central banks (assets & liabilities)	1,265	2,472
Interbank accounts (assets & liabilities) and loans/sight deposits	63	46
<b>CHANGE IN NET CASH</b>	<b>(680)</b>	<b>(490)</b>

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## Note 1 Accounting and valuation policies

### 1.1 Applicable accounting standards

#### 1.1.1 Application of the accounting standards endorsed by the European Union

The Group produces its consolidated condensed financial statements in compliance with IAS 34 Interim financial reporting; they have been subject to a limited review by the Statutory Auditors. The accompanying notes relate to the interim significant items and should be read in conjunction with the consolidated financial statements as of December 31, 2023. The latter have been prepared in compliance with International Financial Reporting Standards (IFRS), as endorsed by and applicable within the European Union; they were audited by the Statutory Auditors. The Group's activities do not show any seasonal, cyclical or occasional aspects.

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

The consolidated condensed financial statements for the period from January 1, 2024 to June 30, 2024, were approved by the Board of Directors on September 6, 2024.

The quantitative impacts on the financial statements and qualitative information associated with the war in Ukraine are presented by the Company in note 8 below.

#### 1.1.2 IASB and IFRIC texts endorsed by the European Union and effective as of January 1, 2024

- Amendments to **IAS 12 International Tax Reform - Model Pillar 2 rule**: published by the IASB in May 2023, endorsed by the European Union on November 8, 2023 (EU Regulation No. 2023/2468) and immediately applicable once published, these amendments require an entity to disclose that it has applied the exception to the recognition and disclosure of deferred tax assets and liabilities related to Pillar 2 income taxes.

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

- Amendments to **IAS 1 Presentation of Financial Statements**: published by the IASB in January 2020 and October 2022, endorsed by the European Union on December 19, 2023 (EU Regulation No. 2023/2822) and effective for annual periods beginning on or after January 1, 2024, these amendments clarify the criteria for distinguishing between current and non-current liabilities.

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

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

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

- Amendments to **IAS 7 and IFRS 7 Supplier Financing Arrangements**: published by the IASB in May 2023, endorsed by the European Union on May 15, 2024 (EU Regulation No. 2024/1317) and effective immediately for annual periods beginning on or after January 1, 2024, these amendments clarify disclosure requirements to improve current requirements, which are intended to help users of financial statements understand the effects of supplier financing arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

These amendments have no impact on the Group's consolidated financial statements.

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

- Amendments to **IAS 21 The Effects of Changes in Foreign Exchange Rates**: published by the IASB in August 2023, not yet endorsed by the European Union and mandatory for annual periods beginning on or after January 1, 2025, with the option of earlier application, these amendments specify when a currency is convertible and how to determine the exchange rate in the absence of convertibility.

The Group will not be affected by these amendments, as it does not carry out transactions in non-convertible currencies.

- Amendments to **IFRS 7 and IFRS 9 Classification and Measurement of Financial Instruments**: published by the IASB in May 2024, not yet adopted by the European Union and mandatory for annual periods beginning on or after January 1, 2026, with the option of earlier application, these amendments specify 3 topics:
  - they specify the classification of financial assets, particularly those with contingent characteristics (whether ESG-related or not). When the nature of the contingent event is not directly linked to a change in the risks or cost base of the loan, an additional SPPI test must be performed to determine whether or not the contingent contractual flows differ significantly from those of an identical asset without a clause,

- they clarify the derecognition of a financial liability settled by electronic transfer, notably by allowing an entity to consider a financial liability that will be settled by means of an electronic payment system to be discharged before the settlement date if the following criteria are met: there is no possibility of withdrawing, interrupting or cancelling the payment instruction, no possibility of accessing the amount used for settlement following the payment instruction, and if the settlement risk associated with the electronic payment system is insignificant,
- lastly, they specify the disclosures to be made concerning investments made in equity instruments designated at fair value through other comprehensive income, as well as on contractual conditions likely to modify the timing or amount of contractual cash flows.

The Group does not anticipate any major impact, in particular from the application of the guidance for assessing the SPPI nature of its loans with ESG characteristics.

- **IFRS 18 Presentation and Disclosures in Financial Statements:** published by the IASB in April 2024, not yet endorsed by the European Union and mandatory for annual periods beginning on or after January 1, 2027, with the option of earlier application, this standard introduces three new types of requirement aimed at improving the presentation of financial performance information provided by companies, so that investors have a better basis for analysis and comparison of companies.

The Group is currently working to determine the impact of this standard on its financial statements.

### 1.1.4 Treatment and impacts of EU Regulation 2016/1011 and amendments to accounting standards

Regulators imposed the transition to new risk-free rates to improve the reliability of benchmarks and protect consumers. The IASB amended IAS 39, IFRS 9 and IFRS 7, endorsed by the EU in 2020, to reduce uncertainty in hedging relationships. These amendments, applied in two phases from January 2020 and 2021, had a limited impact on the Group's financial statements. In particular, they provided exemptions and practical solutions.

Supervised by a Steering Committee, the Group managed the transition from EURIBOR, EONIA, LIBOR and STIBOR rates, identifying various risks (litigation, market, operational and accounting). Since 2020, it has strengthened its access to derivatives markets and adhered to the ISDA Protocol, with specific transitions carried out for EONIA, LIBOR, CHF, GBP and USD, while STIBOR remains compliant with regulations. Details of the financial assets and liabilities concerned are given in note 4.1 to the financial statements.

## 1.2 Accounting principles applied to the financial statements

The financial statements are prepared on a going concern basis. They are stated in millions of euros (EUR) unless otherwise specified. The preparation of financial information requires management to make estimates and assumptions that affect the amounts reported. In order to make these assumptions and estimates, management uses the information available at the date of financial statement

preparation and exercises its judgment. While management believes it has considered all available information when making these assumptions, actual results may differ from such estimates and the differences may have a material impact on the financial statements.

Judgments were principally made in the following areas:

- classification of financial instruments;
- determination of the occurrence of a significant increase in credit risk since initial recognition;
- determination of whether or not there is an active market for financial instruments measured at fair value;
- hedge accounting;
- existence of a present obligation with probable outflows in the event of litigation.

These judgments are detailed in the following chapters.

Estimates were principally made in the following areas:

- determination of fair value for financial instruments measured at fair value;
- assessment of the amount of expected credit losses, in particular in the framework of the definition of macroeconomic scenarios used;
- estimates of future taxable profits for the recognition and measurement of deferred tax assets.

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

### 1.2.1 Consolidation

The consolidated financial statements of the Group include all entities under its control. Controlled entities are fully consolidated.

The Group controls a subsidiary when the following conditions are all met:

- the Group has the power over the relevant activities of the entity, through voting rights or other rights;
- the Group is exposed to or has rights to variable returns from its involvement with the entity;
- the Group has the ability to use its power over the entity to affect the amount of those returns.

The analysis of the level of control is reviewed when a change occurs in one of these criteria. Subsidiaries are consolidated on the date that the Group gains control. All intra-group transactions and balances, including unrealized gains or losses resulting from intra-group transactions, are eliminated on consolidation.

The scope of consolidation as of June 30, 2024 is the same as that as of December 31, 2023.

## 1.2.2 Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention for both parties to settle expected future cash flows on a net basis or to simultaneously realize the asset and settle the liability.

## 1.2.3 Foreign currency transactions

Foreign currency transactions are accounted for using the exchange rate prevailing on the transaction date.

As a reminder, the main feature of a monetary item is the right to receive (or the obligation to deliver) a fixed or determinable number of units of currency. Under IAS 21, monetary assets and liabilities denominated in foreign currencies are recognized at closing rates and any resulting exchange differences are recognized in profit or loss.

Financial assets denominated in a foreign currency and measured at fair value through the item Other comprehensive income are accounted for as monetary items under IFRS 9: the exchange difference resulting from the adjustment of the amortized cost of these assets is recognized in profit or loss, while further adjustments of the carrying amount (except the loss allowance for expected credit losses: see below) are recognized in equity.

The Group holds no non-monetary asset or liability denominated in a foreign currency.

## 1.2.4 Trade date and settlement date accounting

All purchases and sales of financial assets are recognized on settlement date, which is the date that a financial asset is received or delivered by one company of the Group. Derivative instruments are recognized at fair value on the transaction date.

## 1.2.5 Financial assets

When the Group becomes party to the contractual provisions of a financial asset, the latter is classified under one of the three categories instituted by IFRS 9, depending on the business model it is held within on the one hand and the characteristics of its contractual cash flows on the other hand.

### 1.2.5.1 Business model

The inclusion of Group's financial assets within business models is assessed at a level that reflects how groups of financial assets are managed together to achieve Group's business objectives, which are:

- refinancing local government entities and public hospitals through the acquisition of medium/long-run loans granted by La Banque Postale or la Banque des Territoires;
- refinancing export credit contracts covered by Bpifrance Assurance Export insurance policy in the name, on behalf of and under the supervision of the French Republic;
- marginally, reducing the sensitivity of remaining sensitive structured loans held by the Group.

This assessment implies most of the time the use of judgment and relies on facts, circumstances and, generally speaking, all relevant evidence that is available for the Group at the date of the assessment. These relevant evidence can be broken down into two groups:

- qualitative evidence: how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model and the financial assets held within that business model and, in particular, the way in which those risks are managed, how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- quantitative evidence: the frequency, value and timing of sales in prior reporting periods, the reasons for those sales and expectations about future sales activity.

It can be inferred from this assessment that the Group only uses the collect model and, marginally, the collect and sell model for certain securities acquired by the Group to invest surplus cash. The Group does not hold any financial assets for trading purposes, *i.e.* the Group does not acquire, incur or hold financial assets for the purpose of realizing a net gain through selling or repurchasing them in the near term.

### 1.2.5.2 Characteristics of contractual cash flows (SPPI criterion)

The SPPI (Solely Payments of Principal and Interests) criterion test is intended to assess whether the contractual cash flows of a financial asset are consistent with the ones of a basic lending agreement, *i.e.* payment of principal and interest on that outstanding principal. Irrespective of the legal form of the asset and the nature of its rate (fixed or variable), this is the case when the contractual cash flows comprise only a compensation for the time value of money, a compensation for the credit risk derived from the outstanding principal for a given time period, if applicable a compensation for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs) associated with holding the asset for a given period of time, plus if applicable a margin.

Most of the time a qualitative analysis is sufficient to determine whether the asset is SPPI compliant or not. Sometimes, an additional quantitative analysis is necessary: it intends to compare the contractual cash flows of the financial asset considered with the ones of a benchmark asset. If the gap assessed through this comparison is not material, the asset is assimilated to a basic lending agreement.

### 1.2.5.3 Financial assets measured at amortized cost

A financial asset is classified and subsequently measured at amortized cost if it is compliant with both of the two following conditions:

- this financial asset is held within a business model, objective of which is to hold financial assets in the purpose of collecting contractual cash flows (collect model);
- contractual provisions of this asset result, at specified dates, in cash flows which embed only the repayment of principal and interest on the outstanding principal (SPPI criterion).

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

At initial recognition, the Group recognizes a financial asset belonging to this category at fair value, including if applicable any premium/discount and transaction costs. Subsequently, the financial asset is measured at amortized cost, which corresponds to its carrying amount at initial recognition minus repaid principal, plus or minus as appropriate the amortization of the premium/discount and transaction costs calculated using the effective interest rate method and taking into account any loss allowance for expected credit losses. The latter reduces the carrying amount of the financial asset with an offsetting entry to the profit or loss as cost of risk.

Due and accrued interest on loans and fixed income securities belonging to this category as well as the amortization of premium/discount and transaction costs, calculated using the effective interest rate method, are recognized in the net interest margin.

The effective interest rate is the rate that accurately discounts the expected future cash flows over the expected life of the financial instrument or, where more appropriate, a shorter period, so as to obtain the gross carrying amount of the financial instrument or, if the underlying instrument is a purchased or originated credit-impaired financial asset or has been subsequently impaired (see below), its net carrying amount (which takes into account in particular the loss allowance for expected credit losses). The calculation of this rate takes into account the commissions received or paid by the parties which, because of their nature, form an integral part of the effective rate of the contract, possible premiums and discounts and transaction costs. Transaction costs are incremental costs that are directly attributable to the acquisition of a financial instrument and are used for the calculation of the effective interest rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

#### **1.2.5.4 Financial assets measured at fair value through the item Other comprehensive income**

A financial asset is classified and subsequently measured at fair value through the item Other comprehensive income if it is compliant with both of the two following conditions:

- this financial asset is held within a business model, objective of which is both to collect the contractual cash flows and to sell financial assets (collect and sale model);
- contractual provisions of this asset result, at specified dates, in cash flows which embed only the repayment of principal and interest on the outstanding principal (SPPI criterion).

At initial recognition, the Group recognizes a financial asset belonging to this category at fair value, including if applicable any premium/discount and transaction costs. Subsequently, the unrealized gains or losses stemming from the variation of the fair value of this asset are recognized as other

comprehensive income in equity, except an amount corresponding to the loss allowance for expected credit losses, which is recognized in profit or loss as cost of risk.

Due and accrued interest on loans and fixed income securities belonging to this category as well as the amortization of premium/discount and transaction costs, calculated using the effective interest rate method (see above), are recognized in the net interest margin.

#### **1.2.5.5 Financial assets measured at fair value through profit or loss**

A financial asset which does not belong to any of the two categories described above (amortized cost and fair value through the item Other comprehensive income) falls under this category and is classified and subsequently measured at fair value through profit or loss: this category is mainly composed of financial assets that are not SPPI compliant.

At initial recognition, the Group recognizes a financial asset belonging to this category at fair value, including if applicable any premium/discount and excluding transaction costs. Subsequently, the unrealized gains or losses stemming from the variation of the fair value of this asset are recognized in profit or loss as net banking income.

In accordance with the principles stated under ANC Recommendation 2022-01 issued on April 8, 2022, the Group decided to recognize separately:

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

#### **1.2.5.6 Designation options**

The Group does not use the following options:

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

#### **1.2.5.7 Impairment of financial assets**

##### **Defining the impairment base**

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

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

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

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

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

#### Assessing whether credit risk has significantly increased

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

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

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

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

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

The contracts of a counterparty in this situation are considered as Non-Performing Exposures from a prudential perspective but remain classified in Stage 2 from an accounting perspective (see below).

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

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

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

Stages transitions must be compliant with the following rules:

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

#### Measuring the amount of the expected credit loss

The loss allowance recognized on the contract is equal to the average of expected credit losses of each of the scenarios weighted by their respective probability of occurrence. For all material portfolios, the definition of scenarios integrates a forward-looking dimension, which consists in projecting macroeconomic and financial variables and assessing their impacts. These scenarios are built upon either projections realized by the credit risk direction, or quantitative studies.

In the case of French local authorities, the main hypothesis as well as the scenarios and their weighting are presented below. The hypothesis of these scenarios are updated. Three scenarios are thus constructed based on the 2022 and 2023 conjunctural estimates. The forward-looking forecasts 2024-2026 are based on the macroeconomic forecasts of the baseline scenario of The Caisse des Dépôts Group economists, updated in September 2023.

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

<b>Baseline scenario</b> <i>(data in %)</i>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Inflation	2.7	2.3	2.1
Growth in GDP	0.7	1.1	1.1
OAT 10 years	2.9	2.8	2.7

<b>Favourable scenario</b> <i>(data in %)</i>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Inflation	2.3	2	2
Growth in GDP	1.5	1.5	1.3
OAT 10 years	2.7	2.5	2.5

<b>Adverse scenario</b> <i>(data in %)</i>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Inflation	5.8	4.2	3.7
Growth in GDP	(1.5)	0	0.5
OAT 10 years	5.5	5.5	5.5

Since 2022, these scenarios also integrate the climate challenges faced by local authorities in terms of transition to a decarbonized economy and physical risks, influencing

increasingly significantly the capital and operating expenditure of the latter's. Thus, the modelling of macro-budgetary variables now includes the expenses related to a progressive implementation over the period 2023-2026 of the additional investment efforts expected from local authorities to comply with the National Low Carbon Strategy, as I4CE has estimated in its study Communities: Investment and engineering needs for carbon neutrality. An initial estimate of the costs of adapting to climate change, based on the study Climate assessment of local government budgets - mitigation component published in September 2022 by I4CE was also taken into account in the construction of these scenarios.

Consideration of climate issues and weighting of scenarios:

- in the central scenario (weighted at 55%), investment would remain at a sustained level, driven by inflation, the end of the electoral cycle for local authorities, and above all by major investments in the transition to a low-carbon economy. The investment effort in favour of the climate is massive in a context of a slight contraction of the gross savings of local authorities would require a strong use of debt;
- in the favourable scenario (weighted at 15%) based on more favourable macroeconomic data, the State allocations are higher and include a lower effort by local authorities on climate spending due to a substitution/pooling effect with other non-climate-related spending,
- in the adverse scenario (30% weighted) which differs from the central scenario by less favourable macroeconomic assumptions (GDP, inflation and unemployment) and a recession in 2024, state endowments and investments are frozen in view of the contraction in savings, and climate investments are postponed due to the economic recession.

The impact of changing weights between the three scenarios on the amounts of expected credit losses associated with French local authorities is deemed very limited, as well as the inclusion of capital expenditure and adaptation to the climate transition. As an illustration, as of June 30, 2024, the following table presents the accounted ECL (EUR 47.3 million) and the unweighted ECL of the three scenarios. The respective weights of each scenario and the detail of macro-budgetary variables used are also specified.



Scenarios	Weight	French local communities Financial ratios*	2024	2025	2026	Unweighted ECL (in EUR millions)	Weighted ECL (in EUR millions)
Baseline	55%	Deleveraging ratio (in years)	5.17	5.53	5.4	55.5	
		Leveraging ratio (in % of RRF*)	77.9%	80.2%	81.7%		
		Gross savings ratio (in % of RRF*)	15.1%	14.5%	14.0%		
Adverse	30%	Deleveraging ratio (in years)	6.03	7.37	9.13	57.5	56.1
		Leveraging ratio (in % of RRF*)	77.0%	79.1%	83.1%		
		Gross savings ratio (in % of RRF*)	12.8%	10.7%	9.1%		
Favourable	15%	Deleveraging ratio (in years)	4.95	5.03	5.05	55.4	
		Leveraging ratio (in % of RRF*)	77.0%	77.7%	77.3%		
		Gross savings ratio (in % of RRF*)	15.6%	15.4%	15.3%		

RRF: real operating revenue.

\* Definitions of ratios used:

- deleveraging capacity is a solvency ratio calculated by dividing outstanding debt by gross savings. This ratio expresses the theoretical number of years required for a local authority to repay all its debt if it were to devote all its cash flow to it;
- leveraging ratio: obtained by calculating the ratio between medium- and long-term debt (numerator) and operating revenue (denominator), the latter being current revenue (taxes, government grants, revenue from public services). Operating revenues are characterized by a certain regularity, and are allocated first and foremost to the payment of the community's current expenses, known as management expenses (personnel costs, purchases and supplies, social assistance, etc.) and to the payment of debt (capital and interest). The debt ratio is used to measure the debt incurred to finance investments, and to assess its level in relation to current revenue;
- gross savings ratio: local authority budgets are divided into an operating section and an investment section. The operating section organizes current expenditure and receipts (taxes, government grants, receipts from the operation of public services). Gross savings is the calculated balance of operating revenues less operating expenses (current expenses and interest on debt). The gross savings rate is obtained by dividing gross savings by operating revenue. It is used to measure the community's operating performance (including debt interest payments), before taking into account its investment policy.

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

For the contracts classified in Stage 1 or Stage 2, the expected credit losses equals the present value of the product of three parameters discounted at the original effective interest rate of the contract: the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD), respectively on a one-year horizon for the contracts classified in Stage 1 and on the residual lifetime horizon for the contracts classified in Stage 2. The three parameters depend on the scenario and the year considered. The Group has capitalized on the framework of calculation of these parameters under Basel regulation and has introduced adjustments so as to comply with specific provisions of IFRS 9. This approach has resulted in the definition of IFRS 9 specific models for each material portfolio. More precisely, specific models have been developed so as to calculate PD and LGD for local authorities and inter-municipal grouping with own-source tax revenue, given that this portfolio is the most material for the Group. These calculations have been performed by taking the following steps:

- a migration through-the-cycle matrix is built upon available historical data;

- it is then distorted to derive point-in-time PD as well as migration point in time matrix;
- the latter is used in the scenarios, taking into account forward-looking information.

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

- as regards local authorities and inter-municipal grouping with own-source tax revenue, the methodology is the same as for Stages 1 and 2. PD is set at 100% (recognized default) and a "Default" LGD model has been developed;
- as regards other counterparties, the expected credit losses equal the loss at maturity, *i.e.* the difference between the sequence of cash flows contractually due to the Group and the sequence of cash flows that the Group expects to recover, both discounted at the original effective interest rate. Depending on the materiality of the contract, the cash flows that the Group expects to recover are calculated either through individual simulations performed by the Credit Risk division or through standard recovery scenarios using predefined management rules. These flows are, if applicable, net of any flows derived from realizing securities which form an integral part of contractual provisions.

At each closing date, the classification in Stages and the loss allowances for expected credit losses are subject to analysis and are validated by the Impairment Committee prior to their accounting. Besides, back testing procedures have been set up so as to annually monitor the efficiency of the framework of expected credit losses calculation under IFRS 9; they encompass data quality, portfolio structure and expectations quality.

### Recognizing the impairment

Positive and negative variations of the amount of the loss allowance for expected credit losses are recognized in cost of risk.

When an asset is determined by management as being irrecoverable, it is derecognized (see below): the loss allowance for expected credit losses is reversed and the net loss is recognized in profit or loss as cost of risk. Subsequent recoveries, if any, are also recognized in cost of risk.

#### 1.2.5.8 Derecognition of financial assets

A financial asset is derecognized when and only when the contractual rights to the cash flows from this asset expire or if this asset is transferred and the transfer meets one of the following conditions:

- substantially all the risks and rewards of ownership of this asset have been transferred; or
- substantially all the risks and rewards of ownership of this asset have been neither transferred nor retained and the control on this asset has not been retained. If the control on this asset has been retained, the underlying asset continues to be recognized to the extent of Group's continuing involvement in it.

The gain or loss realized when derecognizing a financial asset equals the difference between on the one hand the consideration received (net of transaction costs and including any new asset obtained less any new liability assumed) and on the other hand the carrying amount of this asset measured at the date of derecognition. It is recognized in profit or loss of the reporting period considered as net banking income.

#### Case of disposals

Financial assets are derecognized on disposal. The gain or loss realized on disposal takes into account the followings:

- for financial assets measured at amortized cost, the carrying amount of the disposed asset is systematically determined based on the "first in, first out" approach (FIFO method) on a portfolio basis;
- for financial assets measured at fair value through the item Other comprehensive income, cumulative gains or losses previously recognized in equity are, applying FIFO method, reversed in profit or loss on disposal, under the item of the net banking income used for recognizing the net gains and losses of this category.

#### Case of repos and reverse repos operations

Sold securities that are subject to a commitment to repurchase them at a predetermined price (repos) are not derecognized and remain on the balance sheet in their original category. The corresponding liability is recognized as financial liabilities at amortized cost. The asset is reported as pledged in the notes.

Securities purchased under commitment to sell at a predetermined price (reverse repos) are recognized off-balance sheet and the corresponding loans are recognized on the balance sheet as financial assets at amortized cost.

The difference between the sale and the repurchase price is recognized as interest income or expense and is capitalized and amortized over the term of the maturity of the contract using the effective interest rate method.

#### Case of prepayments

The prepayment of a loan results in general in the payment of a penalty which is included within the gain or the loss realized on derecognition.

In the case of a prepayment without refinancing, the loan does not exist any longer and is derecognized.

In the case of a prepayment with refinancing, the accounting treatment differs depending on whether the restructured terms are substantially different from the original terms; it is in particular the case in one of the following situations:

- the restructured loan is not classified in the same accounting category as the original loan, either because its contractual cash flows are from now compliant with the SPPI criterion (while they were not originally) or because they are not any longer (while they were originally);
- the net present value of the cash flows under the new conditions, including any fees paid net of any fees received, is more than 10% different from the net present value of the cash flows remaining from the original loan, both of these present values being discounted at the original effective interest rate.

If restructured terms are not substantially different from original terms, the original loan is not derecognized. Its gross carrying amount is adjusted so as to reflect the post-restructuring terms, including costs and fees incurred; it corresponds to the present value of the cash flows of the restructured loan discounted at the original effective interest rate (or, in the case of purchased or originated credit-impaired assets, at this rate adjusted so as to reflect credit quality). Such an adjustment, called "catch-up" effect, constitutes the excess of the restructured margin of the loan over its original margin; it is immediately recognized in profit or loss of the reporting period, within the net interest margin. Furthermore, for financial assets measured at amortized cost or at fair value through the item Other comprehensive income, the Group assesses whether, due to the modifications in the terms, a significant increase in credit risk since initial recognition has occurred: if so, an adjustment of the loss allowance for expected credit losses is recognized (see above).

If restructured terms are substantially different from original terms, the original loan is derecognized and the loan under restructured terms is recognized as a new financial asset. Its gross carrying amount is adjusted so as to reflect market conditions; it corresponds to the present value of the restructured cash flows discounted at the effective interest rate of a loan granted under normal market conditions at the date when the loan is restructured. Such an adjustment constitutes the excess of the restructured margin of the loan over normal market conditions at the date when the loan is restructured: it is immediately recognized in profit or loss of the reporting period, under the item of the net banking income used for recognizing the net gains and losses of the category of the derecognized financial asset.

## 1.2.6 Financial liabilities

### 1.2.6.1 Financial liabilities held for trading

The Group does not hold financial liabilities belonging to this category.

### 1.2.6.2 Financial liabilities designated at fair value through profit or loss

The Group does not use this option.

### 1.2.6.3 Financial liabilities at amortized cost

Financial liabilities at amortized cost are mainly *obligations foncières* and other resources that benefit from the privilege defined in article L.513-11 of the Monetary and Financial Code. Financial liabilities at amortized cost also include unsecured LT issues and certificates of deposit issued by Sfil.

At initial recognition, the Group recognizes a financial liability belonging to this category at fair value, which is its nominal value including if applicable any reimbursement and issue premiums and transaction costs (mainly fees and commissions on bond issues). Subsequently, the financial liability is measured at amortized cost, which corresponds to its carrying amount at initial recognition plus or minus as appropriate the amortization of premiums and transaction costs calculated using the effective interest rate method.

Due and accrued interest on financial liabilities belonging to this category as well as the amortization of premiums and transaction costs calculated using the effective interest rate method, are recognized in the net interest margin.

Bonds issued which are denominated in foreign currencies are accounted for using the same method as foreign currency transactions (see above).

### 1.2.6.4 Derecognition of financial liabilities

A financial liability is derecognized when and only when it is extinguished, *i.e.* when the obligation specified in the contract is discharged, cancelled or expires.

The restructuring of a financial liability results in the derecognition of this financial liability when the restructured terms are substantially different from the original terms (see above).

## 1.2.7 Derivatives

The Group has decided to apply the provisions of IFRS 9 for hedge accounting from January 1, 2022. In accordance with paragraph 6.1.3 of IFRS 9, IFRS 9 applies prospectively from that date to all of the Group's micro-hedging relationships. Macro-hedging relationships continue to be recognized in accordance with the provisions of IAS 39, in compliance with the provisions of European Commission regulation 2086/2004 amending IAS 39 (IAS 39 "carve out"). Moreover, the Group discloses the financial information on hedge accounting that is required under IFRS 7 as amended by IFRS 9.

All derivatives are initially recognized on the balance sheet at fair value and then are revalued at their fair value. The fair value of derivatives is calculated either on the basis of prices observed in listed markets or by using internal valuation models.

The amount registered on the balance sheet includes the premium paid or received after amortization, the amount of changes in fair value and accrued interest, which together make up the fair value of the derivative. Derivative instruments are recognized as assets if their fair value is positive and as liabilities if it is negative.

### 1.2.7.1 Derivatives not documented in a hedging relationship

The Group enters into derivative contracts for the unique purpose of hedging its exposures to interest rate or foreign exchange positions. However, some derivatives must be measured at fair value through profit or loss at closing date; they are:

- the ones which failed hedge effectiveness tests at closing date;
- the ones which hedge financial assets that are measured at fair value through profit or loss. It comprises mainly the financial assets that are not compliant with the SPPI criterion. In this case, the revaluation of the derivative hedges natively the revaluation of the hedged risk of the hedged item, making pointless the documentation of a hedging relationship;

Both realized and unrealized gains and losses on these derivatives, measured at fair value through profit or loss at closing date, are recognized in profit or loss within the net banking income.

### 1.2.7.2 Derivatives documented in a hedging relationship

Hedging derivatives can be classified as either:

- hedges of the fair value of a recognized asset or liability or a firm commitment (fair value hedge); or
- hedges of a future cash flows that might eventually impact the future profit or loss and that is attributable to a recognized asset or liability or a forecast and highly probable future transaction (cash flow hedge).

Hedge accounting may be used for such derivatives, provided certain criteria are met:

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

Changes in the fair value of derivatives that are designated and documented in a fair value hedging relationship, and that respect the criteria set out above, are recognized in profit or loss, along with the corresponding change in fair value of the hedged items that are attributable to that specific hedged risk. Regarding notably structured financial instruments, the existence of a perfect hedge with a derivative, and the documentation of the associated hedging relationship, have the effect of reevaluating the hedged risk of the financial instrument, in parallel with the revaluation of the hedging derivative.

The effective portion of the changes in the fair value of derivatives that are designated and documented in a cash flow hedging relationship and that respect the criteria set out above, is recognized in equity. The non-efficient portion of the changes in the fair value of the derivatives is recognized in profit or loss. Considering that hedged items are financial instruments or futures transactions, amounts deferred in equity are recycled to profit or loss and classified as income or expense when the hedged items affects the profit or loss.

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

If at any time the hedge no longer meets the criteria for hedge accounting, one of the following accounting treatments shall be applied:

- in the case of a fair value hedge, the portion attributable to the hedged risk of the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortized to profit or loss over the residual maturity of the hedged item by adjusting the effective interest rate on the hedged item;
- in the case of a cash flow hedge, the amounts deferred in equity during the previous reporting periods, *i.e.* the effective portion of the changes in the fair value of derivatives, are maintained in equity until the derecognition or the extinguishment of the hedged item. They are recycled to profit or loss when or as the item formerly hedged impacts profit or loss.

### **1.2.7.3 Hedging of the interest rate risk of a portfolio**

The Group uses the provisions of IAS 39 as adopted by the European Union (IAS 39 carve-out) because it better reflects the way the Group manages its financial instruments.

The objective of hedging relationships is to reduce the interest rate risk exposure stemming from certain categories of assets or liabilities designated as the hedged items.

The Group performs a comprehensive analysis of its interest rate risk exposure. It consists in assessing fixed-rate exposure generated by all fixed-rate balance sheet items. The Group selects financial assets and liabilities to be included in the hedge of the portfolio's interest rate risk exposure. The same methodology is constantly applied to select financial assets and liabilities that are included in the portfolio. Financial assets and liabilities are classified by time-buckets. Hence, when they are removed from the portfolio, they must be removed from all time-buckets on which they have an impact.

The Group chose to put together homogeneous portfolios of loans and portfolios of bonds. Based on this gap analysis, which is realized on a net basis, the Group defines at inception the risk exposure to be hedged, the length of time-buckets and the testing method and frequency.

Most of macro-hedging instruments used by the Group are plain-vanilla interest rate swaps designated at inception within a fair value hedge of fixed-rate resources or expenses. Hedge effectiveness is assessed through the use of target schedules. Prospective (realized at inception) and retrospective (realized at each interim and annual closing date) effectiveness tests are intended to ensure there is no "over" hedging: they are successful if, for each time-bucket of the target schedule, the nominal amount of hedged items is superior to the notional amount of hedging derivatives.

Hedging instruments are made up of a portfolio of derivatives, in which positions may be offset. Hedging items are recognized at fair value (including accrued interest expense or income) with fair value adjustments recognized in profit or loss.

Revaluation related to the hedged risk is recognized on the balance sheet (respectively in asset or liability depending on whether the groups of hedged items are assets or liabilities) as Fair value revaluation of portfolio hedge with fair value adjustments recognized in profit or loss.

## **1.2.8 Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market the Group has access to on that date. The fair value of a liability reflects its non-performance risk, which includes in particular the Group's own credit risk.

Market prices are used to determine fair value where an active market exists. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on a going concern basis. Active market prices are not, however, available for a significant number of the financial assets and liabilities held or issued by the Group.

If a financial instrument is not listed on an active market, valuation techniques are used. Valuation techniques include the use of market data from recent arm's length transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same if any, and valuation models.

A valuation model reflects what the transaction price would have been on the measurement date in current market conditions. The valuation model incorporates all the factors that market participants would consider when pricing the instrument; for example modifications in the credit risk quality of the underlying financial instruments as well as instrument and market liquidity. Within this framework, the Group uses its own valuation models and market assumptions, *i.e.* present value of cash flows or any other techniques based on market conditions existing at closing date.

### 1.2.8.1 Fair value of financial instruments measured at amortized cost

The following additional comments are applicable to the fair value of financial instruments measured at amortized cost presented in note 7 of the financial statements:

- the fair value of fixed-rate loans is estimated by comparing market interest rates when the loans were granted with current market interest rates offered on similar loans;
- caps, floors and prepayment penalties are included in determining the fair value these instruments.

### 1.2.8.2 Financial instruments measured at fair value

Non-derivative financial assets measured at fair value, either through other comprehensive income or through profit or loss, and derivative instruments are measured at fair value by reference to listed market prices when available. When listed market prices are not available, fair value is estimated on the basis of valuation models or discounted cash flows method, using as much as possible observable, and if necessary non-observable market data.

For non-derivative financial assets measured at fair value and for derivative instruments, when listed prices are not available, the pricing model attempts to reflect as accurately as possible the market conditions on the valuation date as well as any changes in the credit quality of these financial instruments and the market liquidity.

To determine the fair value of its derivatives, the Group uses different discount curves depending on whether collateral was actually exchanged. Collateralized derivatives related future cash-flows are discounted using an OIS-based curve or an €STER curve for centrally cleared derivatives for which the discounting index has transitioned in the year 2020. In contrast, uncollateralized derivatives related future cash-flows are discounted using an EURIBOR-based curve. This differential treatment reflects the different financing costs associated with the derivatives used (FVA – funding valuation adjustment). As a reminder, Caisse Française de Financement Local does not pay any collateral to its derivative counterparties, if they benefit from the legal privilege on assets, as well as the legal holders of covered bonds.

In addition, a value adjustment is included in the fair value of derivatives to reflect the impact of counterparty's credit risk (CVA – credit valuation adjustment) or the Group's own credit risk (DVA – debit valuation adjustment). Value adjustment allows switching from a fair value based on cash flows discounted at risk-free rate, *i.e.* without considering credit risk, into a fair value including this risk. Its calculation is based on the risk exposures combined with loss rates including market parameters.

### 1.2.9 Deferred taxes

Deferred taxes are recognized using the liability method to account for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The tax rates enacted or substantively enacted at closing date are used to determine deferred taxes.

Deferred tax assets are recognized to the extent that it is probable that sufficient future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized to account for temporary differences arising from investments in subsidiaries, jointly controlled companies and associates, except where the timing of the reversal of the temporary difference cannot be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes relating to fair value remeasurements of financial assets measured at fair value through other comprehensive income and cash flow hedges, and other operations which are charged or credited directly to other comprehensive income, are also charged or credited to other comprehensive income.

### 1.2.10 Tangible and intangible assets

Fixed assets consist exclusively of operating tangible and intangible assets. These assets are held for production or administrative purposes. Fixed assets are recognized as assets if:

- it is probable that the associated future economic benefits will flow to the entity; and
- their cost can be measured reliably.

Fixed assets are recognized at acquisition cost plus any directly attributable expenses.

Software developed internally, when it meets the criteria for recognition, is recognized at its development cost, which includes external expenditures on hardware and services and staff expenses that can be directly attributed to its production and preparation for use.

After initial recognition, fixed assets are carried at cost less accumulated depreciation and impairment. When they are ready to be used, fixed assets are depreciated linearly over their expected useful life. Depreciation is recognized in profit or loss under the item Depreciation and amortization property and equipment and intangible assets.

The component approach is applied to all fixed assets. The depreciation periods are as follows:

Components	Depreciation period
Technical Installations	10 years
Fixtures and fittings	10 years
IT equipment	3 years
Software developed or acquired*	3 or 5 years
Office equipment	10 years

\* Purchased licenses and equipments are depreciated over 3 years. The depreciation period of internally developed softwares depends on whether they are strategic. Those which are considered strategic, are amortized over 5 years; those which are not are amortized over 3 years.

Fixed assets are tested for impairment when impairment indicators are identified. When the carrying amount of a fixed asset is greater than its estimated recoverable amount, an impairment charge is recognized and the carrying amount of the fixed asset is written down to the estimated recoverable amount. Impairment charges are recognized in profit or loss under the item Depreciation and amortization property and equipment and intangible assets.

Gains or losses on disposal of fixed assets are charged to Net gains (losses) on other assets.

### 1.2.11 Leases

The Group contracts leases as lessee and it is not involved in sale and leaseback transactions. Most of the leases entered into by the Group are commercial leases governed by the French trade law (*Code de commerce*), commonly referred to as "3/6/9 leases".

In compliance with the provisions of IFRS 16 standard, a contract is or contains a lease if it conveys, for a period of time in exchange for consideration, the right to control the use of an identified asset, namely both rights:

- to obtain substantially all the economic benefits from the use of this asset. It may be the case directly or indirectly and in several ways: for example by using or holding the asset; and
- to direct the use of this asset. It is evidenced when the Group has the right to direct how and for what purpose this asset is used or, when these parameters are predetermined, the Group has the right to operate the asset or has designed it.

This consideration shall be allocated to each of the lease and non-lease components of the contract, each lease component within the contract being accounted for as a distinct lease and separately from non-lease components. However, as a practical expedient, non-lease components may not be separated from the lease component they are associated to, the whole being then accounted for as a single lease.

Short-term leases and leases for which the underlying asset is of low value when it is new may be exempted. Non material leases are also exempted. Lease payments associated with those leases are recognized on a straight-line basis under the item Operating expenses over the lease term.

The lease term starts from the commencement date and extends over the period during which the lease is non-cancellable, taking into consideration each extension option that the lessee is reasonably certain to exercise and each termination option that the lessee is reasonably certain not to exercise. It shall not go beyond the period for which the contract is enforceable; the contract is no longer enforceable as soon as the lessee and the lessor each have the unilateral right to terminate the contract with no more than an insignificant penalty.

At initial recognition, which occurs at the commencement date of the lease, the Group recognizes:

- a right-of-use asset. This asset is initially measured at cost, which corresponds to the amount of the initial measurement of the lease liability including if applicable any lease payments already made, any initial direct costs incurred by the Group and any final restoration costs;
- a lease liability. This liability is initially measured at the present value of the lease payments yet not made discounted using the interest rate implicit in the lease or, by default, using the Group's incremental borrowing rate.

The lease payments included in this measurement are the contractual payments for the right to use the underlying asset; they comprise:

- fixed payments, net of any lease incentives receivable;
- variable payments, which depend on an index or a rate. The measurement is performed using the index or the rate in force at the commencement date;
- if applicable, amounts due under residual value guarantees;
- if applicable, the exercise price of any purchase option that the Group is reasonably certain to exercise;
- if however the Group has assessed the lease term assuming it exercises a termination option, the penalties incurred in this event.

Subsequently, the Group measures the right-of-use asset at cost:

- minus accumulated depreciation and, if applicable, impairment. From the commencement date, depreciation is being accounted for, linearly over the shorter period between the useful expected life of this asset and the lease term. The useful expected life shall however be used if the Group is reasonably certain to exercise a purchase option it has or if the legal ownership of the asset is transferred to the Group before the end of the lease term;
- taking into account if applicable any remeasurement of the lease liability.

Subsequently, the Group measures the lease liability at amortized cost, which corresponds to its carrying amount at initial recognition:

- plus accrued interest;
- minus the part of the payments made during the reporting period which corresponds to the repaid capital;
- taking into account if applicable any remeasurement of the lease liability or any lease modification.

Any remeasurement of the lease liability is recognized with an offsetting entry to the right-of-use corresponding asset and, in the event that it leads to reduce to zero the carrying amount of this asset or to reduce the lease duration, with an offsetting entry to the profit or loss for the remaining. The lease liability is remeasured by discounting the revised lease payments using:

- either the revised discount rate at the remeasurement date (the interest rate implicit in the lease or, by default, the Group's incremental borrowing rate). It is especially the case when the lease term is modified. It is also the case when the lease is modified in a way that the lease modification shall not be accounted for as a separate lease;
- or the discount rate used for the initial recognition of the lease liability. It is especially the case on the fixing date of the index or the rate on which is based the sequence of future variable payments.

Regarding leases-related disclosures in the financial statements:

- right-of-use assets are recognized under the item Tangible assets or Intangible assets as the case may be;
- depreciation allowances of right-of-use assets and, if applicable, impairment loss allowances are recognized under the item Depreciation and amortization of property and equipment and intangible assets;
- lease liabilities are recognized under the item Accruals and other liabilities;
- due and accrued interest on lease liabilities are recognized in the net interest margin.

## 1.2.12 Provisions

Provisions mainly include mainly provisions for litigations, restructuring, and loan commitments.

Regarding mainly litigations and restructuring, under IAS 37, a provision is recognized when and only when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

A provision is measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money.

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

- loan commitments measured at fair value through profit or loss: they are fully in the scope of IFRS 9. Therefore, they are not impaired for expected credit losses but valued and their valuation is recognized on the asset side;

- other loan commitments: they are in the scope of the provisions of IFRS 9 related to derecognition and impairment only. Therefore, loss allowances for expected credit losses related to these commitments are measured and recognized the same way as the ones related to financial assets measured at amortized cost or fair value through other comprehensive income. The assessment of whether credit risk has significantly increased since initial recognition is performed from the date on which the Group is irrevocably and legally committed, *i.e.* from the issuing of a letter of loan offer. Besides, related loss allowances are recognized as liabilities through net income under "Cost of risk".

## 1.2.13 Employee benefits

Staff expenses include all costs related to employees, particularly expenses of the reporting period related to profit-sharing and incentive plans. Employee benefits are classified in four categories:

### 1.2.13.1 Short-term benefits

Short-term benefits are those expected to be settled wholly in twelve months after the end of the annual reporting period during which employee services are rendered; they are not discounted and are recognized as an expense of the reporting period. Annual leave is recognized when the benefits are granted to the employee. To this purpose, a provision is recognized based on rights vested by employees at the closing date.

### 1.2.13.2 Long-term benefits

These benefits, generally related to seniority, are paid to current employees. Their payment is deferred for more than twelve months after the end of the reporting period during which the employees rendered the related service. They represent, specially, long service awards. The actuarial gains and losses related to these benefits and all service costs are recognized immediately in profit or loss.

### 1.2.13.3 Termination benefits

Employee termination benefits result either from the decision by Sfil to terminate an employment contract before the legal retirement age or by a decision of voluntary redundancy in exchange for termination benefits. A charge for termination benefits at the end of the employment contract is recognized only when Sfil is no longer able to withdraw its offer.

### 1.2.13.4 Post-employment benefits

Post-employment benefits are only made of defined contribution plans. The assets of these plans are generally held by insurance companies or pension funds. The pension plans are generally funded by payments from both Sfil and its employees.

Under defined benefit plans, Sfil has a formal or constructive obligation to provide the agreed benefits to current and former employees. Actuarial and investment risks fall on Sfil; as a result, this obligation is measured and recognized as a liability under the item Provisions.

Post-employment benefit obligations are measured using an actuarial valuation technique that includes demographic and financial assumptions and the Projected Unit Credit Method, under which each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation.

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

When the fair value of assets exceeds the amount of the obligation, an asset is recognized if it represents a future economic benefit for Sfil in form of a reduction in future contributions to the plan or a future partial refund.

Remeasurements of defined benefit net liability (or asset) and the fair value of its covering assets is subject to adjustments due to changes in actuarial assumptions, which results in revaluing the liability (or asset) recognized under defined contribution plans. Actuarial gains and losses resulting from these adjustments are recognized as other comprehensive income at the closing date.

Under defined benefit plans, the expense recognized as staff expenses represents in particular the acquired rights during the reporting period by each employee and comprises the current service cost and past service cost arising from plan amendments, curtailments or settlements.

#### **1.2.14 Interest income and expense**

For all interest-bearing instruments, interest income and expense are recognized in profit or loss using the effective interest rate method (see above).

Accrued interest is recognized on the balance sheet under the same item as the related financial assets or liabilities.

#### **1.2.15 Commissions**

Most of the commissions arising from the Group's activities are recognized on an accrual basis over the life of the underlying transaction.

Loan commitment commissions are recognized as an adjustment to the effective interest rate and recognized in net interest margin if the loan is withdrawn.

#### **1.2.16 Earnings per share**

Basic earnings per share before dilution are calculated by dividing net income available for shareholders by the weighted average number of shares outstanding at closing date.

#### **1.2.17 Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents include balances at central banks and interbank deposits and demand deposits on credit institutions.

#### **1.2.18 Related-party transactions**

Two parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial or operational decisions. The Group is owned by The Caisse des Dépôts Group, company registered in France, and by French State. Within this framework, related-party transactions are those with companies owned directly or indirectly by the same final shareholders, in particular the subsidiaries of The Caisse des Dépôts Group, and with directors.

#### **1.2.19 Segment reporting**

The Group's unique activity involves the financing or refinancing of loans to public sector entities and exporters.

The Group conducts its business solely from France. It has no direct activity in other countries and is unable to present a relevant geographic breakdown of its results.



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

### 2.1 Central banks

	12/31/2023	6/30/2024
Mandatory reserve deposits with central banks	-	-
Other deposits	2,980	2,473
<b>TOTAL</b>	<b>2,980</b>	<b>2,473</b>

### 2.2 Financial assets at fair value through profit or loss

#### 2.2.1 Analysis by nature

	12/31/2023	6/30/2024
Loans and advances to customers	2,233	1,937
Non Hedging derivatives*	18	16
<b>TOTAL</b>	<b>2,251</b>	<b>1,953</b>

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

#### 2.2.2 Analysis of loans and advances to customers analysis by counterparty

	12/31/2023	6/30/2024
Public sector	1,973	1,700
Other - guaranteed by a State or local government	260	236
<b>TOTAL</b>	<b>2,233</b>	<b>1,937</b>

### 2.3 Financial assets at fair value through equity

#### 2.3.1 Analysis by nature

	12/31/2023	6/30/2024
Equity	-	-
Bonds	80	16
<b>TOTAL</b>	<b>80</b>	<b>16</b>

#### 2.3.2 Analysis by counterparty

	12/31/2023	6/30/2024
Public sector	-	-
Credit institutions	80	16
<b>TOTAL</b>	<b>80</b>	<b>16</b>

All financial assets measured at fair value through equity as of December 31, 2023, and June 30, 2024, were allocated to the Stage 1 category.

## 2.4 Financial assets at amortized cost

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

	6/30/2024										
	Gross amount				Impairment				Net carrying amount	Accumulated partial write-offs	Accumulated total write-offs
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Sight accounts	41	-	-	41	-	-	-	-	41	-	-
Credit institutions	30	-	-	30	(0)	-	-	(0)	30	-	-
<b>LOANS AND ADVANCES TO BANKS AT AMORTIZED COST</b>	<b>71</b>	-	-	<b>71</b>	<b>(0)</b>	-	-	<b>(0)</b>	<b>71</b>	-	-
Public sector	44,312	2,630	137	47,079	(3)	(23)	(5)	(31)	47,048	-	-
Non financial institutions	4,192	1,849	0	6,041	(1)	(6)	(0)	(7)	6,034	-	-
<b>LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST</b>	<b>48,504</b>	<b>4,479</b>	<b>138</b>	<b>53,120</b>	<b>(4)</b>	<b>(28)</b>	<b>(5)</b>	<b>(38)</b>	<b>53,083</b>	-	-
Public sector	4,313	597	3	4,912	(6)	(4)	(0)	(10)	4,902	-	-
Credit institutions	3,562	-	-	3,562	(1)	-	-	(1)	3,561	-	-
Non financial institutions	-	-	-	-	-	-	-	-	-	-	-
<b>BONDS AT AMORTIZED COST</b>	<b>7,874</b>	<b>597</b>	<b>3</b>	<b>8,474</b>	<b>(7)</b>	<b>(4)</b>	<b>(0)</b>	<b>(11)</b>	<b>8,463</b>	-	-
<b>TOTAL</b>	<b>56,449</b>	<b>5,075</b>	<b>141</b>	<b>61,665</b>	<b>(11)</b>	<b>(32)</b>	<b>(5)</b>	<b>(49)</b>	<b>61,617</b>	-	-

Loans and advances to customers at amortized cost include a gross amount at December 31, 2023 and June 30, 2024 of EUR 230 million and EUR 302 million respectively, corresponding to loans granted by the Group to support customers in their sustainability initiatives, through an incentive mechanism to revise the margin in line with ESG criteria. All these exposures were allocated to Stage 1 for the two years concerned.

Gross amounts increased by around EUR 2.2 billion in the first half of 2024, mainly as a result of strong activity in export credit and public sector lending and a, as well as investments of surplus cash in the form of securities issued by credit institutions.

Gross amounts in Stage 2 fell by EUR 1.2 billion in the first half of 2024. As a reminder, as of 2020 and in the context of the health crisis, it had been decided to follow in watchlist and consequently to transfer from Stage 1 to Stage 2 the exposures of the export credit portfolio on the cruise sector. In view of the improved financial health of the counterparties concerned, their ratings were reviewed at the end of 2023 and beginning of 2024. It was also decided, during the first half of 2024, to transfer back to Stage 1 some of the historical exposures previously transferred to Stage 2. This movement explains most of the variation observed in Stage 2 in the first half of 2024. This effect was partially offset by the watchlisting of another export credit exposure.

Amounts allocated to Stage 3 were also down in the first half of 2024.

Expected credit losses associated with exposures increased slightly over the period. This increase is mainly due to movements between Stages 1 and 2.

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

At June 30, 2024, the number of forborne contracts stood at 68, with 48 borrowers, for a total risk exposure of EUR 849 million.

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

### 3.1 Financial liabilities at fair value through profit or loss

	12/31/2023	6/30/2024
Non hedging derivatives*	431	327
<b>TOTAL</b>	<b>431</b>	<b>327</b>

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

### 3.2 Financial liabilities at amortized cost

	12/31/2023	6/30/2024
Current account	-	-
Other term borrowings	-	-
<b>SUB-TOTAL DUE TO CREDIT INSTITUTIONS AT AMORTIZED COST</b>	<b>-</b>	<b>-</b>
Certificates of deposit*	832	1,179
Euro medium term notes*	10,027	11,167
Obligations foncières	45,746	45,525
Registered covered bonds	6,290	6,233
<b>SUB-TOTAL DEBT SECURITIES AT AMORTIZED COST</b>	<b>62,894</b>	<b>64,104</b>
<b>TOTAL</b>	<b>62,894</b>	<b>64,104</b>

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

### 3.3 Provisions

	12/31/2023	Additions to provisions	Used amount	Unused amounts reversed during the period	Increase in the discounted amount due to the passage of time and effect of any change in the discount rate	Other movements	6/30/2024
Commitments and guarantees given	6	5	-	(3)	-	-	8
Provision on pensions	7	0	-	(0)	-	-	7
Other provisions	0	-	-	(0)	-	-	-
<b>TOTAL</b>	<b>13</b>	<b>5</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>15</b>

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

The hedging derivatives below are part of the SFIL group's risk policy detailed in the activity report (see 2.6.2).

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

The table below shows the breakdown by benchmark index of financial assets and liabilities as well as derivatives affected by the benchmark interest rate reform, whether or not they have been migrated to new indices. The amendments to IFRS 9, IAS 39 and IFRS 7, which allow exemption from certain

requirements in terms of hedge accounting as part of this reform, were applied, when the conditions were met, to maintain the impacted hedging relationships. For the sake of completeness, this table also lists the financial instruments that are not affected by the reform.

	Exposures as of 12/31/2023			Exposures as of 6/30/2024		
	Outstanding amount		Net notional amount	Outstanding amount		Net notional amount
	Financial assets (excluding derivatives)	Financial liabilities (excluding derivatives)	Derivatives	Financial assets (excluding derivatives)	Financial liabilities (excluding derivatives)	Derivatives
Current benchmark interest rate						
<b>INTEREST RATES BENCHMARK AFFECTED BY THE REFORM</b>						
EONIA	-	-	-	-	-	-
LIBOR CHF	-	-	-	-	-	-
LIBOR GBP	-	-	-	-	-	-
LIBOR USD	115	-	(11)	-	-	-
<b>INTEREST RATES BENCHMARK NOT AFFECTED BY THE REFORM</b>						
SONIA	237	-	(529)	268	-	(787)
SARON	237	-	(237)	228	-	(228)
SOFR	425	-	(1,285)	559	-	(537)
STIBOR	15	-	(15)	15	-	(15)
EURIBOR	9,380	452	(7,944)	10,174	452	(5,818)
€STER	992	260	(993)	859	430	(2,780)
FIXED RATE	49,962	62,458	11,135	51,482	64,213	10,182
OTHERS	99	1,156	(298)	92	1,016	(254)
<b>TOTAL</b>	<b>61,462</b>	<b>64,326</b>	<b>(178)</b>	<b>63,678</b>	<b>66,111</b>	<b>(237)</b>

As a reminder, in 2021, all transactions against EONIA were switched to €STER. Financial assets and derivatives indexed to CHF LIBOR and GBP LIBOR were switched to SARON and SONIA respectively in the first half of 2022. Assets, liabilities and derivatives indexed to USD LIBOR began to be transitioned to the new benchmarks in 2022. This transition was completed in the first half of 2024. As of June 30, 2024 all

exposures involving rates affected by the reform had been transitioned to the new benchmarks. As a reminder, all these contracts are subject to fallback clauses. It should also be noted that, as the STIBOR index has been recognized as compliant by the European Benchmark Regulation, it will not be subject to transition.

## 4.2 Transactions with related parties

	Parent company <sup>(1)</sup>		Other related parties <sup>(2)</sup>	
	12/31/2023	6/30/2024	12/31/2023	6/30/2024
<b>ASSETS</b>				
Financial assets at fair value through profit or loss	-	-	-	-
Hedging derivatives	-	-	-	-
Financial assets at fair value through equity	65	-	-	-
Loans and advances to banks at amortized cost	1	1	-	-
Securities at amortized cost	-	35	41	41
Accruals and other assets	1	0	1	1
<b>LIABILITIES</b>				
Hedging derivatives	-	-	-	-
Due to banks	-	-	-	-
Debt securities at amortized cost	-	-	306	437
Accruals and other liabilities	-	-	0	0
<b>INCOME STATEMENT</b>				
Interest income	2	2	1	1
Interest expense	(2)	(1)	(11)	(7)
Fee and commission income	-	-	4	2
Fee and commission expense	-	-	(0)	(0)
Net result of financial assets at fair value through profit or loss	2	1	(1)	2
Net result of financial assets at fair value through equity	-	-	-	-
Gains or losses resulting from derecognition of financial instruments at amortized cost	-	-	-	-
Other income	-	-	0	-
Other expense	-	-	-	-
Operating expenses	-	-	-	-
Cost of risk	-	-	-	-
<b>OFF BALANCE SHEET</b>				
Foreing exchange derivatives	-	-	-	-
Interest rate derivatives	-	-	-	-
Financing commitments received	4,000	4,000	1,000	1,000
Financing commitments given <sup>(3)</sup>	124	90	-	-

(1) This item includes transactions with Caisse des dépôts, the parent company of Sfil.

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

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

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

### 5.1 Interest income - interest expense

Sfil presents interest calculated using the effective interest rate method on financial instruments measured at amortized cost or at market value through equity under the headings "Interest income" and "Interest expense". These headings also include interest income and expense on financial instruments recognized at fair value through profit or loss because they do not meet the SPPI criterion due to the fact that the cash flows received do not consist solely of principal and interest payments. However, the change in value calculated excluding accrued interest on these financial instruments at fair value

through profit or loss is recorded under Net result of financial instruments at fair value through profit or loss (see note 5.3). Interest income and expense on hedging derivatives are included with the revenue generated by the associated hedged items. Meanwhile, certain derivatives not classified as hedging instruments for accounting purposes are held as economic hedges of financial instruments carried at fair value through profit or loss; the interest income and expense on these hedging derivatives are included in the headings recording the interest on these financial instruments.

	1H23			1H24		
	Income	Expense	Net	Income	Expense	Net
Loans/loans with credit institutions	-	-	-	-	-	-
Loans/loans with customers	60	-	60	47	-	47
Derivatives outside the hedging relationship	43	(64)	(20)	40	(41)	(2)
<b>FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>103</b>	<b>(64)</b>	<b>40</b>	<b>86</b>	<b>(41)</b>	<b>45</b>
Hedging derivatives	1,174	(1,357)	(184)	1,643	(1,885)	(241)
<b>HEDGING DERIVATIVES</b>	<b>1,174</b>	<b>(1,357)</b>	<b>(184)</b>	<b>1,643</b>	<b>(1,885)</b>	<b>(241)</b>
Securities	0	-	0	0	(0)	(0)
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY</b>	<b>0</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>
Central bank accounts	46	(0)	46	70	-	70
Accounts and loans with credit institutions	41	(34)	7	54	(18)	36
Accounts and loans with customers	515	-	515	596	-	596
Securities	95	(436)	(341)	164	(584)	(420)
Other	-	-	-	-	-	-
<b>FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST</b>	<b>697</b>	<b>(471)</b>	<b>226</b>	<b>884</b>	<b>(602)</b>	<b>282</b>
<b>TOTAL</b>	<b>1,973</b>	<b>(1,891)</b>	<b>82</b>	<b>2,613</b>	<b>(2,528)</b>	<b>85</b>

Interest income and expense, measured using the effective interest method, represented EUR 697 million and EUR -471 million respectively at June 30, 2023, and EUR 884 million and EUR -602 million respectively at June 30, 2024.

At June 30, 2023, and at June 30, 2024 following a return to a positive interest rate environment, negative interest paid on financial instruments in assets and received on financial instruments in liabilities is zero.

### 5.2 Fees and commissions

	1H23	1H24
La Banque Postale servicing commission received	2	2
Other commission	1	(2)
<b>TOTAL</b>	<b>3</b>	<b>0</b>

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

All interest received and paid on the assets, liabilities and derivatives is recognized as net interest income, as required under IFRS. Consequently, the net gains or losses on hedging

operations merely include the change in the clean value of the derivatives and the re-valuation of the assets and liabilities registered in relation to the hedge.

	1H23	1H24
Net result on financial assets or liabilities at fair value through profit or loss	(6)	26
Net result of hedge accounting	6	2
Net result of foreign exchange transactions	0	0
<b>TOTAL</b>	<b>0</b>	<b>28</b>

### Analysis of net result of hedge accounting

	1H23	1H24
<b>FAIR VALUE HEDGES</b>	<b>8</b>	<b>5</b>
Fair value changes in the hedged item attributable to the hedged risk	(64)	196
Fair value changes in the hedging derivatives	72	(191)
<b>CASH FLOW HEDGES</b>	<b>(1)</b>	<b>(0)</b>
Fair value changes in the hedging derivatives - ineffective portion	-	-
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	(1)	(0)
<b>PORTFOLIO HEDGE</b>	<b>(1)</b>	<b>1</b>
Fair value changes in the hedged item	31	(227)
Fair value changes in the hedging derivatives	(32)	228
<b>CVA/DVA IMPACT</b>	<b>(1)</b>	<b>(3)</b>
<b>TOTAL</b>	<b>6</b>	<b>2</b>

### 5.4 Net result of financial instruments at fair value through equity

	1H23	1H24
Net result of disposals of bonds at fair value through equity	-	-
Net results of disposals or prepayments of hedging derivatives instruments at fair value through equity	1	-
<b>TOTAL</b>	<b>1</b>	<b>-</b>

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

	1H23	1H24
Net result of disposals or prepayments of bonds at amortized cost	-	-
Net result of disposals or prepayments of loans and advances to banks at amortized cost	0	-
Net result of disposals or prepayments of loans and advances to customers at amortized cost	3	1
Net result of disposals or prepayments of due to banks at amortized cost	0	-
Net result of disposals or prepayments of debt securities at amortized cost	1	-
<b>TOTAL</b>	<b>5</b>	<b>1</b>

## Detail of on derecognition of assets and liabilities at amortized cost

	1H23		1H24	
	Notional amount	Impact on result	Notional amount	Impact on result
Prepayments of securities at amortized cost	-	-	-	-
Net result of disposals or prepayments of bonds at amortized cost	-	-	-	-
Prepayments of loans and advances to credit institutions at amortized cost	-	-	-	-
Restructurings of loans and advances to credit institutions at amortized cost	-	-	-	-
Net result of disposals, prepayments or restructurings of loans and advance to credit institutions at amortized cost	-	-	-	-
<b>Prepayments of loans and advances to customers</b>	<b>1,526</b>	<b>3</b>	<b>30</b>	<b>1</b>
Restructuring of loans and advances to customers	48	2	4	0
Net result of disposals, prepayments or restructurings of loans and advances to customers at amortized cost	1,478	2	26	0
<b>SUB-TOTAL ASSETS</b>	<b>1,526</b>	<b>3</b>	<b>30</b>	<b>1</b>
Prepayments of debt to banks	-	-	-	-
Net result of prepayments of debt to banks at amortized cost	-	-	-	-
Prepayments of debt securities	114	1	-	-
Net result of prepayments of debt securities at amortized cost	114	1	-	-
<b>SUB-TOTAL LIABILITIES</b>	<b>114</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>		<b>5</b>		<b>1</b>

## 5.6 Operating expenses

	1H23	1H24
Payroll costs*	(30)	(30)
Other general and administrative expenses	(17)	(16)
Taxes	(13)	(7)
<b>TOTAL</b>	<b>(59)</b>	<b>(53)</b>

\* Sfil has taken into account the decisions handed down by the social chamber of the Cour de Cassation on September 13, 2023 concerning employees' entitlement to paid leave, and has booked a provision representing a non-material amount. In addition, in accordance with IAS19, personnel costs include the impact of the pension reform which came into effect in April 2023, for a non-material amount in respect of past service costs. For the record, discounting gains and losses arising from changes in assumptions relating to post-employment benefit obligations are recognized directly in net income and unrealized or deferred gains or losses recognized directly in equity (see note 3.5).

## 5.7 Depreciation and amortization, property and equipment and intangible assets

	1H23	1H24
Depreciation and amortization on tangible assets	(1)	(1)
Depreciation and amortization on intangible assets	(5)	(5)
IFRS16 impact	(3)	(1)
<b>TOTAL</b>	<b>(9)</b>	<b>(7)</b>



## 5.8 Cost of risk

Specific Impairment	1H23				June 30
	January 1	Allocations	Reversals	Losses	
Stage 1	(0)	-	-	-	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY</b>	<b>(0)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0)</b>
Stage 1	(0)	(0)	0	(0)	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
<b>LOANS AND ADVANCES TO BANKS AT AMORTIZED COST</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>
Stage 1	10	(1)	1	0	11
Stage 2	(35)	(7)	3	(0)	(40)
Stage 3	(10)	(0)	1	(0)	(9)
<b>LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST</b>	<b>(35)</b>	<b>(8)</b>	<b>5</b>	<b>0</b>	<b>(38)</b>
Stage 1	(3)	(0)	0	0	(3)
Stage 2	(12)	(0)	1	(0)	(12)
Stage 3	(0)	(0)	-	-	(0)
<b>BONDS AT AMORTIZED COST</b>	<b>(16)</b>	<b>(0)</b>	<b>1</b>	<b>0</b>	<b>(15)</b>
Stage 1	(2)	(0)	0	-	(2)
Stage 2	(8)	(0)	3	-	(4)
Stage 3	(0)	-	-	-	(0)
<b>OFF-BALANCE SHEET COMMITMENTS AT AMORTIZED COST</b>	<b>(10)</b>	<b>(0)</b>	<b>4</b>	<b>-</b>	<b>(6)</b>
<b>OTHER PROVISIONS</b>	<b>(3)</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>(3)</b>
<b>TOTAL</b>	<b>(63)</b>	<b>(9)</b>	<b>10</b>	<b>0</b>	<b>(63)</b>

Specific Impairment	1H24				June 30
	January 1	Allocations	Reversals	Losses	
Stage 1	(0)	-	0	-	(0)
Stage 2	-	-	-	-	-
Stage 3	-	-	-	-	-
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY</b>	<b>(0)</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>(0)</b>
Stage 1	5	-	0	(5)	(0)
Stage 2	(6)	-	-	6	-
Stage 3	-	-	-	-	-
<b>LOANS AND ADVANCES TO BANKS AT AMORTIZED COST</b>	<b>(0)</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>(0)</b>
Stage 1	12	(1)	6	(21)	(4)
Stage 2	(38)	(11)	6	15	(28)
Stage 3	(11)	(0)	0	6	(5)
<b>LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST</b>	<b>(37)</b>	<b>(13)</b>	<b>12</b>	<b>(0)</b>	<b>(38)</b>
Stage 1	2	(2)	0	(7)	(7)
Stage 2	(11)	-	1	7	(4)
Stage 3	(0)	(0)	-	0	-
<b>BONDS AT AMORTIZED COST</b>	<b>(9)</b>	<b>(2)</b>	<b>1</b>	<b>-</b>	<b>(11)</b>
Stage 1	(2)	(1)	1	1	(1)
Stage 2	(3)	(4)	2	(1)	(6)
Stage 3	(0)	-	-	0	-
<b>OFF-BALANCE SHEET COMMITMENTS AT AMORTIZED COST</b>	<b>(5)</b>	<b>(5)</b>	<b>3</b>	<b>(0)</b>	<b>(7)</b>
<b>OTHER PROVISIONS</b>	<b>(1)</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>(1)</b>
<b>TOTAL</b>	<b>(53)</b>	<b>(20)</b>	<b>16</b>	<b>(0)</b>	<b>(57)</b>

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

### 6.1 Regular way trade

	12/31/2023	6/30/2024
Assets to be delivered	-	-
Liabilities to be received	-	-

### 6.2 Guarantees

	12/31/2023	6/30/2024
Guarantees received from credit institutions	-	-
Enhanced guarantees <sup>(1)</sup>	14,744	16,170
Loan guarantee commitments received	-	-
Guarantees received from customers <sup>(2)</sup>	1,229	1,157

(1) Irrevocable, unconditional guarantees issued by the French Republic and received by Sfil for funding major export credits.

(2) Guarantees received from customers are generally granted by local governments.

### 6.3 Financing commitments

	12/31/2023	6/30/2024
Loan commitments granted to credit institutions <sup>(1)</sup>	-	-
Loan commitments granted to customers <sup>(1)</sup>	6,728	7,133
Loan commitments received from credit institutions <sup>(2)</sup>	5,000	5,030
Loan commitments received from customers	-	-

(1) Financing commitments on loans and lines of credit related to contract issued but not paid out. These amounts mainly relates to commitments on operations in export credit business line.

(2) Commitments on this line correspond to financing commitments received from Caisse des Dépôts and La Banque Postale for EUR 4,000 million and EUR 1,000 million respectively. With regard to the Caisse des Dépôts financing commitment, Sfil records the total commitments relating to existing tranches only, which are limited to EUR 4,000 million. This amount does not take into account the possibility provided for in the financing agreement with Caisse des Dépôts to negotiate additional financing in good faith. In the first half of 2024, this amount also includes a certificate of deposit issued with a future value date, for EUR 30 million.

### 6.4 Other commitments

	12/31/2023	6/30/2024
Commitments given <sup>(1)</sup>	13	13
Commitments received from Caisse des Dépôts et Consignations <sup>(2)</sup>	124	90
Other commitments received <sup>(3)</sup>	14	13

(1) This refers to the irrevocable payment undertaking to the Deposit Guarantee and Resolution Fund. These commitments are collateralized by remunerated cash deposits of the same amount. The European ruling rejecting a bank's appeal against the Single Resolution Fund (SRF) for restitution of the liabilities of a subsidiary whose banking license had been withdrawn, did not result in any change in the accounting treatment of these liabilities for Sfil.

(2) At the end of 2022, Caisse Française de Financement Local signed a partnership agreement with Caisse des Dépôts to offer local authorities and public hospitals in France a new long-term fixed-rate product. Under this agreement, Caisse Française de Financement Local makes cash advances to Caisse des Dépôts corresponding to the amounts of loans granted by the latter. In return, Caisse des Dépôts undertakes to sell the loan to Caisse Française de Financement Local at the end of the drawdown phase.

(3) Mainly loans guaranteed by public authorities.

## 6.5 Impairments on financing commitments and other commitments granted

	Financing commitments and financial guarantees under IFRS 9 as of 12/31/2023								Commitments and financial guarantees measured at fair value		
	Gross amount				Impairment				Net carrying amount	Nominal amount	Accumulated negative changes in fair value due to credit risk on non-performing commitments
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Granted to credit institutions	0	-	-	0	-	-	-	-	0	-	-
Granted to customers	5,890	838	-	6,728	(2)	(3)	-	(5)	6,722	-	-
<b>TOTAL</b>	<b>5,890</b>	<b>838</b>	<b>-</b>	<b>6,728</b>	<b>(2)</b>	<b>(3)</b>	<b>-</b>	<b>(5)</b>	<b>6,722</b>	<b>-</b>	<b>-</b>

	Financing commitments and financial guarantees under IFRS 9 as of 6/30/2024								Commitments and financial guarantees measured at fair value		
	Gross amount				Impairment				Net carrying amount	Nominal amount	Accumulated negative changes in fair value due to credit risk on non-performing commitments
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total			
Granted to credit institutions	-	-	-	-	-	-	-	-	-	-	-
Granted to customers	6,152	982	-	7,133	(1)	(6)	-	(7)	7,126	-	-
<b>TOTAL</b>	<b>6,152</b>	<b>982</b>	<b>-</b>	<b>7,133</b>	<b>(1)</b>	<b>(6)</b>	<b>-</b>	<b>(7)</b>	<b>7,126</b>	<b>-</b>	<b>-</b>

Financing commitments increased by EUR 0.4 billion in first half 2024. This increase was mainly due to strong export activity, which led to the signing of new transactions in the first half of the year, partly offset by drawdowns on export credit

transactions already in place at December 31, 2023. This increase was accompanied by a limited rise in the associated impairment.

## Note 7 Notes on risk exposure (EUR millions)

### 7.1 Fair value

This note presents the fair value adjustments that are not recognized, in income or in equity, because they correspond to assets or liabilities valued at amortized cost in the IFRS accounts.

These fair value adjustments take into account the features of the relevant assets and liabilities (maturity, hedging of interest rate risk, amortization profile, and, for assets, their rating); they also take into account current market conditions in terms of price or spread of these same operations, or operations to which they could be assimilated. The breakdown of assets and liabilities as a function of the method used to determine their fair value is shown in Note 7.1.3. below; it can be seen that most assets are valued according to a technique that takes into

account the fact that significant parameters are not observable for the assets since the exposure primarily consists of loans, a form of debt that is not listed on liquid markets. For the valuation of liabilities, certain observable parameters have been used.

These fair values provide interesting information but are not relevant for drawing conclusions on the value of the company or on the income generated in the future. The assets and liabilities stand out for being consistent in rates and maturity and moreover are intended to be maintained on the balance sheet until their maturity, given the specialized activity of the company.

## 7.1.1 Composition of the fair value of the assets

	12/31/2023		
	Book value	Fair value	Unrecognized fair value adjustment
Central banks	2,980	2,980	-
Financial assets at fair value through profit or loss	2,251	2,251	-
Hedging derivatives	2,189	2,189	-
Financial assets at fair value through equity	80	80	-
Loans and advances to banks at amortized cost	67	67	(1)
Loans and advances to customers at amortized cost	51,393	48,343	(3,050)
Bonds at amortized cost	7,985	7,419	(566)
<b>TOTAL</b>	<b>66,945</b>	<b>63,328</b>	<b>(3,617)</b>

	6/30/2024		
	Book value	Fair value	Unrecognized fair value adjustment
Central banks	2,473	2,473	-
Financial assets at fair value through profit or loss	1,953	1,953	-
Hedging derivatives	2,279	2,279	-
Financial assets at fair value through equity	16	16	-
Loans and advances to banks at amortized cost	71	70	(1)
Loans and advances to customers at amortized cost	53,083	49,922	(3,161)
Bonds at amortized cost	8,463	7,897	(566)
Fair value revaluation of portfolio hedge	121	-	(121)
<b>TOTAL</b>	<b>68,458</b>	<b>64,609</b>	<b>(3,849)</b>

In accordance with AMF recommendations, the interest-rate hedged revaluation reserve is presented on a separate line as from June 30, 2024. This amount represented EUR 405 million at December 31, 2023

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

	12/31/2023		
	Book value	Fair value	Unrecognized fair value adjustment
Financial liabilities at fair value through profit or loss	431	431	-
Hedging derivatives	4,318	4,318	-
Due to banks at amortized cost	0	-	(0)
Debt securities at amortized cost	62,894	59,464	(3,430)
<b>TOTAL</b>	<b>67,644</b>	<b>64,213</b>	<b>(3,430)</b>

6/30/2024

	Book value	Fair value	Unrecognized fair value adjustment
Financial liabilities at fair value through profit or loss	327	327	-
Hedging derivatives	4,289	4,289	-
Due to banks at amortized cost	0	-	0
Debt securities at amortized cost	64,104	60,498	(3,606)
Fair value revaluation of portfolio hedge	30	-	(30)
<b>TOTAL</b>	<b>68,750</b>	<b>65,114</b>	<b>(3,636)</b>

In accordance with AMF recommendations, the interest-rate hedged revaluation reserve is presented on a separate line from the June 2024 balance sheet date. This amount represented EUR 53 million at December 31, 2023.

### 7.1.3 Methods used to determine the fair value of financial instruments

The fair value of a financial instrument is determined on the basis of prices that can be observed in the market for the instrument itself or for a comparable instrument, or with the help of a technical evaluation utilizing observable market data. A hierarchy of the methods used to establish fair value has been drawn up. It is composed of the following three levels:

- Level 1 corresponds to the instruments considered to be liquid, i.e. that their valuation is based on the price observed in a liquid market, for which SFIL assured itself of the existence of a large number of contributors. Level 1 securities include in particular certain government bonds.
- Level 2 uses another method to determine the value of instruments for which SFIL can not observe market prices, but observes such for similar instruments by the same issuer

or guarantor listed in the market. In this case, observable prices and other data observable in the market are used and an adjustment is made to account for the degree of the security's lack of liquidity.

- In level 3, when there is no active market or observable market data, the fair value of instruments is determined by using a valuation spread developed from an internal model. Level 3 Hedging derivatives are valued using these internal models.

The measurement of derivatives is based on an analysis combining the observability of the market data used in the assessment and the robustness of the valuation models measured in terms of efficiency to provide a valuation in market consensus. The result of this application is that the derivatives used by SFIL group in hedging its activities are primarily of level 2.

For the derivatives in level 3, this classification mainly involves hybrid, structured products (interest rate - foreign exchange), spread (correlation) products and options on interest rates. This classification is mainly due to the fact that these products present complex payoffs which require an advanced statistical model with variable parameters which are sometimes unable to be seen in the market.

12/31/2023

Fair value of financial assets	Level 1	Level 2	Level 3	Total
Central banks	2,980	-	-	2,980
Financial assets at fair value through profit or loss	-	17	2,234	2,251
Hedging derivatives	-	2,119	70	2,189
Financial assets at fair value through equity	80	-	-	80
Loans and advances to banks at amortized cost	23	44	0	67
Loans and advances to customers at amortized cost	-	-	48,343	48,343
Bonds at amortized cost	3,880	2,516	1,023	7,419
<b>TOTAL</b>	<b>6,963</b>	<b>4,695</b>	<b>51,670</b>	<b>63,328</b>

Fair value of financial assets	6/30/2024			
	Level 1	Level 2	Level 3	Total
Central banks	2,473	-	-	2,473
Financial assets at fair value through profit or loss	-	15	1,938	1,953
Hedging derivatives	-	2,240	39	2,279
Financial assets at fair value through equity	16	-	-	16
Loans and advances to banks at amortized cost	41	29	0	70
Loans and advances to customers at amortized cost	-	-	49,922	49,922
Bonds at amortized cost	4,419	2,520	958	7,897
Fair value revaluation of portfolio hedge	-	-	-	-
<b>TOTAL</b>	<b>6,948</b>	<b>4,804</b>	<b>52,857</b>	<b>64,609</b>

Fair value of financial liabilities	12/31/2023			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	-	412	19	431
Hedging derivatives	-	4,278	40	4,318
Due to banks at amortized cost	-	-	-	-
Debt securities at amortized cost	48,119	5,662	5,683	59,464
<b>TOTAL</b>	<b>48,119</b>	<b>10,353</b>	<b>5,742</b>	<b>64,213</b>

Fair value of financial liabilities	6/30/2024			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	-	294	34	327
Hedging derivatives	-	4,249	40	4,289
Due to banks at amortized cost	-	-	-	-
Debt securities at amortized cost	48,957	5,887	5,654	60,498
Fair value revaluation of portfolio hedge	-	-	-	-
<b>TOTAL</b>	<b>48,957</b>	<b>10,429</b>	<b>5,728</b>	<b>65,114</b>

### Sensitivity of the market value of level 3 financial instruments to changes in reasonably possible hypotheses

The following table gives a synthetic view of financial instruments in level 3 for which changes in hypotheses concerning one or more non observable parameter would cause a significant change in market value. These amounts illustrate the interval of uncertainty inherent in the recourse to judgment in estimating parameters of level 3 or in the choice of valuation techniques and models. They reflect the uncertainty of valuation which is effective at the date of

valuation. Although this uncertainty essentially results from the sensitivity of the portfolio at the date of valuation, it does not make it possible to foresee or to deduct future variations in the market value any more than they represent the effect of extreme market conditions on the value of the portfolio. To estimate sensitivity, SFIL either values financial instruments using reasonably possible parameters or applies hypotheses based on its policy of additional valuation adjustments.

	12/31/2023	6/30/2024
Uncertainty inherent in level 3 market parameters	0	1
Uncertainty inherent in level 3 derivatives valuation models	12	7
<b>SENSITIVITY OF THE MARKET VALUE OF LEVEL 3 FINANCIAL INSTRUMENTS</b>	<b>12</b>	<b>8</b>

## 7.1.4 Transfer between level 1 and 2

	12/31/2023	6/30/2024
Level 1 to level 2	-	-
Level 2 to level 1	-	-

## 7.2 Off-setting of financial assets and liabilities

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

	12/31/2023					
	Gross amounts before off-setting	Gross amounts off-set according to IAS 32	Net Amounts presented in the balance sheet	Other amounts in the application scope but not offset		Net Amounts according to IFRS 7 and 13
				Effect of master netting arrangements	Financial Instruments received as collateral	
Loans and advances at fair value through profit or loss	2,207	-	2,207	(1,346)	(101)	760
Derivatives (including hedging instruments)	2,233	-	2,233	-	-	2,233
Loans and advances to banks at amortized cost	67	-	67	-	-	67
Loans and advances to customers at amortized cost	51,393	-	51,393	-	-	51,393
<b>TOTAL</b>	<b>55,900</b>	<b>-</b>	<b>55,900</b>	<b>(1,346)</b>	<b>(101)</b>	<b>54,452</b>

	6/30/2024					
	Gross amounts before off-setting	Gross amounts off-set according to IAS 32	Net Amounts presented in the balance sheet	Other amounts in the application scope but not offset		Net Amounts according to IFRS 7 and 13
				Effect of master netting arrangements	Financial Instruments received as collateral	
Loans and advances at fair value through profit or loss	2,295	-	2,295	(1,307)	(133)	855
Derivatives (including hedging instruments)	1,937	-	1,937	-	-	1,937
Loans and advances to banks at amortized cost	71	-	71	-	-	71
Loans and advances to customers at amortized cost	53,083	-	53,083	-	-	53,083
<b>TOTAL</b>	<b>57,386</b>	<b>-</b>	<b>57,386</b>	<b>(1,307)</b>	<b>(133)</b>	<b>55,946</b>

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

12/31/2023						
	Gross amounts before off-setting	Gross amounts off-set according to IAS 32	Net Amounts presented in the balance sheet	Other amounts in the application scope but not offset		Net Amounts according to IFRS 7 and 13
				Effect of master netting arrangements	Financial Instruments received as collateral	
Derivatives (including hedging instruments)	4,749	-	4,749	(1,346)	(1,984)	1,419
Due to banks at amortized cost	0	-	0	-	-	0
Customer borrowings and deposits	-	-	-	-	-	-
<b>TOTAL</b>	<b>4,749</b>	<b>-</b>	<b>4,749</b>	<b>(1,346)</b>	<b>(1,984)</b>	<b>1,419</b>

6/30/2024						
	Gross amounts before off-setting	Gross amounts offset according to IAS 32	Net Amounts presented in the balance sheet	Other amounts in the application scope but not offset		Net Amounts according to IFRS 7 and 13
				Effect of master netting arrangements	Financial Instruments received as collateral	
Derivatives (including hedging instruments)	4,616	-	4,616	(1,307)	(1,934)	1,375
Due to banks at amortized cost	0	-	0	-	-	0
Customer borrowings and deposits at amortized cost	-	-	-	-	-	-
<b>TOTAL</b>	<b>4,616</b>	<b>-</b>	<b>4,616</b>	<b>(1,307)</b>	<b>(1,934)</b>	<b>1,375</b>

## 7.3 Exposure to credit risk

Exposure to credit risks, includes:

- for assets other than derivatives: the amount shown on the balance sheet;
- for derivatives: the standardized approach to measure the counterparty credit risk (SA-CCR methodology), the exposure at default (EAD) is thus calculated on the basis of the following formula (alpha × (Replacement cost + Potential future exposure)) in accordance with the recommendations of the Basel Committee.
- for off-balance sheet commitments: the undrawn amount of financing commitments, which is shown in the notes to the financial statements.

The metric used is exposure at default (EAD).

Exposure to credit risk is broken down by region and by counterparty, taking into account the guarantees received. This means that when the credit risk is guaranteed by a third party whose weighted risk (within the meaning of Basel regulations) is less than that of the direct borrower, the exposure is included in the guarantor's region and business sector.



### 7.3.1 Breakdown of exposure to credit risks

Analysis of exposure by geographic region	12/31/2023	6/30/2024
France	66,553	67,976
Germany	189	331
Belgium	32	51
Italy	3,773	3,614
Spain	471	490
Other European Union countries	831	848
Switzerland	518	496
Norway	169	234
United Kingdom	15	15
United States and Canada	854	879
Japan	30	30
<b>TOTAL EXPOSURE</b>	<b>73,434</b>	<b>74,964</b>

Analysis of exposure by category of counterparty	12/31/2023	6/30/2024
Sovereigns	20,389	21,374
Local public sector	49,651	49,756
Other assets guaranteed by public sector entities	151	137
Financial institutions	3,185	3,635
Other exposures	59	62
<b>TOTAL EXPOSURE</b>	<b>73,434</b>	<b>74,964</b>

Analysis of exposure by category of instrument	12/31/2023	6/30/2024
Central banks	2,980	2,473
Loans and advances at fair value through profit of loss	2,229	1,933
Hedging derivatives	1,345	1,491
Bonds at fair value through equity	80	16
Loans to banks at amortized cost	29	46
Loans to customers at amortized cost	52,073	53,497
Bonds at amortized cost	8,007	8,469
Accruals and other assets	100	95
Financing commitments	6,590	6,943
<b>TOTAL EXPOSURE</b>	<b>73,434</b>	<b>74,964</b>

Concentration risk by sector is monitored through two mechanisms:

- limits by region and by type of local authority, to ensure that the portfolio is spread evenly;
- sector and geographical limits for the export credit business, in sectors where exposures are highly correlated, such as cruise ships, civil aeronautics and nuclear power.

It should be noted that the local public sector is not very sensitive to changes in the economic environment.

### 7.3.2 Evaluation of asset credit quality

SFIL decided to use the advanced method recommended by the regulators in relation to the Basel III reforms on the capital adequacy ratio and capital requirements. SFIL has developed internal rating models covering the main client segments. These models were validated by the banking supervisors who authorized the Group to use these advanced internal models for the calculation and reporting of equity requirements for credit risk. This enables Sfil to present on June 30, 2024, an

analysis of its exposures, broken down by risk weighting, as used to calculate equity requirements. Credit weighting is mainly calculated on the basis of the probability of default of the counterparty and of the loss incurred in the event of default.

This analysis confirms the excellent quality of the assets. More than 83% of the portfolio has a weighting of less than 5% and more than 97% of the portfolio has a weighting that is less than or equal to 20%.

	Risk weighting (Basel III)					Total
	from 0 to 2%	from 2 to 5%	from 5 to 20%	from 20 to 50%	more than 50%	
Central banks	2,473	-	-	-	-	2,473
Financial assets at fair value through profit or loss	1,295	395	194	-	49	1,933
Hedging derivatives	1,370	-	3	102	17	1,491
Bonds at fair value through equity	-	-	16	-	-	16
Loans and advances due from banks at amortized cost	5	-	5	36	-	46
Loans and advances to customers at amortized cost	36,533	10,296	6,088	291	290	53,497
Bonds at amortized cost	2,620	-	4,547	1,209	93	8,469
Accruals and other assets	32	-	-	1	62	95
Financing commitments	6,930	1	11	-	1	6,943
<b>TOTAL EXPOSURE</b>	<b>51,259</b>	<b>10,691</b>	<b>10,863</b>	<b>1,639</b>	<b>512</b>	<b>74,964</b>
<b>SHARE OF TOTAL EXPOSURE</b>	<b>68,4%</b>	<b>14,3%</b>	<b>14,5%</b>	<b>2,2%</b>	<b>0,7%</b>	<b>100,0%</b>

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

## Note 8 Impact of the war in Ukraine on the financial statements

The foreseeable impacts of the war in Ukraine are very limited for the Sfil group. As a reminder, the Sfil Group has no operations outside France. In addition, the Group has no exposure to Russia or Belarus, and only one exposure to Ukraine, which represented EUR 39 million on the balance sheet at June 30, 2024. This exposure was granted as part of Sfil's export credit business and is 100% guaranteed by the French Republic. Sfil is therefore not directly exposed to credit risk on this file. Nevertheless, as of February 24, 2022, Sfil had decided to place this asset on the watchlist and consequently

to classify it as Stage 2. The Expected Credit Losses (ECL) associated with this downgrade are very limited, representing around EUR 0.2 million at June 30, 2024.

The consequences of the war in Ukraine on the forward-looking macro-economic scenarios used to calculate the expected credit losses associated with local authorities in France have also been taken into account, without any significant impact on the level of impairment.

## Note 9 Post-closing events

No event that has a material impact on the Company's financial situation has occurred since June 30, 2024.

## 4.3 Statutory Auditors' review report on the interim financial information

### For the period from January 1, 2024 to June 30, 2024

*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 should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

Sfil S.A.  
112-114 avenue Emile Zola  
75015 Paris, France

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the limited review of the accompanying interim condensed consolidated financial statements of Sfil S.A. for the period from January 1, 2024 to June 30, 2024;
- the verification of the information presented in the interim activity report.

These interim condensed consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our limited review.

#### Conclusion on the financial statements

We conducted our limited review in accordance with professional standards applicable in France.

A limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France. Consequently, the assurance that the financial statements, taken as a whole, are free from material anomalies obtained in the context of a limited review is a moderate assurance, lower than that obtained in the context of an audit.

Based on our limited review, nothing came to our attention that caused us to believe that the accompanying interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 - standard of the IFRS as adopted by the European Union applicable to interim financial information.

#### Specific verification

We also verified the information given in the interim activity report on the interim condensed consolidated financial statements subject to our limited review.

We have no matters to report as to its fair presentation and its consistency with the interim condensed consolidated financial statements.

Neuilly sur Seine and Paris La Défense, September 9, 2024

**PricewaterhouseCoopers Audit**

Ridha Ben Chamek

**KPMG S.A.**

Jean-François Dandé



## Statement by the person responsible



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## Statement by the person responsible

# 05

## Statement by the person responsible

I, the undersigned, Philippe Mills, Chief Executive Officer of Sfil, hereby affirm that, to the best of my knowledge, these condensed interim consolidated financial statements have been prepared in conformity with applicable accounting standards and provide an accurate and fair view of the assets and liabilities, financial position and earnings of the company,

and that the interim activity report presents a fair image of significant events that have taken place during the first six months of the financial year and their impact on the interim financial statements, and a description of all the major risks and uncertainties concerning the remaining six months of the financial year.

Paris, September 6, 2024

Philippe Mills  
Chief Executive Officer





Photo credits: Eric Deniset



More information on [sfil.fr](http://sfil.fr)



Headquarter:  
112-114 avenue Emile Zola  
75015 Paris

French limited company (Société anonyme)  
with a share capital of EUR 130,000,150  
Trade and Companies Register (RCS) PARIS 428 782 585