



# **CAFFIL**

## Half-year financial report

For the period from January 1<sup>st</sup> to June 30,

2023

This free translation of the Half-year financial report 2023 published in French is provided solely for the convenience of English-speaking readers.

# Half-Year Financial Report

for the period from January 1<sup>st</sup> to June 30, 2023

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

## Key figures

As of June 30, 2023

Portfolio of assets  
(cover pool)

EUR 59.7 billion

*Obligations foncières*  
(covered bonds)

EUR 52.0 billion

Regulatory  
over-collateralization

113.9%

Common Equity Tier 1 Ratio  
(Basel III)

36.8%

Doubtful and litigious loans –  
French Gaap  
(% cover pool)

0.14%

Assets eligible for the central  
bank refinancing  
(% cover pool)

65.5%

Net Stable Funding Ratio  
(NSFR)

113%

Liquidity coverage ratio  
(LCR)

100%

## External ratings

As of June 30, 2023

Moody's

Aaa

S&P

AA+

DBRS

AAA

# 1. Half yearly activity report for the period from January 1st to June 30, 2023

# GENERAL SCOPE OF BUSINESS ACTIVITY

## 1. Nature and activity of the Company

### 1.1. Nature of the Company

Caisse Française de Financement Local (Caffil) is a credit institution active in the refinancing of loans to French public sector entities through the issue of covered bonds, known as *obligations foncières*. This specialized credit institution is authorized to operate as a *société de crédit foncier*. As a credit institution, the *société de crédit foncier* is subject to all legal and regulatory provisions that apply to credit institutions. It conducts banking transactions in its ordinary course of business.

### 1.2. Company activity

As a *société de crédit foncier*, it engages in transactions that are specialized and have an exclusive purpose, as defined in articles L.513-2 *et seq.* of the French Monetary and Financial Code.

In the case of Caisse Française de Financement Local, this specialization is exclusively limited to transactions with public sector entities or entities they fully guarantee as specified in its October 1, 1999 authorization and its own by-laws:

- the authorization mentions that the Company “is approved as a *société de crédit foncier*, the activities of which exclusively concern the granting or acquisition of loans to public sector entities or those they guarantee...”
- the purpose of the Company (article 2 of the by-laws)<sup>1</sup> specifies that the exclusive purpose of the Company is:
  - to grant or to acquire exposures on public sector entities as defined in article L.513-4 and in article L. 513-6 paragraph 2 of the French Monetary and Financial Code;
  - to hold securities, exposures and deposits under the conditions set by decree.
  - in order to finance the above-mentioned exposures, to issue *obligations foncières* benefiting from the privilege defined in article L.513-11 of the French Monetary and Financial Code and to raise other funds benefiting from this privilege.

Sociétés de crédit foncier (SCF), which were created by the law of June 1999, are well-known in the world of bond issuers and investors. They issue covered bonds, known as “*obligations foncières*” and may contract other covered bonds, that are or are not tradeable on regulated markets. These instruments are characterized by the legal privilege, which, as a priority, allocates the sums from the Company’s assets (cover pool) to pay their interest and reimbursements. Sociétés de crédit foncier may also issue or contract non-covered debt. *Obligations foncières* constitute a significant element in the international covered bond market. The issuance of covered bonds is governed by European Directive 2019-2162 of November 27, 2019. In this context, the bonds of Caisse Française de Financement Local have the “European Covered Bond (premium)” label.

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<sup>1</sup> The ordinary and extraordinary General Meeting of May 24, 2023 approved the modification of the purpose of Caisse Française de Financement local in order to take into account the new references and wordings resulting from the transposition of the covered bonds directive, without changing the effective activity of the company

## 2. Form and shareholding structure of the Company

### 2.1. Legal structure and name of the Company

The Company was founded on December 29, 1998, for a period of 99 years. It was authorized to operate as a *société de crédit foncier* by the *Comité des Établissements de Crédit et des Entreprises d'Investissement* (now part of the *French Autorité de Contrôle Prudentiel et de Résolution*–ACPR) at its meeting of July 23, 1999. This approval became definitive on October 1, 1999. On January 31, 2013, the Company took the name Caisse Française de Financement Local, replacing Dexia Municipal Agency, upon the sale of its sole shareholder, *Société de Financement Local* (renamed Sfil in June 2015), to the French State, Caisse des Dépôts (CDC) group and La Banque Postale (LBP).

Caisse Française de Financement Local's registered office is located at 112-114, avenue Emile Zola in Paris (75015)<sup>2</sup>, France.

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

### 2.2. Company shareholders

As of June 30, 2023, Caisse Française de Financement Local was wholly owned by Sfil.

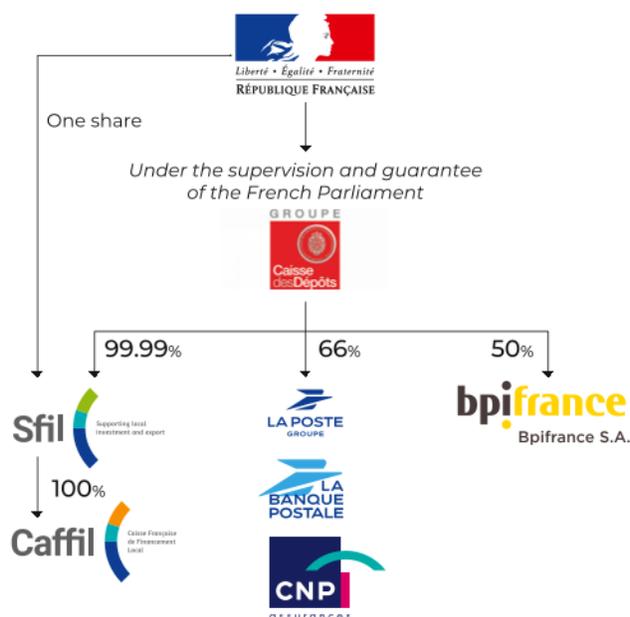
Sfil is a credit institution approved by the ACPR. Since September 30, 2020, its shareholder, Caisse des Dépôts, holds 99.99% of its shares. The French State retained one ordinary share. Sfil's shareholders thus remain firmly anchored in the public sphere, reflecting the missions the French State assigned it. Caisse des Dépôts is the reference shareholder of Sfil. This commitment, made to the ACPR, underlines its involvement in oversight and strategic decision-making. It also confirms its desire to ensure the continuity of financial operations and compliance with regulatory obligations of Sfil and Caisse Française de Financement Local, if necessary.

Sfil is also the institution managing Caisse Française de Financement Local, in accordance with article L.513-15 of the French Monetary and Financial Code.

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<sup>2</sup> The ordinary and extraordinary General Meeting of May 24, 2023 approved the change of the registered office of Caisse Française de Financement Local from 1-3, rue du Passeur de Boulogne in Issy-les-Moulineaux (92130) to 112-114, avenue Emile Zola in Paris (75015) from June 2, 2023.

## Capital of Sfil and its sole subsidiary, Caisse Française de Financement Local



### 3. Caisse Française de Financement Local’s economic model

Caisse Française de Financement Local and its parent company Sfil are key elements of the framework set up by the French State in 2013 to finance French local authorities and public hospitals. It is based on a commercial activity developed by La Banque Postale whose refinancing is ensured by Caisse Française de Financement Local. As part of its integration into the Caisse des Dépôts group, Caisse Française de Financement Local also refinances long-term loans to local authorities distributed by Caisse des Dépôts, *via* the Banque des Territoires, since the end of 2022.

Since 2015, the French State has entrusted Sfil and Caisse Française de Financement Local with a second mission, which is the responsibility to refinance large export credits with the guarantee of the State. The objective is to enable large export credits as well as French local authorities and public hospitals to benefit from optimal financing conditions through a high rating and irreproachable risk management.

#### 3.1. Financing of loans to the French local public sector and public hospitals in partnership with La Banque Postale

In early 2013, Caisse Française de Financement Local and La Banque Postale (LBP) signed an exclusive sale agreement to fund the needs of the French local public sector and public hospitals. The arrangement, set up under the aegis of the French State, works as follows:

- La Banque Postale markets loans to the French local public sector and public hospitals then sells them to Caisse Française de Financement Local, which refinances them by issuing *obligations foncières* (covered bonds).
- the loans originated are exclusively in euros with a simple interest rate.
- La Banque Postale committed to offer Caisse Française de Financement Local all the loans that would be eligible for its cover pool.
- since mid-2019, La Banque Postale has also marketed green loans whose purpose is to finance investments made by local authorities that contribute to the environmental

transition and sustainable development 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. The acquisition of these loans by Caisse Française de Financement Local is financed by the Sfil Group's green or sustainable bond issues.

- since the fourth quarter of 2022, La Banque Postale has marketed 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 acquisition of these loans by Caisse Française de Financement Local is financed by the Sfil Group's social or sustainable bond issues.

### LBP-Sfil-Caisse Française de Financement Local partnership



✓ Caisse Française de Financement Local credit process.

This partnership enables Caisse Française de Financement Local to maintain its control of the credit risk through a two-stage analysis:

- before a loan is originated, an initial analysis of the counterparty is carried out by the two entities. The loans that do not meet the credit and eligibility criteria of Caisse Française de Financement Local cannot be transferred to its balance sheet. The eligibility criteria of Caisse Française de Financement Local are strictly governed by internal management policies;
- each time Caisse Française de Financement Local acquires loans originated by La Banque Postale, the credits are analyzed again. Caisse Française de Financement Local may then, before the transfer, refuse any loan that does no longer meet its criteria.

The sale of loans to Caisse Française de Financement Local is carried out by using a transfer form (*bordereau de cession*) that is provided by law and specific to *sociétés de crédit foncier*.

### 3.2. Financing of loans to the local public sector and French public hospitals in partnership with Caisse des Dépôts

In November 2022, Caisse Française de Financement Local and Caisse des Dépôts (CDC) signed a framework agreement for the sale of receivables to finance the needs of the local public sector and French public hospitals. The system operates as follows:

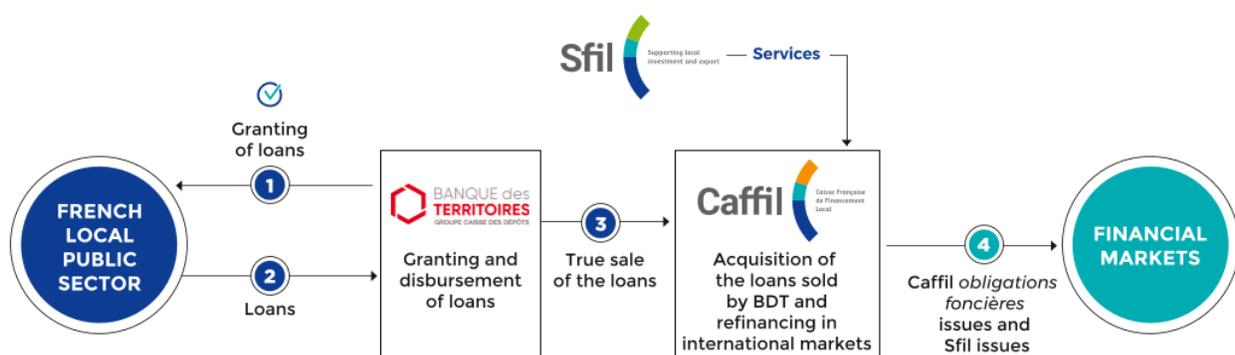
- The Caisse des Dépôts markets loans to the French local public sector and public hospitals distributed by the Banque des Territoires (BDT), then sells them to Caisse Française de Financement Local, which refinances them by issuing *obligations foncières* (covered bonds);

- the loans marketed are fixed-rate loans denominated exclusively in euros and for long terms (generally more than 25 years);
- these loans are mainly intended to finance sustainable investments with an environmental or social purpose.

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

The sale of loans to Caisse Française de Financement Local is carried out by using a transfer form (*bordereau de cession*) that is provided by law and specific to *sociétés de crédit foncier*.

### CDC-Sfil-Caisse Française de Financement Local partnership



✓ Caisse Française de Financement Local's credit decision process

### 3.3. Refinancing of large export credits

The French State has entrusted Sfil and Caisse Française de Financement Local with a second mission: the 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. In this context, Sfil signed a protocol agreement governing relations with almost all the banks active in the French export credit market. Sfil may acquire all or a part of the investment of each of these banks in an export credit (maximum 95% of this investment).

In this context, Caisse Française de Financement Local grants loans to Sfil in order to refinance its export credits. Such refinancing loans benefit from an irrevocable and unconditional 100% guarantee by the French State (enhanced guarantee<sup>3</sup>). This business brings Caisse Française de Financement Local closer to the French State, without modifying the risk profile of its cover pool.

These loans, like the loans marketed by La Banque Postale and by the Caisse des Dépôts via the Banque des Territoires, are added to the portfolio of Caisse Française de Financement Local, which is financed by the issues of obligations foncières. The percentage share of export refinancing in Caisse Française de Financement Local's portfolio is gradually increasing and exceeds 10% of balance sheet outstandings. Given the large sums still to be paid on contracts

<sup>3</sup> The enhanced guarantee was introduced by law No. 2012-1510 of December 29, 2012 and Decree No. 2013-693 of July 30, 2013. It was then amended by Decree No. 2018-1162 of December 17, 2018 relating to the granting of the French State's guarantee for transactions that are likely to contribute to the development of France's foreign trade or are of strategic interest for its overseas economy.

already signed and the current strong activity, this share should increase significantly in the coming years, even if this increase will be gradual, given the current size of the cover pool and the growth of its historical activity with the local public sector.

### 3.3.1. Refinancing system for large export credits

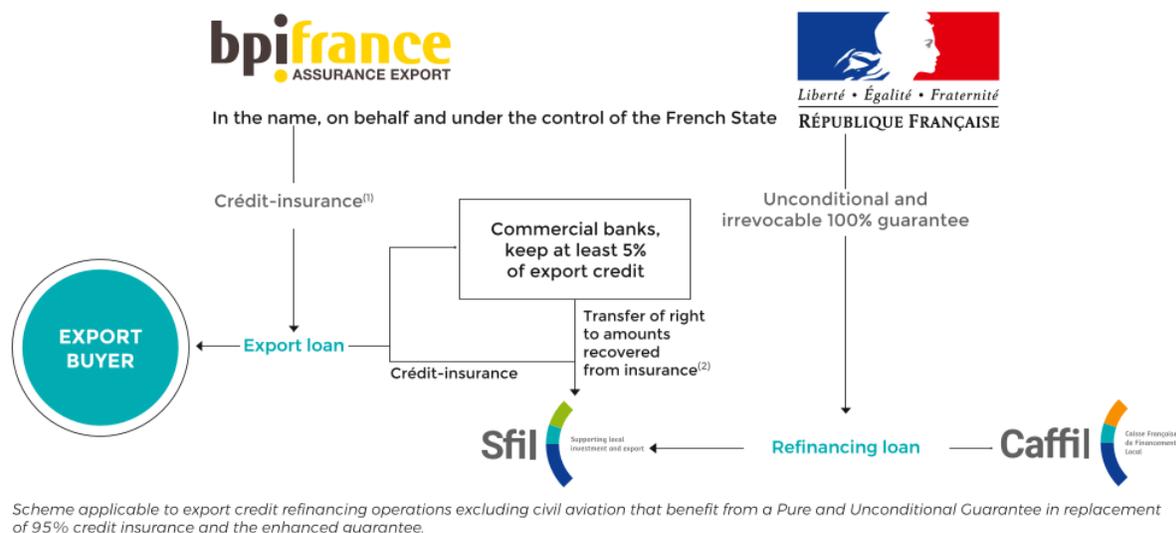
The system functions as follows:

- Sfil contributes to the financial proposal prepared by one or more banks of the banking syndicate granting buyer credit covered by export credit insurance granted by the French State (hereinafter referred to as the “State”);
- after the export contract is signed, these partner banks sell a part of the loans (and the attached rights) to Sfil and keep at least the share of the export credit not covered by the insurance (usually 5%);
- Caisse Française de Financement Local grants a loan to Sfil to enable it to refinance the acquired export credit. This loan enables Sfil to back the acquired export credit; this refinancing loan benefits from an irrevocable and unconditional 100% guarantee from the State, called an enhanced guarantee, or a so-called “pure and unconditional” guarantee (GPI) in the case of civil aircraft and helicopter export contracts.

The export refinancing loans granted by Caisse Française de Financement Local thus constitute exposures guaranteed by a central European Union administration and eligible for the cover pool of a *société de crédit foncier*. These loans also comply with article 129 of the European regulation on Prudential Requirements (the CRR Regulation) which describes the assets authorized for inclusion in a cover pool to ensure that the covered bonds will benefit from the best prudential treatment.

As part of a simplification approach, Caisse Française de Financement Local plans to change the terms of its intervention in the context of the refinancing of export credits during the second half of 2023: in line with the practices of other *sociétés de crédit foncier*, Caisse Française de Financement Local would no longer use the enhanced guarantee mechanism for transactions concluded after January 1, 2024. The proposed change would not call into question the principle of exposures to public entities or those guaranteed by them in line with the regulations applicable to *sociétés de crédit foncier*.

## Operation of the system of export credit refinancing by Sfil-Caffil



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

### 3.3.2. Specific case of exports of civil aircraft and helicopters

Financing of export contracts for civil aircraft and helicopters benefits from a so-called “pure and unconditional” guarantee (GPI) aimed at unconditionally and fully guaranteeing at 100% the non-repayment of the loan by the debtor. This guarantee is managed by Bpifrance Assurance Export in the name, on behalf of and under the control of the French State.

These transactions do not give rise to the setting up of an enhanced guarantee to cover the refinancing loan of Sfil by Caisse Française de Financement Local. Indeed, Sfil transfers to Caisse Française de Financement Local, with the agreement of Bpifrance Assurance Export, full ownership of the profit of the GPI, under a financial guarantee contract provided for in the refinancing loan agreement.

### 3.3.3. French State export guarantees

These guarantees are managed by Bpifrance Assurance Export, 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 State, demonstrating its support for exporters. These guarantees are intended to encourage, support and secure French exports financed over the long- and medium-term as well as French investment 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 State guarantees in strict compliance with the international rules of the WTO, the European Union and the OECD;
- Bpifrance Assurance Export issues insurance policies, pure and unconditional guarantees as well as enhanced guarantees, in accordance with the decision made. In this context, it is also tasked with collecting insurance and guarantee premiums, risk management, payments, and recoveries on behalf of the French 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.

### 3.4. Financing of Caisse Française de Financement Local through the issue of covered bonds

To refinance these two activities, Caisse Française de Financement Local issues *obligations foncières* (covered bonds) on financial markets both in the form of benchmark public issues and in the form of private placements, particularly in the registered covered bonds format, suitable for its very broad investor base. These instruments are characterized by the legal privilege, which, as a priority, allocates the sums from the Company's assets (cover pool) to pay their interest and reimbursements.. They benefit from the « *European Covered Bond (premium) label* »..

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

### 3.5. Servicing and financing by Sfil

The role of Sfil with regard to Caisse Française de Financement Local primarily involves the following:

- operational management of all of the Company's transactions in accordance with the regulations applicable to *sociétés de crédit foncier*, in particular within the meaning of article L.513-15 of the French Monetary and Financial Code. In this context, Sfil and Caisse Française de Financement Local signed a management agreement developed in a Service Level Agreement (SLA) that precisely determines the tasks entrusted to Sfil and the indicators for monitoring the quality of the service provided. This agreement and its SLA are regularly updated by the parties;
- provision of Caisse Française de Financement Local with the non-privileged funding and derivatives it needs to carry out its activities.

Sfil obtains the resources needed to fund Caisse Française de Financement Local's activity (financing of over-collateralization and derivatives) from the markets by issuing long-dated debt (bonds) and, to a lesser degree, short-dated debt (Neu CP). Sfil has gradually established its signature in the French agency segment by launching benchmark EMTN issues in euros and dollars.

Sfil can also finance these needs under loan agreements signed with its shareholder, Caisse des Dépôts, and its partner, La Banque Postale. The refinancing initially provided *via* these agreements has gradually been completely replaced since 2016 by the financing obtained by Sfil on the financial markets. Nevertheless, they are still available particularly in the case of liquidity requirements generated under a situation of stress.

In addition to the commitments made by Caisse des Dépôts as Sfil's reference shareholder, a statement of support for Caisse Française de Financement Local was signed by Sfil on November 5, 2020.

Sfil also supplies services to La Banque Postale (LBP) for its credit activity to French public sector entities: commercial support, financial monitoring, data provision for risk analysis and back office.

### 3.6. Other management agreements

Specific individual agreements have been established with entities that, in the past, have transferred assets to the *société de crédit foncier*, and continue to ensure the management of these assets for their national clientele. These assets are managed in run-off mode. As of June

30, 2023, there were agreements with the following entities: Belfius Banque et Assurances (Belgium), and Dexia Crediop (Italy). All of these management agreements already existed in previous years.

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

#### **4. Ratings of the *obligations foncières* issued by Caisse Française de Financement Local**

As of June 30, 2023, Caisse Française de Financement Local's issuance program was rated by three international rating agencies: Moody's, Standard & Poor's (S&P) and DBRS Morningstar.

The ratings of the *obligations foncières* issued by Caisse Française de Financement Local provided by these agencies are at the highest level of credit quality (Step 1). This requires that the quality of the cover pool and strict management rules be consistent with the criteria and approaches of the agencies.

The principle by which each agency rates *obligations foncières* (and covered bonds in general) involves taking as a starting point the issuer's rating or that of the parent company if the issuer is not rated, and enhancing this rating by one or more notches in function of the current safeguards (legal framework, quality of assets, balance sheet management, over-collateralization, etc.).

Sfil's rating is set at the same level as France for the three rating agencies that rate it: Moody's, S&P and DBRS Morningstar. Sfil benefits from these very good ratings because it is considered as a French State related entity. The agencies take into account the strong probability that if necessary the Caisse des Dépôts and the French State would provide extraordinary support to Sfil given the strategic importance of the public service responsibilities entrusted to it, the Caisse des Dépôts and the State's commitments and their influence on Sfil's governance.

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

The ratings at June 30, 2023 are presented in section 5 of the present activity report.

# HIGHLIGHTS OF THE SEMESTER

## 1. Geopolitical context

The first half of 2023 remains marked by the war in Ukraine, a context of high interest rates and sustained inflation, but which shows signs of easing. Signs of a slowdown in economic activity are appearing. Nevertheless, the labor market remained dynamic. Central banks continued their policy of tightening monetary conditions. Financial markets (equities and interest rates) were less volatile. The financial markets (equities and interest rates) experienced a peak of volatility in March 2023 with the fear of contamination of the rest of the US banking sector following the bankruptcy of SVB, or of the European sector following the acquisition of Crédit Suisse by UBS. The markets gradually stabilized and returned to a level of volatility close to their long-term average.

In this context, Caisse Française de Financement Local pursued all its missions in accordance with the strategic objectives of the Sfil Group, building on the solidity and relevance of Sfil's public development bank model.

Caisse Française de Financement Local refinanced itself on the international financial markets under good conditions. The financing activity for the local public sector slowed down significantly compared to the first half of 2022, in a lasting context of high interest rates and sustained inflation. However, the export credit refinancing activity was extremely strong in the first half of 2023. The number of consultations and contracts signed and the amounts committed represent a record compared to the previous half-year periods.

Caisse Française de Financement Local does not have any exposure in Ukraine, Russia or Belarus. The export refinancing loan granted to Sfil by Caffil to refinance a contract in Ukraine (EUR 52 million on the balance sheet) benefits from a 100% guarantee provided by the French State.

Lastly, the effects of the increase in inflation weighed on the general expenses of the Sfil Group but did not significantly affect the profitability of Caisse Française de Financement Local.

## 2. Activity of financing of loans to the local public sector and French public hospitals

As part of its first mission, Caisse Française de Financement Local refinances the loans ) to French local governments and public hospitals granted by La Banque Postale (LBP) since 2013 and by Caisse des dépôts (via Banque des Territoires since 2022).

In the first half of 2023, Caisse Française de Financement Local thus acquired a volume of EUR 2.2 billion in loans (and loan commitments) from La Banque Postale and Caisse des Dépôts (via Banque des Territoires). The decline compared to the volume acquired of EUR 3.3 billion in the first half of 2022 is mainly due to a production in 2022 (acquired in 2023), which was heavily constrained by the methods for setting the attrition rate and, for hospitals, by the uncertainty concerning the termination of the financing guarantee granted to them by the State during the COVID years.

Since the beginning of the partnership in 2013, the total volume of loans acquired by Caisse Française de Financement Local from La Banque Postale amounted EUR 35.9 billion.

An acceleration of the financing needs of local authorities to meet their investments is likely in the coming months. Indeed,

- local authorities mainly take out loans, for each financial year, in the second half of the year;
- the volume of investments for the energy and environmental transition are expected to increase significantly. The French Institute for Climate Economics (Institut de l'Économie pour le Climat - I4CE) believes that local authorities must double their “green” investments to comply with the objectives of the French National Low Carbon Strategy (Stratégie Nationale Bas Carbone - SNBC);
- the capital expenditure of health institutions and their use of loans is expected to grow under the Ségur Plan.

### **3. Activity of refinancing of large export credits**

The first half of 2023 presented record figures since the start of activity in terms of both the number of contracts signed and the amount committed. Four new refinancing contracts for large export contracts, including one for which refinancing by Caisse Française de Financement Local will be set up soon, were signed by Sfil for EUR 2.8 billion. In particular, three of the four projects refinanced by Caisse Française de Financement Local in the first half of the year contribute to two sustainable development goals of the United Nations.

Since the middle of 2015, Caisse Française de Financement Local has granted a total of EUR 13.6 billion in refinancing loans to SFIL.

As of June 30, 2023, the outstanding amount of these loans, the payment of which is spread out over several years, on Caisse Française de Financement Local's balance sheet was EUR 7.0 billion.

The outlook for export credit refinancing is very positive for the end of 2023 and 2024. Indeed, the number of consultations and cases in progress in the first half of 2023 also stood at record levels, with a number of consultations for indicative offers comparable to that of the entire years 2018 and 2019, which bodes well as regards future activity.

## **4. Bond financing of Caisse Française de Financement Local**

### **4.1. The covered bond market**

During the first half of 2023, the primary market for public issues of euro-denominated covered bonds stood at EUR 141 billion, a 15% increase compared to the first half of 2022, which was already at a particularly high level (EUR 122 billion).

At the same time, only EUR 79 billion were repaid, resulting in a very positive net offer (EUR 62 billion). The gross offering remains dominated by French and German issuers, which represent respectively 24% and 19% of the issue volumes carried out at the end of June.

The reduction and then the cessation of purchases by the Eurosystem through its purchase program dedicated to the CBPP3 covered bond product (cessation of purchases on the primary market from March and on the secondary market from July), coupled with the historically high primary supply volumes, led to upward pressure on segment spreads throughout the half-year.

## 4.2. Caffil funding activity

In this market context, Caisse Française de Financement Local implemented its annual *obligations foncières* financing program. This has provided the long-term liquidity necessary for the development of the Caisse des Dépôts Group (La Banque Postale and the CDC *via* the Banque des Territoires) commercial offering to the public sector in France and the refinancing of large export credits.

During the first semester 2023, Caisse Française de Financement Local raised EUR 1.97 billion *via* its issuance of covered bonds by soliciting the public primary market two times for a total amount of EUR 1.75 billion. It thus enriched its benchmark curve with an issue of seven years of maturity (EUR 1 billion) and an issue of nine years of maturity (EUR 750 million).

In addition to these public transactions, Caisse Française de Financement Local carried out private placements in EMTN and RCB format for an amount of EUR 221 million in order to meet the specific demand of investors, particularly for long maturities.

Caisse Française de Financement Local's outstanding covered bonds amounted to EUR 52.0 billion at June 30, 2023.

## 5. Financial and extra-financial ratings

The financial ratings of the *obligations foncières* issued by Caisse Française de Financement Local remained unchanged during the first semester of 2023. As of June 30, 2023, the ratings were as follows: AAA at Moody's, AA+ at S&P and AAA at DBRS Morningstar. The outlook associated with S&P's rating is negative, in line with that Sfil and of French sovereign.

In addition, Sfil has been rated by the extra-financial rating agency Sustainalytics with a rating of 7.3 ('Negligible Risk') since February 2023, 0 being the best potential rating. This ESG rating places Sfil in the 1st percentile of rated institutions and ranks it 11<sup>th</sup> out of 986 banks rated by Sustainalytics

Other extra-financial rating agencies also assign ratings to the obligations foncières of Caisse Française de Financement Local. Thus, they are evaluated on the ESG axes by the ISS agency, with a current rating of Prime C+.

## 6. Change in the regulatory context

In order to finalize the Basel III reforms, on October 27, 2021, the European Commission published a proposal for a regulation amending Regulation (EU) No. 575/2013. The proposed changes concerned the requirements relating to credit risk, credit value adjustment (CVA) risk, operational risk and market risk, and to the output floor. An agreement between the European Commission, the European Parliament and the Council of the European Union was announced on June 27, 2023. The exact outlines of this agreement are not yet known. As soon as this is the case, the Sfil Group will carry out a detailed analysis. However, the discussions held as part of the Trilogue offer a good idea of the final result, which includes certain favorable developments on the treatment of credit risk related to local authorities. The implementation will be gradual from January 1, 2025 until 2030.

## 7. Evolution of the publication of CAFFIL's accounts

As of the 2023 financial year, Caisse Française de Financement Local no longer publishes financial statements prepared in accordance with IFRS, but only accounts prepared in

Classification: [C2]:Diffusion restreinte

accordance with the accounting standards in force in France (French GAAP). It also no longer publishes quarterly financial reports for the first and third quarters, but only a half-yearly financial report and an annual financial report. The IFRS financial statements and the quarterly reports corresponded to voluntary publications not required by the regulations. In addition, the quarterly publications of the harmonized European reporting and the asset quality report provide investors with a very detailed view of the Company's situation and, in particular, its cover pool.

# Change in the main balance sheet items

## 1. Change in the balance sheet

EUR billions	12/31/2022	6/30/2023	Change 2023 / 2022
value after currency swaps			
<b>Cover pool</b>	<b>59.8</b>	<b>59.7</b>	<b>(0.1)%</b>
Loans	53.0	53.3	0.7%
Securities	5.0	5.7	13.1%
Cash deposit in central bank	1.8	0.7	(60.8)%
<b>Assets removed from the cover pool</b>	<b>0.4</b>	<b>0.4</b>	<b>ns</b>
<b>Privileged debt</b>	<b>53.0</b>	<b>52.1</b>	<b>(1.7)%</b>
<i>Obligations foncières</i> <sup>(1)</sup>	52.9	52.0	(1.7)%
Cash collateral received	0.1	0.1	ns
<b>Non-privileged debt</b>	<b>6.2</b>	<b>6.9</b>	<b>11.1%</b>
SFIL	6.2	6.9	11.1%
<b>Equity (French GAAP)</b>	<b>1.5</b>	<b>1.5</b>	<b>ns</b>

(1) Including registered covered bonds

As of June 30, 2023, the cover pool of Caisse Française de Financement Local amounted to EUR 59.7 billion, excluding accrued interest not yet due. Its size decreased by EUR 0.1 billion during the first half of 2023, i.e. a decrease of 0.1% compared to December 31, 2022. This reduction in the cover pool was accompanied by a decrease in privileged debts of EUR 0.9 billion and an increase in non-privileged debt of EUR 0.7 billion.

Caisse Française de Financement Local's cover pool is made up of loans and securities to the public sector. It also includes temporary cash surpluses, created in anticipation of reimbursement of *obligations foncières* or in advance of export credit transactions. This temporary cash surplus is deposited at the Banque de France, or invested in bank or European public sector securities, or loaned to Sfil, the parent company of Caisse Française de Financement Local. The cash surplus, deposited with the Banque de France, amounted to EUR 0.7 billion as of June 30, 2023, versus EUR 1.8 billion as of December 31, 2022. The cash surplus invested in securities amounted to EUR 2.0 billion as of June 30, 2023 versus EUR 1.1 billion as of December 31, 2022.

Since the entry into force, on July 8, 2022, of the new European Covered Bonds Directive, the new version of article 129 of the CRR and the new French legislative and regulatory corpus relating to *sociétés de crédit foncier*, some assets, for a limited amount of EUR 0.4 billion, have been excluded from the cover pool. These are loans that do not meet the requirements of this new regulation but which still appear on Caisse Française de Financement Local's balance sheet. As of June 30, 2023, no assets were excluded from the cover pool in order to be sold to a bank in a repurchase agreement or assigned in guarantee to the Banque de France.

On the same date, outstanding debt benefiting from the legal privilege, including cash collateral received, was EUR 52.1 billion, a decrease of 1.7% in comparison with December 31, 2022.

As of June 30, 2023, the debt contracted with its parent company was EUR 6.9 billion. It does not benefit from the legal privilege and mainly corresponds to the financing of the over-

collateralization of the cover pool, which is at a significantly higher level than the amount required by regulators and the rating agencies.

## 2. Change in the asset portfolio

Caisse Française de Financement Local's asset portfolio consists mainly of assets held in the cover pool and a few non-eligible assets held outside the cover pool.

EUR billions	12/31/2022	6/30/2023
Assets held in the cover pool	59.8	59.7
Assets held outside the cover pool	0.4	0.4
<b>Total outstanding</b>	<b>60.2</b>	<b>60.1</b>

The cover pool is detailed in point 2.4

## 3. Change in the cover pool

The net change in cover pool during the first half-year of 2023 represents a decrease in assets of EUR 0.1 billion. This change is mainly due to the following:

EUR billions	H1 2023
<b>1- Acquisition of loans from La Banque Postale and Caisse des Dépôts</b>	<b>2.1</b>
Loans to the French public sector (vanilla loans in euros)	2.1
<b>2- Loans disbursements to refinance export credit</b>	<b>0.8</b>
Loan disbursements to SFIL to refinance export credit guaranteed by the French State	0.8
<b>3- Reduction of loan sensitivity</b>	<b>0.1</b>
Sensitive structured loans eliminated	-0.1
Refinancing loans (vanilla loans in euros)	0.1
New loans (vanilla loans in euros)	0.1
<b>4- Amortization of portfolio of loans and securities</b>	<b>-2.9</b>
<b>5- Early repayments</b>	<b>-0.1</b>
<b>6- Net balance of asset transfers between cover pool and non-cover pool</b>	<b>0.0</b>
<b>7- Decrease in treasury</b>	<b>-0.1</b>
Net change in securities investments	1.0
Net change in Banque de France cash deposit	-1.1
<b>Net change in the cover pool</b>	<b>-0.1</b>

In 2023, Caisse Française de Financement Local acquired a total of EUR 2.0 billion in loans to the French local public sector and public hospitals originated by La Banque Postale and of EUR 0.1 billion originated by Caisse des Dépôts via La Banque des Territoires.

In 2023, refinancing loans for large export credits granted to Sfil amounted to EUR 0.8 billion. These loans benefit from an irrevocable and unconditional 100% guarantee by the French State.

In 2023, operations to reduce loan sensitivity (as part of loan sensitivity policy implemented in early 2013) reduced the outstanding amount of loans considered as sensitive by EUR 0.1 billion by replacing them with fixed rate loans. They were accompanied by the granting of new fixed rate loans for EUR 0.1 billion.

The natural amortization of the portfolio of loans and securities was EUR 2.9 billion in 2023, and early repayments were EUR 0.1 billion.

Free cash decreased by EUR 0.1 billion. It is deposited at the Banque de France, invested in bank bonds or in European public sector securities.

#### 4. Outstanding as of June 30, 2023

Caisse Française de Financement Local's pool of assets is exclusively composed of exposures on public sector borrowers, or guaranteed by the same, and exposures on credit institutions (within the limits specified by current legislation).

EUR billions	12/31/2022	6/30/2023
Loans and bonds to the public sector	57.5	57.6
<i>of which local public sector business line</i>	50.3	50.0
<i>of which large export credits refinancing business line <sup>(1)</sup></i>	6.6	7.0
<i>of which treasury investment in public sector bonds <sup>(3)</sup></i>	0.6	0.6
Banque de France cash deposit <sup>(3)</sup>	1.8	0.7
Exposure on credit institutions	0.5	1.4
<b>ASSETS IN THE COVER POOL <sup>(4)</sup></b>	<b>59.8</b>	<b>59.7</b>
<b>ASSETS OUTSIDE THE COVER POOL</b>	<b>0.4</b>	<b>0.4</b>
<b>TOTAL ASSETS</b>	<b>60.2</b>	<b>60.1</b>
Financing commitments granted to refinance large export credits <sup>(1)(2)</sup>	4.0	6.0
Financing commitments granted to other public sector loans	-	0.1
Commitments payable on securities	-	0.1
<b>FINANCING COMMITMENTS GRANTED</b>	<b>4.0</b>	<b>6.2</b>

(1) For the record, loans refinancing large export credits concluded with SFIL benefit from an irrevocable and unconditional 100% guarantee granted by the French State (enhanced guarantee).

(2) In 2022 and 2023, commitments granted represented concluded contracts in drawing phase and hard offers from CAFFIL to SFIL valid on June 30, 2023

(3) The total amount of excess treasury decreased from EUR 2.9 billion at the end of 2022 to EUR 2.7 billion at the end of June 2023.

(4) Liquid assets and assets eligible for refinancing by the Banque de France before haircut, excluding cash deposited with a bank or the Banque de France amounted to EUR 39.1 billion as of June 30, 2023 instead of EUR 38.1 billion as of December 31, 2022. High quality liquid assets (level 1, 2A and 2B) are composed of exposure on credit institutions amounting to EUR 0.8 billion and of other high quality liquid assets (level 1, 2A and 2B) amounting to EUR 2.4 billion. In addition, other assets eligible for refinancing by the Banque de France before haircut, excluding cash deposited with a bank or the Banque de France, totaled EUR 35.9 billion.

Caisse Française de Financement Local holds cash surpluses in its account at the Banque de France or invests them in either European public sector bonds or exposures to credit institutions (banking sector securities or short-term loans to Sfil, its parent company – see section 2.4.2.). They are mentioned in the footnote (3) of the table above.

The amount of liquid assets and assets eligible for refinancing by the Banque de France, excluding cash deposited with a bank or the Banque de France, represents EUR 39.1 billion, i.e. 65.5% of the Caisse Française de Financement Local's cover pool.

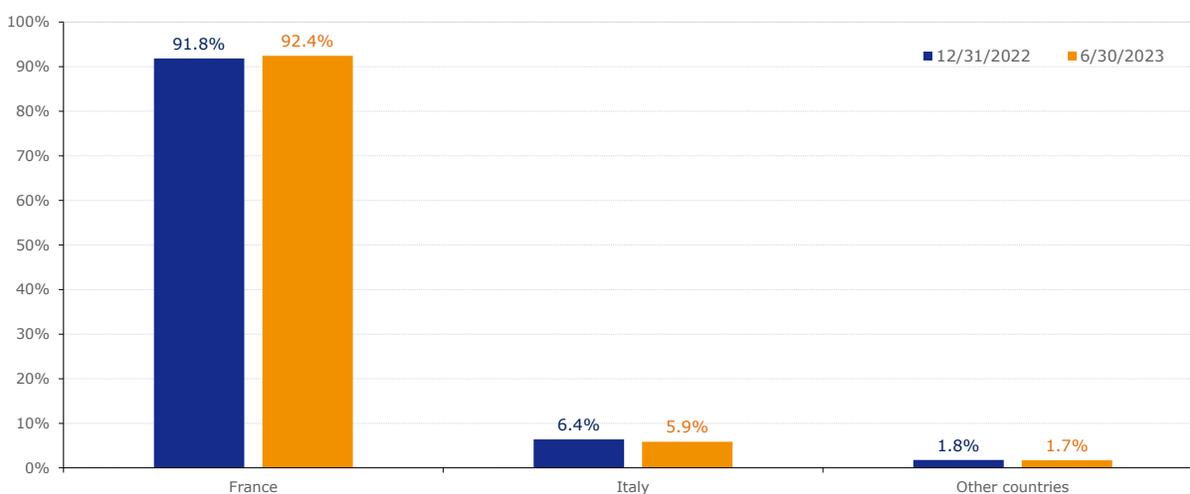
The amount of financing commitments given came to EUR 6.2 billion as of June 30, 2023. Almost all of these commitments are loans signed but not yet fully paid, granted to Sfil as part of the refinancing of large export credits (as a reminder, these loans benefit from an unconditional and irrevocable 100% guarantee by the French State).

## 4.1. Cover pool public sector loans and securities (excluding exposures to credit institutions and cash deposited with the Banque de France)

### 4.1.1. Geographic breakdown of the cover pool

As of June 30, 2023, French public sector loans made up the majority (92.4%) of the cover pool, a portion that will increase in the future. They include loans acquired from La Banque Postale since 2013 (EUR 26.1 billion of outstanding principal as of the end of June 2023), representing over 45% of public sector loans and securities and over 57% of loans to the French local public sector. The State-guaranteed loans granted to Sfil for the refinancing of large export credits (EUR 7.0 billion on the balance sheet) represent approximately 12% of its public sector loans and bonds. The other assets are managed in run-off mode; they correspond to granular and geographically diversified exposures on foreign public sector entities.

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



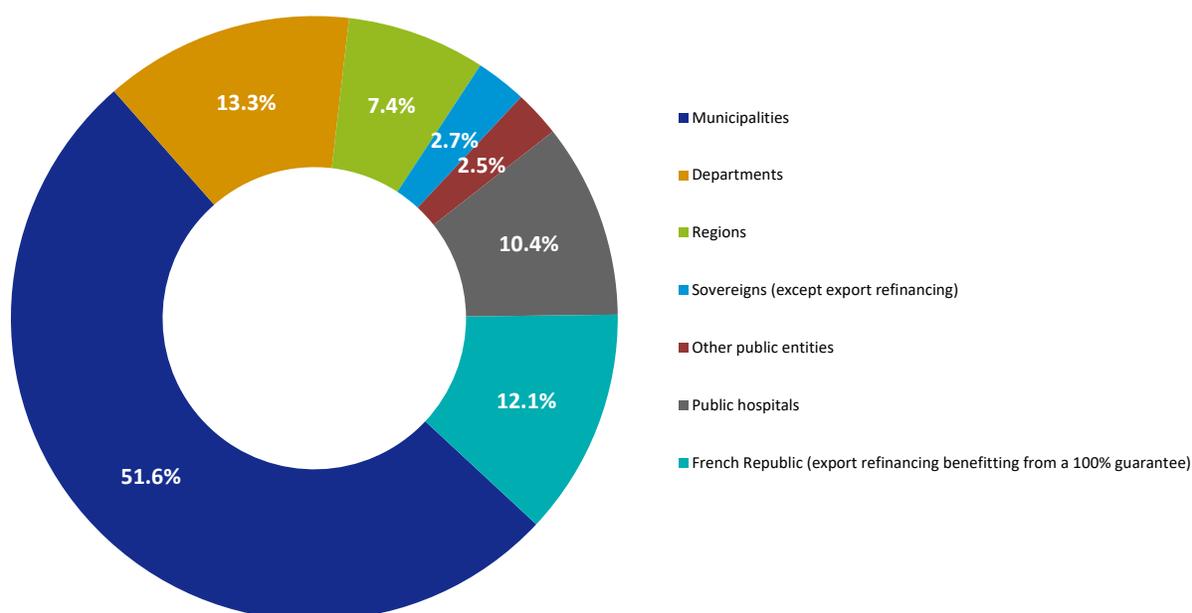
As of June 30, 2023, Italian assets represented the largest portion of non-French assets in run-off mode, with a total volume of EUR 3.4 billion, or 5.9% of public sector loans and bonds. These assets are granular exposures (just over 110 counterparties consisting mainly of regional and municipal authorities) distributed throughout Italy.

Exposures to other countries as of June 30, 2023, are broken down by country in the “Breakdown of cover pool” section, which is at the end of this management report.

### 4.1.2. Breakdown by type of cover pool counterparty

Caisse Française de Financement Local’s portfolio breaks down as follows:

- 72.3% exposures on municipalities and their groups, departments or regions
- 10.4% exposures on public hospitals;
- 12.1% exposures 100% guaranteed by the French State in respect of loans granted to Sfil for the refinancing of large export credits;
- 5.2% sovereign exposures or commitments on other public sector entities.



#### 4.1.3. Structured and sensitive loans

Certain loans to French counterparties in Caisse Française de Financement Local's cover pool are qualified as structured loans. The Gissler charter, the code of conduct adopted by banking institutions and local authorities (available on the French Ministry of the Interior's website) defines structured loans as:

- all loans with structures classified in categories B to E;
- all "not in the charter" loans, *i.e.* that the charter prohibits them from being marketed because of their structure (leverage >5, *for example.*), their underlying index (or indices) (foreign exchange, *for example.*) or their currency (denominated in CHF, JPY, *etc.*).

The most structured loans according to the Gissler classification (categories 3E, 4E and 5E as well as "not in the charter" loans) may be classified as "sensitive".

As of June 30, 2023, structured loans on Caisse Française de Financement Local's balance sheet amounted to EUR 2.0 billion, representing 3.4% of the cover pool. The most structured loans now represent only EUR 0.3 billion in outstandings (0.6% of the cover pool) compared with EUR 8.5 billion on Sfil's inception at the end of 2012, *i.e.* a decrease of over 96%. The number of customers holding sensitive loans fell over the same period from 879 to 102.

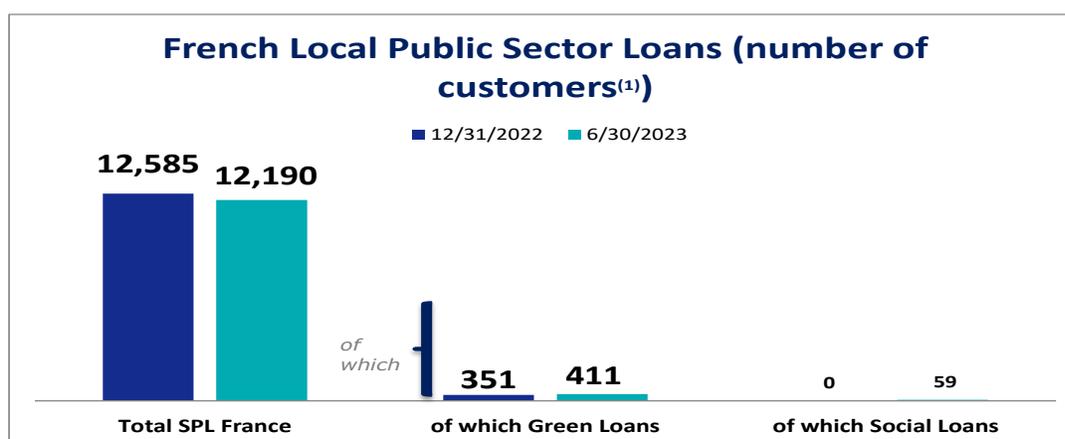
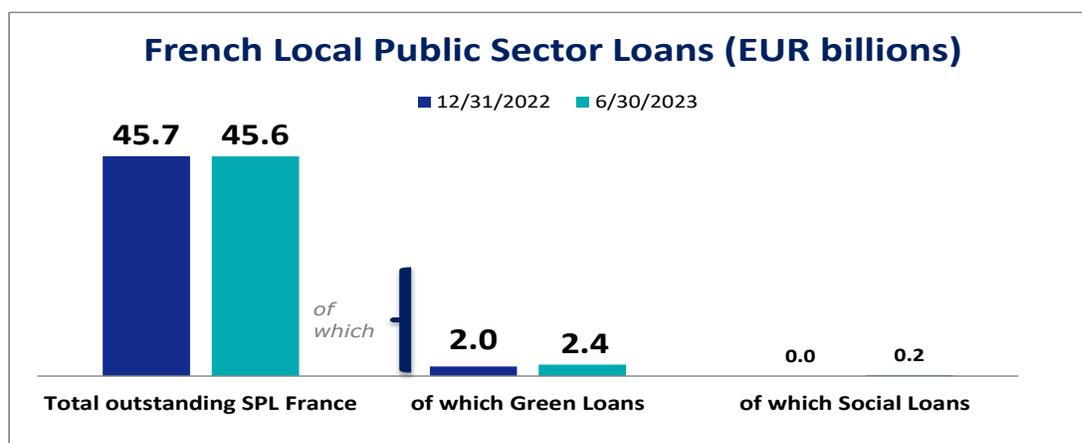
The scope of sensitive structured loans is therefore extremely limited and the associated risk is no longer material for Caisse Française de Financement Local.

#### 4.1.4. Green and social loans to local authorities

Caisse Française de Financement Local's cover pool includes green loans and social loans to French local authorities. These ranges of loans meet strict and documented criteria.

As of June 30, 2023, outstanding green loans to the French local public sector amounted to EUR 2.4 billion on 411 clients, an increase of EUR 0.4 billion (+20.0%) compared to December 31, 2022. It represents a bit more than 5% of the total outstanding loans to the French local public

sector. As of June 30, 2023, outstanding social loans to local authorities amounted to EUR 0.2 billion on 59 customers. It represents 0.4% of total outstanding loans to the French local public sector.



(1) Number of customers with at least one loan.

## 4.2. Exposures to credit institutions (previously referred to as “Replacement assets”)

In accordance with article 129 of the CRR and with Directive (EU) 2019/2162 applicable from July 8, 2022, articles L.513-7 and R.513-6 authorize the institution to hold exposures to credit institutions in respect of replacement assets or liquid assets, in addition to exposures to the public sector, which are the main assets of Caisse Française de Financement Local’s cover pool. These exposures considered as safe and liquid correspond to securities, exposures and deposits for which credit institutions are debtors. They are subject to the limits specified below:

- the exposures to credit institutions authorized by law are those benefiting from the best or second-best credit quality step, or the third-best credit quality step when their duration does not exceed 100 days.
- the amount of exposures to credit institutions benefiting from the best credit rating step is limited to 15% of the nominal outstanding of *obligations foncières* and registered covered bonds. As of June 30, 2023, this amount represented 2.1%.

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- the amount of exposures to credit institutions with the second-best credit rating is limited to 10% of the nominal outstanding of *obligations foncières* and registered covered bonds. As of June 30, 2023, this amount was 0.5%.
- the amount of exposures to credit institutions benefiting from the third best credit rating and taking the form of short-term deposits or derivative contracts is limited to 8% of the nominal outstanding of *obligations foncières* and registered covered bonds. In addition, the French regulator, the ACPR, does not authorize the conclusion of derivatives with counterparties rated in the third-best credit rating step. As of June 30, 2023, no exposure to credit institutions was in the third-best step.
- the total amount of exposures to credit institutions with the best, second best or third best credit quality is limited to 15% of outstanding *obligations foncières* and registered covered bonds. As of June 30, 2023, this amount was 2.6%.
- the total amount of exposures to credit institutions benefiting from the second best or the third best credit quality step is limited to 10% of the nominal outstanding of *obligations foncières* and registered covered bonds. As of June 30, 2023, this amount was 0.5%.

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

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

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

Exposure on credit institutions	Country	12/31/2022	6/30/2023
EUR millions			
<b>Step 1 credit rating</b>			
Covered bonds			
	France	91	334
	Other countries	394	476
Other bank bonds			
	France	-	21
	Other countries	-	258
Loans to parent company, SFIL	France	-	-
Bank accounts balances	France and Other countries	-	4
<b>Step 2 credit rating</b>			
Covered bonds			
	France	-	-
	Other countries	-	-
Other bank bonds			
	France	-	181
	Other countries	-	95
Bank accounts balances	France and Other countries	7	5
<b>Step 3 credit rating</b>			
Bank bonds (maturity < 100 days)			
	France	-	-
	Other countries	-	-
Bank accounts balances	France and Other countries	-	-
<b>TOTAL</b>		<b>492</b>	<b>1,374</b>

## 5. Assets removed from the cover pool

### 5.1. Assets temporarily excluded from the cover pool

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

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

### 5.2. Assets that have become ineligible

Caisse Française de Financement Local may also withdraw assets that it holds from the cover pool if they have become ineligible, pending their disposal or maturity.

Following the entry into force, on July 8, 2022, of a new European Covered Bonds Directive, the new version of article 129 of the CRR and the new French legislative and regulatory corpus relating to *sociétés de crédit foncier*, some assets, for a limited amount of EUR 0.4 billion, were excluded from the cover pool. These are loans with a good credit quality but that do not meet the requirements of this new regulation. They appear on Caisse Française de Financement Local's balance sheet.

This outstanding excluded from the cover pool consisted of nearly EUR 0.3 billion in loans to French local public sector entities that became ineligible for Caisse Française de Financement Local's cover pool.

The outstanding excluded from the cover pool also include EUR 0.1 billion in loans granted to regional or local authorities located outside the European Union or to multilateral organizations, which must, since the application of the new directive, have a first- or second-step credit rating from a rating agency. This concerns loans to Swiss municipalities and a loan to an international institution.

## 6. Debt benefiting from the legal privilege

As of June 30, 2023, debt benefiting from the legal privilege is composed of *obligations foncières* and registered covered bonds issued by Caisse Française de Financement Local as well as cash collateral received from counterparties in derivative transactions.

EUR billions	12/31/2022	6/30/2023
Cash collateral received	0.1	0.1
<i>Obligations foncières</i> and registered covered bonds	52.9	52.0
<b>Total</b>	53.0	<b>52.1</b>

## 6.1. Changes in cash collateral

At June 30, 2023, cash collateral (variation margin) received by Caisse Française de Financement Local is stable compared to the end of December 2022; its amount stood at EUR 0.1 billion

## 6.2. Change in issues

As part of a EUR 5 to 7 billion annual program, Caisse Française de Financement Local's issue policy aims first and foremost to build a coherent benchmark curve on the euro market while ensuring the strong performance of its issues on the secondary market. The diversification of its sources of financing is necessary to achieve long maturities consistent with its needs. This involves an active presence in the private placements market as part of the EMTN program or by issuing registered covered bonds, a format for German investors.

In line with the implementation of the Sfil Group's social and environmental policy, Caisse Française de Financement Local is also regularly active in the market for thematic bond issues, under the "social", "green" and "green, social and sustainable" formats.

During the first semester 2023, Caisse Française de Financement Local generated an issue volume of EUR 1.97 billion.

Caisse Française de Financement Local raised money in the public primary market two times, in the total amount of EUR 1.75 billion, thus enriching its reference curve with two new points:

- an issue with a maturity of 7 years in January 2023 in the amount of EUR 1 billion;
- an issue with a maturity of 9 years in March 2023 in the amount of EUR 750 million;

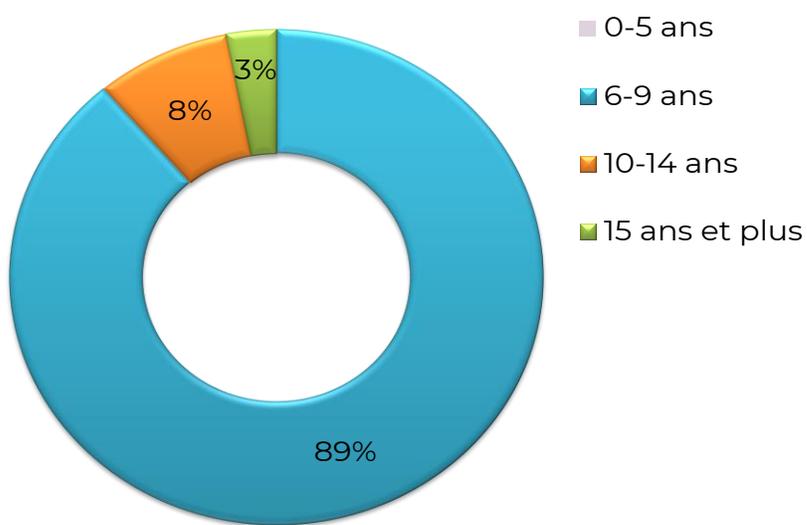
In addition to these public transactions, Caisse Française de Financement Local carried out private placements in the EMTN and registered covered bond (RCB) format, for an amount of EUR 221 million, in order to respond to specific requests from investors, particularly in the long maturity segment.

The weighted average life of the financing raised during 2022 was 8.2 years.

The breakdown of new issues by maturity and by format (public issues or private placements) is presented below, as well as the breakdown of benchmark public issues by investor category and geographic zone:

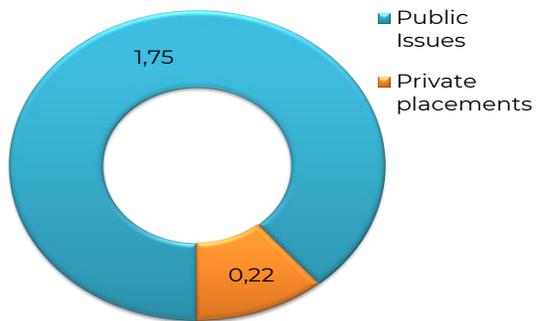
### 2023 issues by maturity (%)

Classification: [C2]:Diffusion restreinte



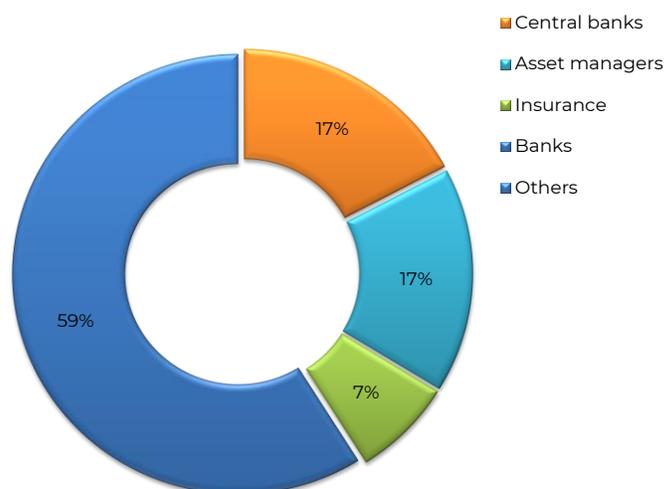
### 2023 issues by format

EUR billions

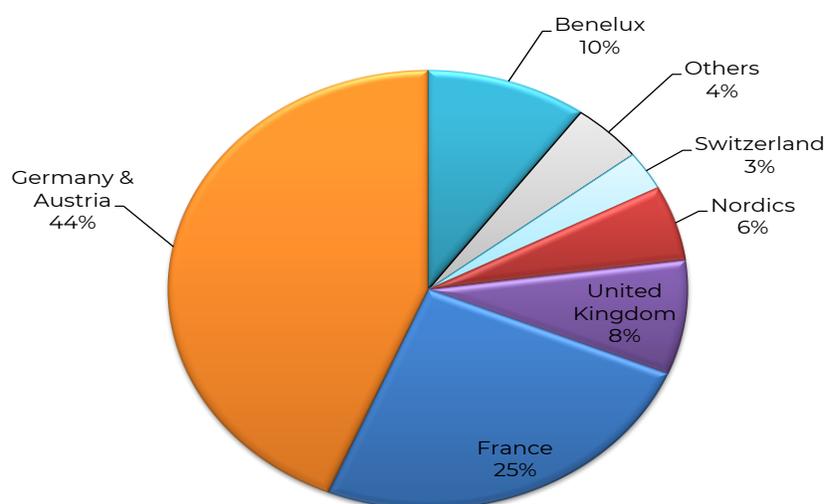


### Breakdown of 2023 benchmark public issues by investor category

Classification: [C2]:Diffusion restreinte



**Breakdown of 2023 benchmark public issues by geographic zone (%)**

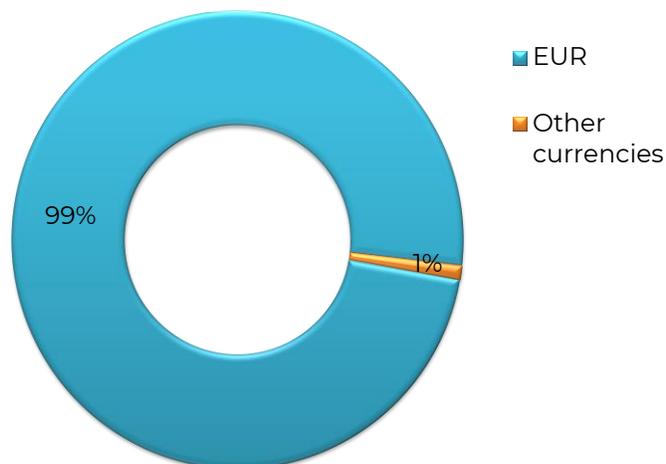


### 6.3. Outstanding at June 30, 2023

As of June 30, 2023, the outstanding amount of *obligations foncières* and registered covered bonds totaled EUR 52.0 billion in swapped value. This includes new issues of *obligations foncières* for EUR 2.0 billion, and after amortization of issues maturing in 2023 for EUR 2.8 billion.

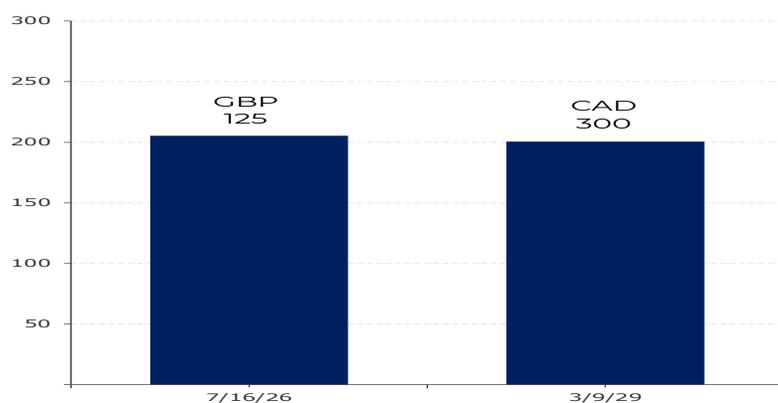
EUR billions. value after currency swaps	Q4 2022	Q2 2023
<b>BEGINNING OF THE PERIOD</b>	<b>52.3</b>	<b>52.9</b>
Issues	4.9	2.0
Amortizations	(4.4)	(2.8)
Buyback	-	(0.1)
<b>END OF THE PERIOD</b>	<b>52.9</b>	<b>52.0</b>

At June 30, 2023, issues can be broken down by currency as follows:



### Main tranches in other currencies

Value in EUR million (swapped value)



## 6.4. Social and green issues

As part of the Group's CSR commitment, Caisse Française de Financement Local carry out the following "social" and "green" theme issues:

- in 2019, a social issue for an amount of EUR 1 billion with an eight-year maturity and a green issue for an amount of EUR 750 million with a ten-year maturity,
- in 2020, a social issue for an amount of EUR 1 billion with a five-year maturity,
- in 2021, a social issue for an amount of EUR 750 billion with an eight-year maturity

- in 2022, a social issue for an amount of EUR 500 billion with a ten-year maturity and a green issue of EUR 750 million with a five-year maturity.

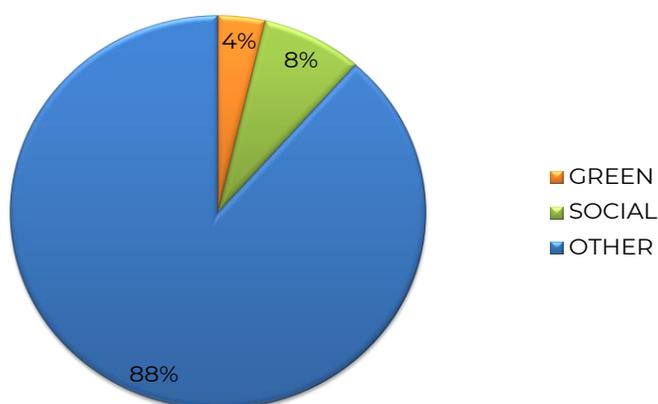
These issues were unanimously recognized as great successes by market observers. In particular, they benefited from very significant over-subscription rates, reflecting the interest of investors in this new type of responsible investment.

The share of thematic bonds in the 2023 issues and in the outstanding at the end of June 2023, among the benchmark public issues in euro is presented below:

### 2023 issues

Caisse Française de Financement Local has not yet carried out any thematic issues during the first semester of 2023.

### Outstandings at end June 2023



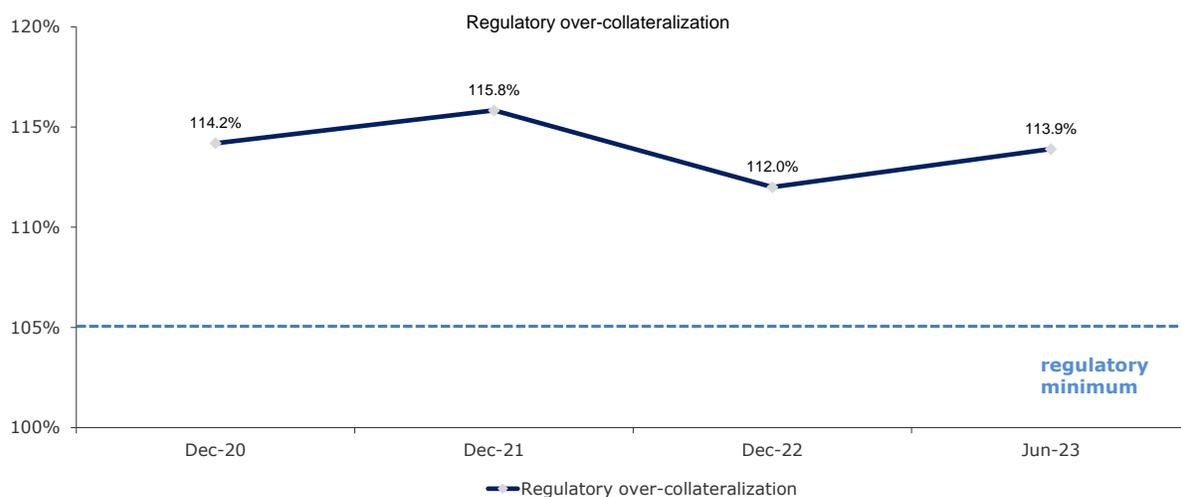
In addition, in November 2020 and November 2021, Sfil carried out two “green” bond issues each for an amount of EUR 500 million. The funds obtained from these issues have been loaned by Sfil to Caisse Française de Financement Local, with the obligation to use them to finance green loans purchased from La Banque Postale, which markets them. These loans granted by Sfil do not benefit from the privilege of the *société de crédit foncier*.

## 7. Over-collateralization ratio

The over-collateralization ratio, which is calculated on the basis of regulatory standards governing *sociétés de crédit foncier*, is the ratio between the assets of the cover pool (except for assets in default) and the debt benefiting from the legal privilege. The legal minimum threshold is set at 105% and corresponds to the minimum level that Caisse Française de Financement Local had committed to maintain since its creation.

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

The rules for calculating the regulatory coverage ratio were modified as of July 8, 2022, when the European Covered Bonds Directive of November 2019 entered into force. Two changes have a slightly negative impact: defaulted receivables are now excluded from the calculation of the coverage ratio and a virtual liability is added to the privileged debt (corresponding to the maintenance and management costs that would be incurred to terminate the issue program). The values of the ratio calculated as of this date comply with the new rules.

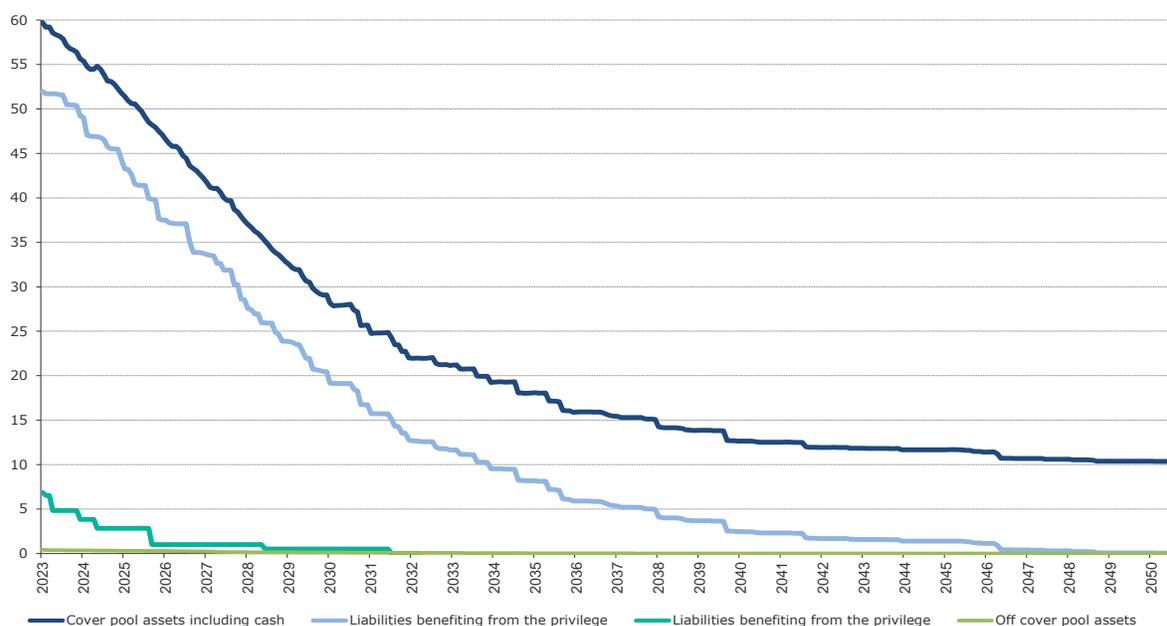


Over-collateralization may also be illustrated by the gap between the amortization curves of the cover pool and liabilities benefiting from the legal privilege. The following graph presents the curves as of June 30, 2023.

### Forecast disposal of assets and liabilities as of June, 30 2023

EUR billions

EUR billion



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

## 8. Non-privileged debt

The cover pool asset surplus compared to *obligations foncières* and registered covered bonds (over-collateralization), the assets held outside of the cover pool (if applicable) and miscellaneous needs are financed by equity and debt that does not benefit from the legal privilege on *sociétés de crédit foncier*. Such financing is obtained through the parent company, Sfil, under the financing agreement. As of June 30, 2023, they were made up of different loans with maturities that could run from one day to ten years with a €str index.

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

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

EUR billions	12/31/2022	6/30/2023
SFIL	6.2	6.9
Banque de France	-	-
<b>TOTAL</b>	<b>6.2</b>	<b>6.9</b>

## INCOME OF THE ACTIVITY

Half yearly net income according to French Gaap is presented below in a synthetic manner:

French GAAP EUR millions	H1 2022	2022	H1 2023	change H1 2022 / H1 2023
Interest margin	164	226	105	
Net commissions	(2)	(3)	(1)	
Provisions and income on trading portfolio	-	-	-	
Provisions and income on securities	(3)	(4)	7	
Other income and expense	(0)	(0)	(0)	
<b>NET BANKING INCOME</b>	<b>160</b>	<b>219</b>	<b>110</b>	<b>-31%</b>
General operating expenses	(53)	(103)	(54)	
Taxes	(8)	(7)	(6)	
<b>GROSS OPERATING INCOME</b>	<b>99</b>	<b>109</b>	<b>50</b>	<b>-49%</b>
Cost of risk	5	6	(1)	
<b>OPERATING INCOME</b>	<b>104</b>	<b>115</b>	<b>49</b>	<b>-53%</b>
Income (loss) on fixed assets	-	(3)	-	
Income tax	(23)	(24)	(11)	
<b>NET INCOME</b>	<b>81</b>	<b>88</b>	<b>38</b>	<b>-53%</b>

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

The methods used under French GAAP, which have not changed in the last two years, are described in the financial statements presentation and measurement rules in the notes to present report.

As a reminder, the accounting treatment adopted by Caisse Française de Financement Local for the recognition of early repayment indemnities and hedging swap cancellations follows the tax treatment requested by the Tax Authority. This accounting treatment leads to recognition of the results earlier than would a systematic amortization approach. These indemnities and compensation payments are generated by early repayments or renegotiation of the debt of certain borrowers (sensitivity reduction or active management of their debt), but also when liability swaps are terminated in order to match these liabilities with a portfolio of acquired loans, or when asset swaps are terminated in order to match a new bond issue with a portfolio of loans covered by these swaps.

The methods used, which have not changed in the last three financial years, are described in the financial statements presentation and measurement rules in the notes to the annual financial statements, in the sections entitled Loans and advances to banks and to customers, Micro-hedging transactions and Macro-hedging transactions.

The net profit of Caisse Française de Financement Local amounted to EUR 38 million for the first half of 2023, down EUR 43 million compared to the first half of 2022. This change is mainly due to the decrease in net banking income for EUR 50 million and the cost of risk for EUR 6 million.

The upfront balances included in the net banking income for the 2023 half-year were lower than those recorded in 2022. These derivative termination payments (see above) represented EUR 62 million in 2022 compared to EUR 10 million in 2023. In addition to the impact of these derivative payments, the decrease in net banking income is explained by a reversal of

Classification: [C2]:Diffusion restreinte

provisions on investment securities of EUR 7 million and by the increase in the net investment cost of surplus cash.

Overheads of Caisse Française de Financement Local, most of which consists of invoicing from its parent company, SFIL, for its operational management, stable compared to 2022 due, in particular, to the reduction in costs relating to the contribution to the Single Resolution Fund (SRF) which compensates for the effects linked to inflation.

The cost of risk deteriorated by EUR 6 million. Indeed, in the first half of 2022, the cost of risk was positive due to reversals of general provisions corresponding to the improvement in the situation of certain hospitals.

# MANAGEMENT OF RISKS

## 1. Credit risk

### 1.1. Definition

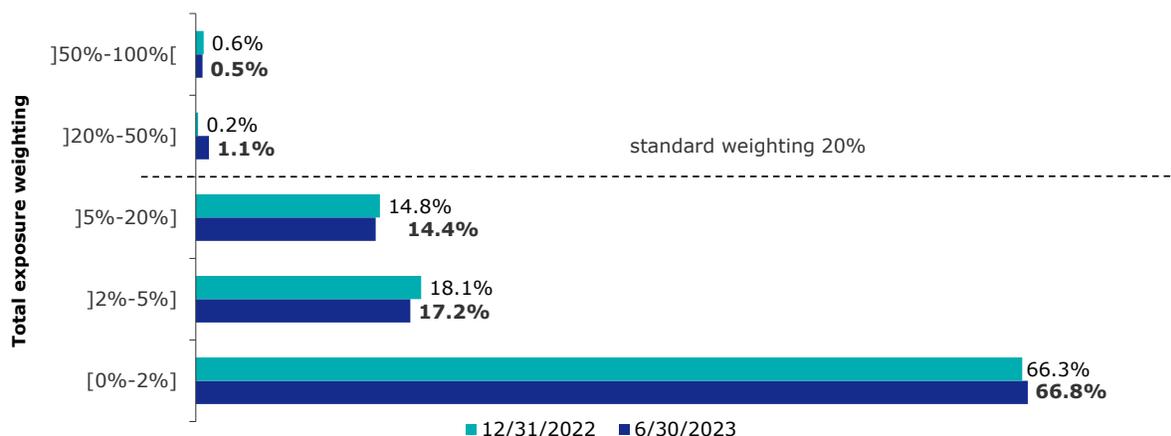
Credit risk represents the potential loss that Sfil Group could suffer due to the deterioration of a counterparty's solvency.

### 1.2. Breakdown of exposures by risk weighting

The quality of Caisse Française de Financement Local's portfolio is illustrated by the risk weighting assigned to its assets for the calculation of group Sfil's solvency ratio. This reflects the fact that for most of its outstandings, Sfil group has opted for the advanced method of calculating regulatory equity requirements.

This enables Caisse Française de Financement Local to present below an analysis of its exposure as of June 30, 2023 (in EAD), broken down by risk weighting, as used for the calculation of equity requirements for credit risk.

#### Risk weighting of Caisse Française de Financement Local's portfolio as of June 30, 2023



This analysis confirms the excellent quality of the assets in Caisse Française de Financement Local's portfolio:

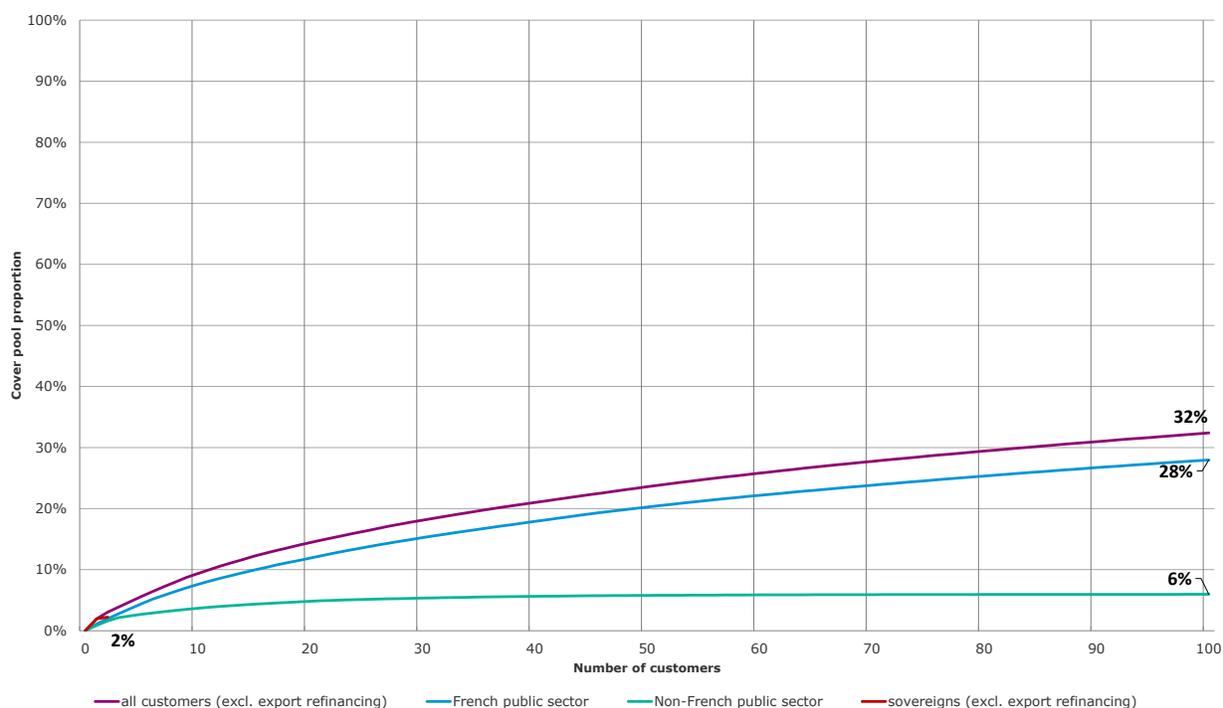
- 84% of the portfolio has a risk weighting of 5% or less;
- 2% of the portfolio has a weighting greater than 20%.

The average risk weighting of the cover pool assets is 4.6%, versus 20% for European local authorities according to the Basel standard method. It was 4.5% at the end of the previous year.

### 1.3. Concentration by customer

The risk of concentration refers to exposure to a limited number of counterparties. Diversification can make it possible to avoid this problem, and is a capital loss risk management tool.

The chart below presents the concentration of all asset groups by type of counterparty (in outstanding capital). It confirms the great diversity of Caisse Française de Financement Local's portfolio of assets.



As of June 30, 2023, the 20 largest exposures (excluding exposures to credit institutions and cash deposits in the Banque de France), all categories combined, represented 14.4% of the total assets. The first exposure, the Italian Republic, represents 1.9% of the total assets and the twentieth exposure 0.4%.

## 1.4. Arrears, doubtful loans and provisions as of June 30, 2023

Financial year	Arrears	Doubtful and litigious loans	Doubtful loans (non-performing exposures)
		French GAAP	Prudential rules
6/30/2023	<b>EUR 5 million</b> i.e. 0,01% of assets	<b>EUR 89 million</b> (of which loans without arrears: EUR 78 million)	<b>EUR 210 million</b> (of which loans without arrears: EUR 199 million)
12/31/2022	<b>EUR 4 million</b> i.e. 0,01% of assets	<b>EUR 112 million</b> (of which loans without arrears: EUR 99 million)	<b>EUR 234 million</b> (of which loans without arrears: EUR 224 million)

### 1.4.1 Change in arrears

As of June 30, 2023, total arrears amounts to EUR 5 million, up EUR 1 million compared to December 31, 2022.

This amount includes arrears totalling EUR 2 million relating to loans recorded on the balance sheet of Caisse Française de Financement Local, outside the cover pool.

Qualifying or litigious arrears fell in 2023 (-52%) from EUR 4 to 2 million. This decrease is mainly due to the transfer in 2023 of a loan to a counterparty classified as in default to another counterparty that is not, for which a total of EUR 2 million in non-qualifying arrears has been recorded.

As of June 30, 2023, the number of customers arrears in (excluding technical arrears) is low (11 customers or around 0.1% of Caisse Française de Financement Local's total number of customers).

### 1.4.2 Change in doubtful and litigious loans and provisions under French accounting standards

As of June 30, 2023, doubtful and litigious loans (French GAAP) amounted to EUR 89 million, or 0.15% of the Caisse Française de Financement Local's total assets, its' all-time lowest level. They were down by EUR 23 million, i.e. 20%, compared to December 31, 2022, illustrating the portfolio's excellent quality.

As of June 30, 2023, the portion of doubtful and litigious loans relating to cover pool loans amounted to EUR 86 million, made up of EUR 3 million of unpaid loans and of a total outstanding amount of EUR 83 million downgraded by contagion. Doubtful and litigious debts <sup>(4)</sup> consist exclusively of debts classified as doubtful <sup>(1)</sup>:

(1) When a customer is classified in default in terms of credit risk, the outstanding amount of all his loans is classified as doubtful loans, by contagion, in addition unpaid installments.

(4) A loan is considered as non-performing when it presents one of the following characteristics:

- a probable or certain risk that it will not be fully repaid (unpaid for more than nine months for local authorities and for more than three months for other counterparties);
- the existence of a factual counterparty risk (deterioration of the financial situation, alert procedures). A loan is considered litigious when it is unpaid and is the subject of legal proceedings

Doubtful and litigious loans correspond solely to French customers.

The total amount of provisions, covering the credit risk relating to all assets under French accounting standards, is presented in the table below.

Impairments	12/31/2022	6/30/2023
French Gaap EUR millions		
Specific impairments	2	2
Collective impairments	19	19
<b>TOTAL</b>	<b>21</b>	<b>21</b>

As of June 30, 2023, the stock of provisions assigned to specific files under French GAAP amounted to EUR 2 million. It is stable compared to December 31, 2022.

In addition, collective provisions are calculated on the various asset portfolios. They amounted to EUR 19 million as of June 30, 2023, the same amount as of December 31, 2022.

### 1.4.3 Change in non-performing exposures

Non-performing regulatory exposures include, in addition to doubtful and litigious receivables under French accounting standards, the outstanding balance of customers in the probationary period (customers who are no longer in default but remain under surveillance) and, where applicable, other unpaid receivables more than 90 days), as well as the fair value adjustments of these various portfolios. They amounted to EUR 89 million, the lowest historical level, down EUR 24 million compared to December 31, 2022, in connection with the fall in doubtful and litigious debts

## 1.5. Bank counterparty risk

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

Caisse Française de Financement Local holds two types of exposure to banks:

- cash investments in the form of bonds (including covered bonds), current account deposits and occasionally loans to its parent company Sfil. These investments amounted to EUR 1.4 billion as at June 30, 2023 (see 24.2.);
- derivative contracts, entered into within the framework of its management of interest rate and foreign exchange risks.

Caisse Française de Financement Local's derivative transactions are governed by ISDA or FBF (French Banking Federation) framework agreements signed with major international banks, rated at least at the second credit quality step by the rating agencies (new constraint imposed by the Covered Bonds Directive). These contracts have particular characteristics, since they must meet the standards set by rating agencies for *sociétés de crédit foncier* (and other issuers of covered bonds). Over the last few years, Caisse Française de Financement Local amended these contracts to take into account recent EMIR regulatory changes (signing of variation margin amendments). These interest rate and currency swaps all benefit from the same legal privilege as *obligations foncières*. For this reason, Caisse Française de Financement Local does not pay its derivative counterparties any cash collateral (or variation margin), whereas Caisse Française de Financement Local does receive cash collateral from them, except for some which benefit from the agencies highest short-term rating.

By way of derogation from this principle, at the end of June 2022, a new derivatives agreement was concluded with Sfil to which was attached only the derivatives that cover the few assets that will be excluded from the cover pool as part of the implementation of the Covered Bonds

Directive since July 8, 2022. Since these derivatives will not benefit from the privilege of the law, the agreement provides for the possibility of exchanging collateral in both directions.

All derivative exposures as of June 30, 2023, are listed below.

EUR billions	Total of notional amounts	% of total notional amounts	Mark to Market		Collateral received	Collateral paid
			-	+		
Cover pool - external counterparties	74.0	83%	(1.7)	0.1	(0.1)	-
cover pool - SFIL	15.1	17%	(1.4)	-	-	-
Outside cover pool - SFIL	0.2	0%	(0.1)	-	-	0.1
<b>Total</b>	<b>89.3</b>	<b>100%</b>	<b>(3.2)</b>	<b>0.1</b>	<b>(0.1)</b>	<b>0.1</b>

As of June 30, 2023, Caisse Française de Financement Local was exposed (positive fair value of swaps) to nine bank counterparties, all of these paid cash collateral totaling EUR 0.1 billion, offsetting the total exposure.

The swaps negotiated with external counterparties represented 83% of swaps outstandings and those signed with Sfil 17%. The swaps signed with the five largest counterparties represented a total of 55% of notional amounts.

## 2. Climate risks

The Sfil Group is gradually adopting a holistic view of environmental, social and governance (ESG) risks in order to take them into account in their entirety.

Climate risks, given their materiality and the expectations of the regulator and stakeholders, and because they are likely to directly or indirectly impact all existing risk categories (in particular credit risk, operational risk, market and liquidity risk), are dealt with in greater detail.

Climate issues are one of the main areas of the Sfil Group's strategic plan, and the Sfil Group makes a significant contribution to most of the sustainable development goals (SDGs) of the United Nations, whether through its financing activities, its internal policies or the application of the policies of the Caisse des Dépôts Group.

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

- Acute physical risks are defined as the risk of loss resulting from extreme weather events (floods, storms, hurricanes, forest fires), the resulting damage of which may result in the destruction of the physical assets of local authorities or non-financial counterparties.
- Chronic physical risks represent the risk of loss resulting from longer-term changes in climate models (loss of snow cover, sea level rise, shrinkage and swelling of clays, for example).
- Transition risks refer to the financial loss resulting from the transition process towards a low-carbon and environmentally sustainable economy.

Within the Sfil Group, climate risk management is reflected in the setting every year of production volume targets for green loans for French local authorities.

As part of its credit and investment risk policy, the Sfil Group already applies the following principles:

- the exclusion of certain activities from its financing (production activities or sales of any illicit product, any illegal activity under the laws of France or the country of destination and certain sectors due to their negative societal or environmental impact);
- taking into account in a positive way of the social and environmental usefulness of the financed projects. Consequently, the bank's risk appetite is greater for green loans and for social loans.

As part of its cash investment policy, the Sfil Group has also defined ESG criteria (exclusions by country and by sector and criteria specific to bank, sovereign and public sector issuers) and monitors the proportion of investments made in the form of ESG securities on a monthly basis. These represent 33% of Caisse Française de Financement Local's total investments in securities.

In this context, the evolution of Sfil's system to take into account climate and environmental risks continued during the first half of 2023 with the following main actions:

- ongoing development of a tool for rating the climate and environmental risks of exposures to the local public sector. This tool will eventually be used systematically for granting loans and monitoring risks;
- finalization of the measurement of the carbon footprint of local public sector borrowers. This work will make it possible to strengthen the robustness of climate risk management by mapping borrowers. These estimates are already used in the development of the climate and environmental risk rating tool to scale the investment effort to be made for each local authority;
- conducting a study on the risk of loss of snowfall for local authorities with ski resorts in the Alps, Pyrenees, Jura and Vosges;
- production of a qualitative sectoral mapping of climate risks for the export credit portfolio;
- analysis of the natural risks likely to affect the sites of the Sfil Group as well as those of its providers of outsourced essential services;
- assessment of the impact of climate risks on market and liquidity risk.

Lastly, in order to better integrate sustainability issues into its overall governance, the Sfil Group has set up a Sustainable Development Committee whose mission is to ensure the implementation of its sustainable development policy under the best possible conditions.

### 3. Market risk

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.

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

Certain positions or activities in the banking portfolio of Caisse Française de Financement Local, even if they do not carry any market risk in the regulatory sense of the term, are nevertheless sensitive to the volatility of market parameters and pose a risk to the accounting result or on equity; they are monitored for non-regulatory market risks.

These are investment securities, for which the losses in value on the closing date are provisioned in accordance with French accounting standards.

## 4. Balance sheet risk management

### 4.1. Liquidity risk

#### 4.1.2. Definition and management of the liquidity risk

Liquidity risk is defined as the risk that the institution may not be able to meet its liquidity commitments on a timely basis and at a reasonable cost.

Caisse Française de Financement Local's liquidity risk mainly reflects how able it is to reimburse certain debts benefiting from the legal privilege on a timely basis in the event of an excessive lag between the repayment of its assets and that of its liabilities benefiting from the legal privilege.

Caisse Française de Financement Local has three main types of liquidity need:

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

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

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

In addition, Caisse Française de Financement Local has:

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

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

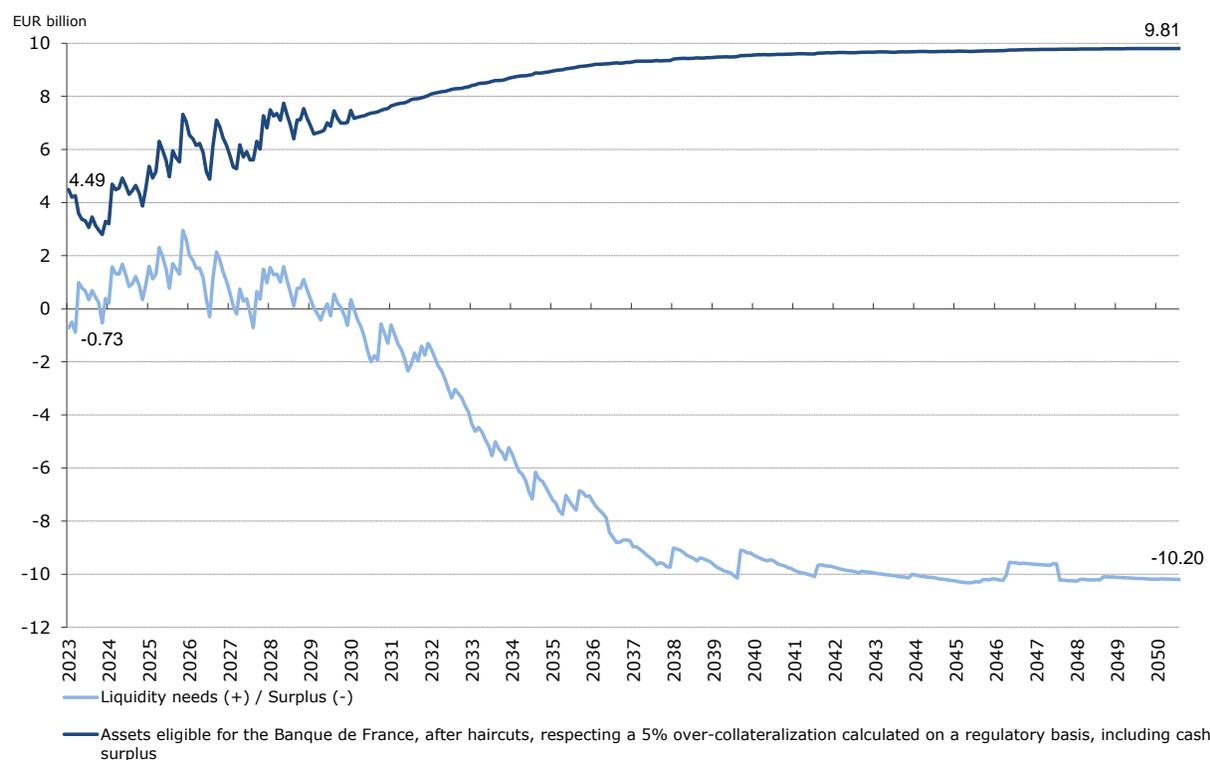
The dynamic liquidity projections take into account business assumptions (new assets and new financing), under normal and stressed conditions:

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

The aggregate maximum liquidity requirement that Caisse Française de Financement Local could face in the future in a run-off situation in which it was unable to issue new *obligations*

*foncières* is lower than the maximum funding already occasionally obtained on a one-off basis from the central bank in the past. It is also lower than the Caisse Française de Financement Local's refinancing potential with the Banque de France, measured by the amount of eligible assets after haircut that would be available while complying with the minimum over-collateralization required by the regulations.

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

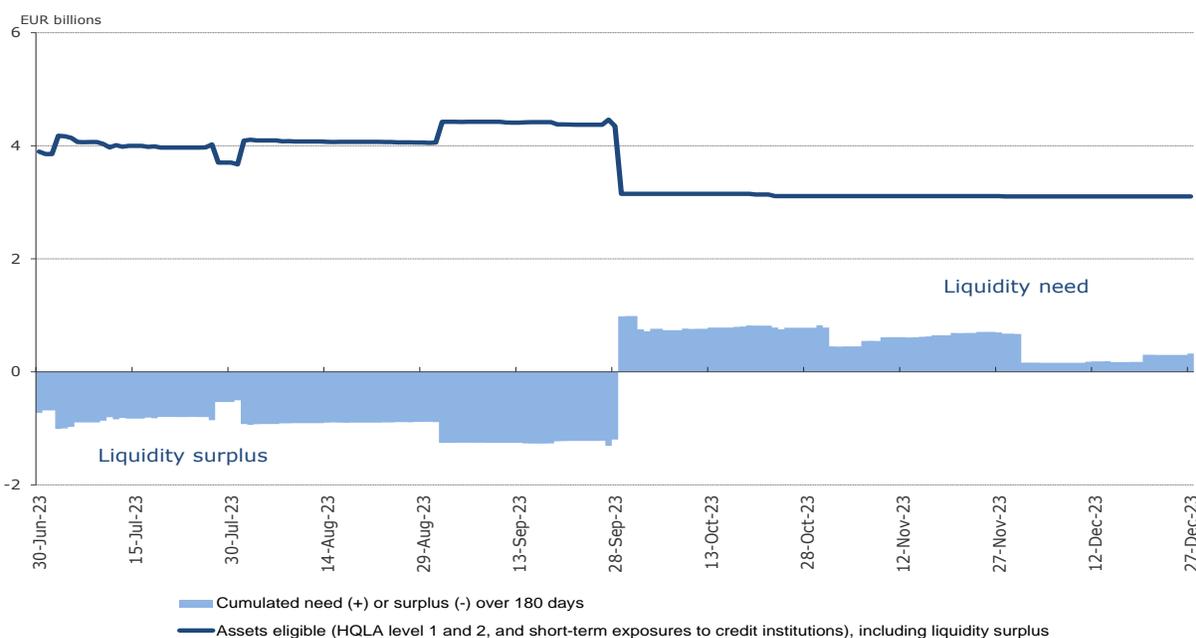


Caisse Française de Financement Local has its own autonomous, safe resources that enable it to cover its temporary liquidity needs, even in the event of the default of its parent company, since any legal proceedings engaged for the safeguard, bankruptcy or liquidation of its parent company cannot be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

Meanwhile, Caisse Française de Financement Local manages its liquidity risk using the following indicators:

- **the regulatory indicators specific to sociétés de crédit foncier (SCF):**
  - the regulatory over-collateralization ratio: this represents the ratio between assets in the cover pool and debts benefiting from the legal privilege, and must be at least 105% (see section 2.7);
  - the maximum gap of 1.5 years between the average maturity of liabilities benefiting from the legal privilege and that of assets of the cover pool eligible for the over-collateralization ratio (see specific section on transformation risk below);

- the projection of cash requirements over 180 days: Caisse Française de Financement Local ensures that at all times its net cash requirements over a period of 180 days, calculated in a situation of run-off, are hedged by high-quality liquid assets (level 1, 2A or 2B) and by short-term exposures to credit institutions (including short-term deposits) in the cover pool. Unsecured receivables deemed to be in default, in accordance with article 178 of Regulation (EU) No. 575/2013 of June 26, 2013, cannot be used to cover cash requirements. Cash needs include repayments of obligations foncières and registered covered bonds, debt not benefiting from the non-privileged debt and forecast repayments of cash collateral received, after deduction of received assets repayments. This projection is published quarterly in the asset quality report, and is presented below. At June 30, 2023, the liquidity position at 180 days shows a cash surplus over the first three months (with a maximum of EUR 1.3 billion at the end of September 2023) and a cash requirement over the last three months (with a maximum of EUR 1.0 billion at the beginning of October 2023). Over the period, liquidity needs are covered at all times by available liquid assets (see chart below). In addition, specific management measures (for example, the completion of a new bond issue or the use of central bank financing) may be taken to cover the needs;



- the regulatory liquidity indicators applicable to credit institutions, in particular Regulation (EU) 575/2013 of the European Parliament and Council of June 26, 2013, concerning:**

  - the LCR ratio (Liquidity Coverage Ratio): at June 30, 2023, Caisse Française de Financement Local's LCR was 100%. A European delegated act modified the methods for calculating the LCR provided for in the CRR for issuers of covered bonds, in order to bring them into line with the new Covered Bonds Directive. As a result, since July 8, 2022, the LCR of Caisse Française de Financement Local and other issuers of covered bonds must continue to respect the minimum level of 100% but may no longer exceed it,

- the Net Stable Funding Ratio (NSFR), a transformation ratio which compares with a one-year horizon, the proportion of available stable funding over required stable funding: as of June 30, 2023, Caisse Française de Financement Local's NSFR was 113%.
- **the internal liquidity indicators:**
  - indicators relating to Caisse Française de Financement Local:
    - the the over-collateralization ratio, whose permanent management targets an over-collateralization level consistent with the Caisse Française de Financement Local's target rating,
    - the difference in duration between assets and liabilities benefiting from the legal privilege (limited to three years): this is published every quarter and came to 0.06 years as of June 30, 2023 (see the specific section on transformation risk below),
    - the amount of the maturities of privileged liabilities, which is supervised.
  - the indicators on a consolidated level:
    - the dynamic financing requirement over a one-year period, as well as the issuance conditions of Caisse Française de Financement Local;
    - the one-year survival horizon in stressed conditions,
    - the level of unencumbered assets mobilizable in the event of a liquidity crisis,
    - the sensitivity of the net present value of the static liquidity gap to an increase in the Group's financing costs,
    - the consumption of the spread and basis risk appetite for export credit transactions which measures the loss of income on these transactions which could result from stress on the financing costs in euros or foreign currency (USD or GBP).

#### **4.1.2. Definition of the transformation risk contained in the specific components monitored in connection with liquidity risk**

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

Caisse Française de Financement Local manages this risk using the following two indicators:

- duration gap;
- weighted average life gap.

#### ● **Duration gap**

The difference in maturity between assets and liabilities can lead to liquidity risk. As interest rate risk is controlled (see section 1.12.2.3.3), Caisse Française de Financement Local ensures that asset and liability maturities match by keeping the difference in duration between assets and liabilities benefiting from the legal privilege to three years or less.

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

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

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

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

Duration in years	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023
Assets	6.40	6.21	6.04	5.93	6.24
Privileged liabilities	6.64	6.40	6.16	6.17	6.18
<b>Gap in asset-liability duration</b>	<b>-0.23</b>	<b>-0.19</b>	<b>-0.12</b>	<b>-0.24</b>	<b>0.06</b>
Duration gap limit	3	3	3	3	3

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

- Weighted average life gap**

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

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

Weighted average life (in years)	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023
Assets eligible for the coverage ratio	7.10	7.05	6.87	6.74	7.01
Privileged liabilities	7.31	7.18	6.92	6.88	6.85
<b>Gap in asset eligible for the coverage ratio-liability weighted average life</b>	<b>-0.20</b>	<b>-0.13</b>	<b>-0.05</b>	<b>-0.14</b>	<b>0.16</b>
Weighted average life limit	1.5	1.5	1.5	1.5	1.5
Weighted average life (in years)	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023
Assets	7.10	7.03	6.86	6.73	7.00
Privileged liabilities	7.31	7.18	6.92	6.88	6.85
<b>Gap in asset-liability weighted average life</b>	<b>-0.20</b>	<b>-0.15</b>	<b>-0.06</b>	<b>-0.15</b>	<b>0.15</b>
Weighted average life limit	1.5	1.5	1.5	1.5	1.5

## Regulatory limit

Current regulations impose a limit of one-and-a-half year on the weighted average life gap between assets eligible for over-collateralization and privileged liabilities. Caisse Française de Financement Local respects this limit.

## 4.2. Interest rate risk

Interest rate structural risk is defined as the risk of loss incurred in the event of a change in interest rates that would lead to a loss in value of balance sheet and off-balance sheet transactions, excluding any trading portfolio transactions. Since Caisse Française de Financement Local does not have a trading portfolio, it is not concerned by this exception.

Caisse Française de Financement Local distinguishes between four types of interest rate risk:

<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 fixing dates applied to all the variable rate balance sheet and off-balance sheet items linked to the same index 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 an operation.

Interest risk rate management:

Caisse Française de Financement Local has defined a fixed-rate risk appetite, 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, Caisse Française de Financement Local has implemented the following hedging strategy:

- micro-hedging of interest rate risk on balance sheet items denominated in a currency other than the euro or indexed to a complex interest rate structure. Certain euro-denominated vanilla transactions may also be micro-hedged if their notional value or duration could lead to a sensitivity limit being exceeded. Micro-hedging is carried out exclusively by swaps;
- macro-hedging of interest rate risk for all transactions that are not micro-hedged. The transactions concerned are mainly (i) loans to the local public sector and (ii) issues of *obligations foncières* denominated in euros. This macro-hedging is obtained as much as possible by matching fixed-rate assets and liabilities *via* the unwinding of swaps and, for the rest, by setting up new swaps against euribor or €str

This fixed-rate risk management is supplemented by monitoring of the fixings of operations at adjustable rates in order to ensure that they do not lead to the short-term sensitivity limit being exceeded. Where appropriate, swaps against €str may be entered into to hedge the fixing risk.

These hedges can be entered into either directly on the market by Caisse Française de Financement Local, or through Sfil, which in turn hedges its resulting position in the market.

Non-privileged debt is not hedged. Debt contracted by Caisse Française de Financement Local with its shareholder to finance over-collateralization is borrowed directly with a €str index and does not need to be swapped.. Short-term debt owed to the Banque de France with a fixed rate (if any) is not hedged, but finances fixed rate assets.

Indicators covering interest rate risk:

These different kinds of interest rate risks are followed, analyzed and managed based on the following indicators:

- The sensitivity of the so-called “management” net present value (NPV): this indicator is produced monthly and is calculated for eight rate shock scenarios (the six scenarios for

calculating the “outlier” regulatory ratio, defined by the EBA, and two “internal” stress scenarios revised once a year after analysis of the economic and financial situation and determined on the basis of historical rate variations). Equity is taken into account in the calculation of this indicator. The maximum loss observed among these eight scenarios must not exceed the limit defined in the context of interest rate risk appetite.

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

EUR millions	Limit	6/30/2022	9/30/2022	12/31/2022	3/31/2023	6/30/2023
Maximum loss observed in NPV	(80.0)	(30.8)	(32.2)	(21.1)	(23.5)	(24.6)

Assets portfolios for which the strategy is to be entirely hedged are not sensitive to interest rates changes and thus are not integrated in the calculation of the global sensitivity of Caisse Française de Financement Local's balance sheet.

- The fixed-rate, index and floored euribor gaps:

<b>Fixed rate gap</b>	Difference between balance sheet and off-balance sheet assets and liabilities for fixed-rate transactions or transactions for which the rate has been set. It is calculated every month until balance sheet run-off.
<b>Index gap</b>	Difference between balance sheet and off-balance sheet assets and liabilities for operations indexed on euribor rates of different maturities. This gap is projected until the balance sheet is extinguished.
<b>Floored euribor gap</b>	Difference between balance sheet and off-balance sheet assets and liabilities, for transactions indexed on floored euribor. This gap is projected until the balance sheet is extinguished.

These indicators are calculated in static vision.

Index gaps are used to monitor exposure to euribor versus €str basis risk. These gaps are framed for each tenor index by a limit calculated on the average of the different 12-month gaps. As of June 30, 2023, the limits are respected.

Floored Euribor gaps are used to monitor exposure to option risk. For Caisse Française de Financement Local, most of this risk is attributable to the floors of commercial loans indexed to euribor. This optional risk is hedged by swap. The net position (after swaps) is subject to a limit on the gap of EUR 800 million.

### 4.3. Foreign exchange risk

The foreign exchange risk is defined as the risk of recorded or unrealized net income volatility, linked to a change in the exchange rate of currencies against a reference currency. The reference currency of Caisse Française de Financement Local is the euro. The foreign exchange risk reflects a change in the value of assets and liabilities denominated in a currency other than the euro because of fluctuations of this same currency *vis-à-vis* the euro.

Caisse Française de Financement Local's foreign exchange risk management policy is to incur no foreign exchange risk: it enters into cross-currency swaps against the euro for its issues and assets denominated in foreign currency, on initial recognition at the latest and until their final maturity, thereby ensuring that these balance sheet items' principal and interest rates are

hedged. Floating rate exposures in euros generated by this management policy are incorporated into interest rate risk management.

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

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

## 5. Operational risks (excluding non-compliance risk)

The Sfil Group defines operational risk as the risk of loss arising from an inadequacy or failure in the processes, personnel and internal systems or from external events including the legal risk. It includes model risks but excludes strategic risks. This definition is in line with the definition adopted by the Basel Committee and with the regulations in force.

The operational risk management processes apply to all Sfil and Caisse Française de Financement Local processes and activities. The capital requirement for operational risk is calculated using the standard method.

During the first half of 2023, the Sfil Group continued its integration into the operational risk function of the CDC Group and continued its actions to harmonize the procedural corpus and its taxonomy relating to operational risks, in preparation of the consolidation by the CDC Group of data from all its entities.

In addition, in the current international context, of conflict between Russia and Ukraine in particular, the cybercrime monitoring process and the configuration of Sfil's IT security equipment have been significantly strengthened. No security incidents or impacts have been identified at this stage. The awareness of the risks related to phishing and of the best practices to follow has also been increased. Lastly, a tool for classifying the sensitivity of office data has been deployed.

In addition, the Sfil Group implemented a plan to overhaul its internal control system, which continued in the first half of 2023. This approach requires a review of all of the bank's processes, a reassessment of gross and residual risks, and an update of the associated permanent controls in order to monitor the bank's operational reality as closely as possible.

## 6. Non-compliance risk

Non-compliance risk is defined in article 10 p) of the *arrêté* of November 3, 2014, as amended as the risk of legal, administrative or disciplinary sanction, significant financial loss or damage to reputation resulting from failure to respect the provisions directly applicable to banking and financial activities, irrespective of whether they are legislative or regulatory, national or

European and irrespective of whether it concerns professional and ethical standards or instructions from effective managers taken pursuant to guidelines from the supervisory body.

During the first half of 2023, the procedure relating to Sfil's patronage-sponsorship operations, as part of the AML/CFT system, was updated in line with the adoption of a policy in this area. The anti-money laundering questionnaire and the AML/CFT internal control report were also presented to the governance bodies of Sfil and Caisse Française de Financement Local before being communicated to the ACPR in compliance with the required deadlines.

Work on updating the corruption prevention system also continued with the updating of the system for gifts and invitations. This system complements the 2020 code of professional conduct and ethics and in particular the anti-corruption code of conduct.

In terms of customer protection, the procedure for receiving, processing and monitoring complaints was updated in line with ACPR recommendation No. 2022-R01 of May 9, 2022.

In the first half of 2023, mandatory compliance training was provided in accordance with the 2023 training plan validated by Sfil's Risks and Internal Control Committee.

The permanent compliance control campaigns were also carried out in compliance with the 2023 control plan presented to Sfil's Risks and Internal Control Committee.

Lastly, the Compliance division supported the business lines in the context of the Sfil Group's activities.

## 7. Legal and tax risk

### 7.1. Legal risk

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

As of June 30, 2023, one borrower remains in litigation before the civil courts, out of the 223 borrowers who have initiated disputes relating to structured loans, as well as two borrowers who have initiated disputes in respect of unstructured loans.

As of June 30, 2023, to the Caisse Française de Financement Local's knowledge, there were no other lawsuits or disputes between Sfil or Caisse Française de Financement Local and its borrowers that were considered significant.

### 7.2. Tax risk

There is no change during the first quarter 2023 concerning the file linked to the treatment of the taxation in Ireland of the income of the former Dexia Municipal Agency (Caisse Française de Financement Local's former name) branch in Dublin, which closed in 2013.

## OUTLOOK

In terms of activity, the development of the export credit refinancing activity is expected to continue with a very positive outlook for 2023 and the coming years. An acceleration in

demand for financing from the local public sector in the second half of 2023 is also expected. The Sfil Group will continue to develop its range of green and social loans and will begin updating work in connection with the delegated act on the other four environmental objectives of the European green taxonomy. The Sfil Group will also finalize the measurement of the footprint of its local public sector and export loan portfolios and will be able to communicate at the end of 2023 information on a decarbonization trajectory compatible with the objectives of the Paris Agreement.

To finance its activities, Caisse Française de Financement Local forecasts a volume of issues on the primary market of between EUR 4 billion and EUR 6 billion for 2023 with a continued ramp-up of its green and social thematic issues.

Caisse Française de Financement Local's business outlook for the second half of the year therefore remains solid, with, however, a higher degree of uncertainty related to changes in interest rates and financing conditions on the financial markets.

## BREAKDOWN OF THE COVER POOL

EUR millions	6/30/2023				12/31/2022	
	Direct exposure		Indirect exposure		Total	Total
COUNTRY	Loans	Bonds	Loans	Bonds		
<b>France</b>						
Central governments :						
- export refinancing	-	-	6,994	-	6,994	6,582
- others	10	-	0	230	240	250
Central banks						
- cash deposits with Banque de France (2)	709	-	-	-	709	1,808
Regional and local authorities						
- Regions	2,550	60	6	-	2,616	2,592
- Departments	6,879	-	317	-	7,196	7,371
- Municipalities	14,263	13	562	-	14,838	14,910
- Overseas Territories	85	-	4	-	89	96
- Groups of municipalities(3)	13,757	46	97	-	13,899	13,681
Public sector entities :						
- health	6,003	-	-	-	6,003	6,042
- others	1,196	225	-	-	1,421	1,282
Credit institutions	8	536	-	-	545	99
<b>Subtotal</b>	<b>45,461</b>	<b>880</b>	<b>7,979</b>	<b>230</b>	<b>54,551</b>	<b>54,713</b>
<b>Austria</b>						
Regional and local authorities						
- Länder	157	-	-	-	157	160
<b>Subtotal</b>	<b>157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157</b>	<b>160</b>
<b>Belgium</b>						
Regional and local authorities						
- Regions	0	-	22	-	22	26
<b>Subtotal</b>	<b>0</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>22</b>	<b>26</b>
<b>Canada</b>						
Regional and local authorities						
- Municipalities step 1 credit rating	100	-	21	-	122	122
Credit institutions	-	397	-	-	397	344
<b>Subtotal</b>	<b>100</b>	<b>397</b>	<b>21</b>	<b>-</b>	<b>519</b>	<b>466</b>
<b>Spain</b>						
Central governments	-	180	-	-	180	180
Regional and local authorities						
- Regions	-	50	-	-	50	50
- Municipalities	60	-	-	-	60	61
<b>Subtotal</b>	<b>60</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>290</b>	<b>291</b>

Classification: [C2]:Diffusion restreinte

EUR millions	6/30/2023				12/31/2022	
	Direct exposure		Indirect exposure		Total	Total
COUNTRY	Loans	Bonds	Loans	Bonds		
<b>United States</b>						
Regional and local authorities						
- Federated States step 1 credit rating	-	108	-	-	108	108
<b>Subtotal</b>	-	<b>108</b>	-	-	<b>108</b>	<b>108</b>
<b>Italy</b>						
Central governments	-	1,155	-	-	1,155	1,150
Regional and local authorities						
- Regions	-	1,215	-	-	1,215	1,439
- Provinces	-	378	-	-	378	394
- Municipalities	3	625	-	-	628	683
- Groups of municipalities	-	7	-	-	7	8
<b>Subtotal</b>	<b>3</b>	<b>3,380</b>	-	-	<b>3,383</b>	<b>3,675</b>
<b>Japan</b>						
Regional and local authorities						
- Municipalities step 2 credit rating	-	25	-	-	25	25
<b>Subtotal</b>	-	<b>25</b>	-	-	<b>25</b>	<b>25</b>
<b>Portugal</b>						
Regional and local authorities						
- Municipalities	4	-	-	-	4	5
<b>Subtotal</b>	<b>4</b>	-	-	-	<b>4</b>	<b>5</b>
<b>Sweden</b>						
Regional and local authorities						
- Municipalities	18	-	-	-	18	18
Credit institutions	-	219	-	-	219	50
<b>Subtotal</b>	<b>18</b>	<b>219</b>	-	-	<b>237</b>	<b>68</b>
<b>Switzerland</b>						
Regional and local authorities						
- Cantons step 1 credit rating	65	-	30	-	95	126
- Municipalities step 1 credit rating	133	-	-	-	133	133
<b>Subtotal</b>	<b>198</b>	-	<b>30</b>	-	<b>228</b>	<b>258</b>
<b>Netherlands</b>						
Credit institutions	-	179	-	-	-	-
<b>Subtotal</b>	-	<b>179</b>	-	-	<b>179</b>	-
<b>Norway</b>						
Credit institutions	-	34	-	-	-	-
<b>Subtotal</b>	-	<b>34</b>	-	-	<b>34</b>	-
<b>GENERAL SUB TOTAL</b>	<b>46,002</b>	<b>5,452</b>	<b>8,053</b>	<b>230</b>	<b>59,737</b>	<b>59,795</b>
<b>Collective impairment</b>					<b>(19)</b>	<b>(18)</b>
<b>TOTAL COVER POOL</b>					<b>59,717</b>	<b>59,777</b>

Loans and securities are excluding premium/discount. Loans and securities denominated in foreign currencies are recorded at their euro swapped value. Loans and bonds are presented after specific impairments. In addition, Caisse Française de Financement Local establishes collective and sectoral provisions; these are deducted from the total cover pool. In 2022, some reclassifications were made between certain categories of local authorities in several countries, as part of the implementation of the new European framework for covered bonds. Certain assets that became ineligible under the new framework were excluded from the cover pool; they are presented below.

## BREAKDOWN OF THE ASSETS HELD OUTSIDE OF THE COVER POOL

EUR million	6/30/2023				12/31/2022	
	Direct exposure		Indirect exposure		Total	Total
	Loans	Bonds	Loans	Bonds		
<b>PAYS</b>						
<b>France</b>						
Sector public entities (1)	283	-	-	-	283	307
<b>Subtotal</b>	<b>283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>283</b>	<b>307</b>
<b>United States</b>						
Regional and local authorities						
- Federated States with step 3 credit rating	-	-	-	-	-	40
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40</b>
<b>Switzerland</b>						
Regional and local authorities						
- Unrated municipalities	74	-	-	-	74	74
<b>Subtotal</b>	<b>74</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74</b>	<b>74</b>
<b>Supranational</b>						
Unrated international organizations	4	-	-	-	4	6
<b>Subtotal</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>6</b>
<b>TOTAL HORS COVER POOL</b>	<b>360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>360</b>	<b>427</b>

(1) not in compliance with Article 129 of the CRR

Loans and securities are excluding premium/discount. Loans and securities denominated in foreign currencies are recorded at their euro swapped value. Loans and bonds are presented after specific impairments. These loans and securities that appeared as assets on Caisse Française de Financement Local's balance sheet are not part of the cover pool and do not contribute to overcollateralisation.

## 2. Half-year financial statements

for the period from January 1st to June 30,  
2023  
(according to French accounting standards)

## Financial Statements

### Assets

<i>EUR millions</i>	Notes	12/31/2022	6/30/2023
Central banks	2.1	1 808	709
Government and public securities	2.2	3 049	2 792
Loans and advances to banks	2.3	6 705	7 179
Loans and advances to customers	2.4	47 346	47 269
Bonds and other fixed income securities	2.5	2 237	3 062
Equities and other variable income securities	-	-	-
Investments in non-consolidated companies and other long-term investments	-	-	-
Investments in consolidated companies	-	-	-
Intangible assets	-	-	-
Property and equipment	-	-	-
Unpaid capital	-	-	-
Uncalled subscribed capital	-	-	-
Treasury stock	-	-	-
Other assets	2.6	109	89
Accruals and other assets	2.7	2 236	2 459
<b>TOTAL ASSETS</b>	<b>2.8</b>	<b>63 490</b>	<b>63 559</b>

### Liabilities

<i>EUR millions</i>	Notes	12/31/2022	6/30/2023
Central banks	-	-	-
Due to banks	3.1	6 210	6 925
Customer borrowings and deposits	-	-	-
Debt securities	3.2	53 337	52 448
Other liabilities	3.3	169	168
Accruals and other liabilities	3.4	2 240	2 529
Provisions	3.5	34	35
Subordinated debt	-	-	-
<b>Equity</b>		<b>1 500</b>	<b>1 454</b>
Share capital	3.6	1 350	1 350
Additional paid-in capital	3.6	-	-
Reserves and retained earnings	3.6	62	67
Net income	3.6	88	38
<b>TOTAL LIABILITIES</b>	<b>3.7</b>	<b>63 490</b>	<b>63 559</b>

### Off-balance sheet items

<i>EUR millions</i>	Notes	12/31/2022	6/30/2023
<b>COMMITMENTS GRANTED</b>	<b>4.1</b>	<b>4 016</b>	<b>6 183</b>
Financing commitments		4 010	6 081
Guarantees granted		-	-
Commitments on securities		-	95
Other commitments granted		6	7
<b>COMMITMENTS RECEIVED</b>	<b>4.2</b>	<b>12 334</b>	<b>14 648</b>
Financing commitments		250	65
Guarantees received		12 084	14 488
Commitments on securities		-	95
Forward commitments		-	-
Other commitments received		-	-
<b>OTHER COMMITMENTS</b>		<b>100 803</b>	<b>100 062</b>
Foreign currency transactions	4.3	16 012	16 144
Commitments on forward financial instruments	4.4	84 791	83 918
Commitments on bonds		-	-

## Income statement

<i>EUR millions</i>	Notes	H1 2022	2022	H1 2023
Interest income	5.1	576	1 145	1 268
Interest expense	5.1	(412)	(918)	(1 164)
Income from variable income securities		-	-	-
Commission income	5.2	-	-	-
Commission expense	5.2	(2)	(3)	(1)
Net gains (losses) on held for trading portfolio		0	0	0
Net gains (losses) on placement portfolio	5.3	(3)	(4)	7
Other banking income		0	0	0
Other banking expense		(0)	(0)	(0)
<b>NET BANKING INCOME</b>		<b>160</b>	<b>219</b>	<b>110</b>
General operating expenses	5.4	(61)	(110)	(60)
Depreciation and amortization		-	-	-
<b>GROSS OPERATING INCOME</b>		<b>99</b>	<b>109</b>	<b>50</b>
Cost of risk	5.5	5	6	(1)
<b>INCOME FROM OPERATIONS</b>		<b>104</b>	<b>115</b>	<b>49</b>
Gains or losses on fixed assets	5.6	-	(3)	-
<b>INCOME BEFORE NON-RECURRING ITEMS AND TAXES</b>		<b>104</b>	<b>112</b>	<b>49</b>
Non-recurring items		-	-	-
Income tax	5.7	(23)	(24)	(11)
<b>NET INCOME</b>		<b>81</b>	<b>88</b>	<b>38</b>
Basic earnings per share		5,97	6,52	2,80
Diluted earnings per share		5,97	6,52	2,80

## Equity

EUR millions	Amount
<b>AS OF 12/31/2022</b>	
Share capital	1 350
Additional paid-in capital	-
Commitments to increase share capital and additional paid-in capital	-
Reserves and retained earnings	62
Net income for the year	88
Interim dividends	-
<b>EQUITY AS OF 12/31/2022</b>	<b>1 500</b>
<b>MOVEMENTS FOR THE PERIOD</b>	
Changes in share capital	-
Changes in additional paid-in capital	-
Changes in commitments to increase share capital and additional paid-in capital	-
Changes in reserves and retained earnings	88
Dividends paid (-)	(84)
Changes in net income for the period	(50)
Other movements	-
<b>AS OF 6/30/2023</b>	<b>-</b>
Share capital	1 350
Additional paid-in capital	-
Commitments to increase share capital and additional paid-in capital	-
Reserves and retained earnings	67
Net income for the period	38
<b>EQUITY AS OF 6/30/2022</b>	<b>1 454</b>

# NOTES TO THE FRENCH GAAP FINANCIAL STATEMENTS

## Note 1 Accounting and valuation policies

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

The financial statements as of June 30, 2023, were examined by the Management Board on September 5, 2023 and presented to the Supervisory Board on September 7, 2023

Caisse Française de Financement Local prepares its financial statements in compliance with ANC Regulation n°2014-07 issued on November 26, 2014 and related to the financial statements for the reporting entities of the banking sector, and in particular credit institutions. As stated in its article 3 and subject to the provisions of the latter regulation, these reporting entities prepare their financial statements in compliance with ANC Regulation n°2014-03 issued on June 5, 2014 and related to general accounting plan. The financial statements are furthermore in accordance with the indications of Directive 86/635/EEC of the Council of European Communities.

The financial statements as of June 30, 2023, were prepared using the same accounting policies as those used in the financial statements as of December 31, 2022.

### 1.2 Accounting principles applied to the financial statements

The financial statements have been prepared in accordance with French generally accepted accounting principles, respecting the principles of prudence, sincerity and true and faithful image, on the basis of the following assumptions:

- going concern principle;
- segregation of accounting periods;
- consistency of methods;
- historical costs;
- no netting principle;
- intangibility of the opening balance sheet.

#### 1.2.1 Loans and advances to banks and to customers

Loans and advances to banks include all loans connected to banking transactions with credit institutions, except securities. They are broken down into sight accounts and term loans. They include in particular loans granted to Sfil refinancing export credit transactions.

Loans and advances to customers comprise loans granted to authorities or guaranteed by authorities.

Loans and advances to customers are recognized in the balance sheet net of impairment for possible losses. The undrawn portion of signed loan contracts is recognized as an off-balance sheet item.

In the absence of definition of restructured loans under the French accounting regulation, the company assimilates restructured loans to forbearance in the purpose of enhancing operational simplicity as well as comparability with prudential standard.

Interest on loans is recognized as Interest income, *prorata temporis* for accrued amounts due and not yet due, as is interest on past-dues.

Commissions received and marginal transaction costs related to the granting or the acquisition of a loan, if they are significant, are amortized over the maturity of the loan. Other commission income is immediately recognized in the income statement.

Prepayment indemnities are recognized in the income statement at the date they occur.

A loan is considered as non-performing when it presents one of the following characteristics:

- a probable or certain risk that it will not be repaid (past-due for more than nine months for local government borrowers, and for more than three months for the other counterparties);
- the existence of a factual counterparty risk (worsening of the financial situation, alert procedures).

Compromised non-performing loans are loans to borrowers whose recovery outlook is so downgraded that they might be ultimately written off. Loans accounted for as non-performing for more than one year are transferred to this category.

For the sake of operational simplicity and conservatism, Caisse Française de Financement Local has aligned the notion of non-performing loan with the prudential notion of actual default, *i.e.* a default due to arrears in payment and/or due to the risk of non-payment of the totality of outstanding due by the borrower (notion of "Unlikely To Pay" (UTP) with reference to the default policy of the Company. Counterparties on probation prior a potential reclassification out of the default category are thus out of the scope of non-performing loans from an accounting perspective.

Impairment charges are recognized for non-performing and compromised non-performing loans:

- the fraction of principal impaired is determined by Risk Management in function of incurred losses. Underlying impairment charges and subsequent reversals are recognized as Cost of risk as well as the losses and subsequent recoveries on the principal of non-recoverable loans;
- interest is fully impaired. Underlying impairment charges and subsequent reversals are recognized in the net interest margin as well as the losses and subsequent recoveries on the interest of non-recoverable loans.

## 1.2.2 Securities

Securities held by Caisse Française de Financement Local are recognized on the asset side of the balance sheet under the item Government and public securities or Bonds and other fixed income securities.

The item Government and public securities includes securities issued by public sector entities that may be refinanced through the European system of central banks.

The item Bonds and other fixed income securities includes:

- securities issued by public sector entities that are not eligible for refinancing by central banks;
- securities guaranteed by public sector entities.

Securities held by Caisse Française de Financement Local are recognized as either investment securities or placement securities.

### 1.2.2.1 Investment securities

Fixed income securities with a specified maturity are recognized as investment securities when there is the intention and the capacity to hold them to maturity. Securities in this category are subject to back-financing or interest-rate hedging over their residual maturity.

Investment securities are recognized on the date of purchase at acquisition clean price, excluding fees. Accrued interest at the date of acquisition and subsequently accrued interest at each closing date is recognized on the balance sheet in the same categories as the corresponding security. Interest on these securities is recognized as Interest income.

The difference between the redemption value and the acquisition clean cost (discount or premium) is amortized according to a quasi-actuarial method over the residual maturity of the security.

At closing date, unrealized gains are not recognized and unrealized losses are generally not impaired. By way of exception, unrealized losses are impaired in the following cases:

- a doubt about the issuer's ability to meet its obligations;
- the probability that the Company will not hold these securities until maturity due to new circumstances.

#### 1.2.2.2 Placement securities

Securities that do not fit into the category investment securities are recognized as placement securities.

Placement securities are recognized on the date of purchase at acquisition clean price, excluding fees. Accrued interest at the date of acquisition and subsequently accrued interest at each closing date is recognized on the balance sheet in the same categories as the corresponding security. Interest on these securities is recognized as Interest income.

The difference between the redemption value and the acquisition clean cost (discount or premium) is amortized according to a quasi-actuarial method over the residual maturity of the security.

In application of the principle of prudence, placement securities are recognized on the balance sheet at their acquisition cost including if applicable the amortization of discount or premium or selling price at closing date, whichever is lower, after accounting, when relevant, for the value of the micro-hedge swap.

If the market for a financial instrument is not active, valuation techniques are used to calculate its selling price. The valuation model should take into account all the factors that market players would consider to value the asset. Within this framework, Caisse Française de Financement Local relies on its own valuation models, making every effort to take into account the market conditions at the date of the valuation as well as any changes in the credit quality of these financial instruments and market liquidity.

When the decrease in the value of the security exceeds the unrealized gain on the micro-hedge, the decrease in net value is recognized as asset impairment in Net gains (losses) on placement portfolio transactions, as well as subsequent impairment reversals and capital gains and losses on sales.

Placement securities transferred to investment securities are recognized at their acquisition cost and previously recognized impairment is reversed over the residual maturity of the securities concerned.

#### 1.2.3 Debt due to banks

Debt due to banks is broken down according to the type of debt (sight accounts, current accounts, long-term loans or non-allocated receivables) and the initial maturity (sight or term debt).

Interest accrued on this debt is recognized in liabilities, offsetting income statement.

#### 1.2.4 Debt securities

Debt securities comprise *obligations foncières* and other resources benefiting from the privilege defined in article L.513-11 of the French Monetary and Financial Code (Registered covered bonds).

Debt securities are recognized at nominal value.

Redemption and issue premiums are amortized according to a quasi-actuarial method over the maturity of the securities concerned *pro rata temporis*. They are recognized on the balance sheet in the same categories as the corresponding debt. Amortization of these premiums is recognized in the income statement as Interest expense. If securities are issued above par, amortization of issue premiums is deducted from Interest expense.

Interest is recognized in the net interest margin for accrued amounts calculated *pro rata temporis*.

Issuance costs and commissions related to issued securities are amortized according to a quasi-actuarial method over the maturity of the related debts and are recognized in the net interest margin.

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

#### 1.2.5 Provisions for risks and charges

Provisions are recognized based on their discounted value when the following three conditions are met:

- Caisse Française de Financement Local has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources representing economic benefits will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

Collective provision covers the risk of loss in value among the loans, bonds and loan commitments not yet covered by any specific loss allowance at closing date. Among this group, counterparties that are reviewed in Watchlist Committee or might be reviewed in a foreseeable future are identified through the use of automatic criteria (based in particular on internal ratings and warning indicators for rating migration determined to be risky) and *ad-hoc* analysis based on the use of professional judgment and expert opinion: outstandings on these counterparties form the base of the collective provision. Losses on these counterparties are estimated on the basis of past events (use of historical patterns), current economic environment and expectations on future economic environment. For this purpose, Caisse Française de Financement Local uses a credit risk model based on an approach derived from Basel approach; this model is subject to regular back-testing.

#### 1.2.6 Derivative transactions

Caisse Française de Financement Local engages in derivative transactions only to hedge the interest rate and foreign exchange risks to which it is exposed in its activity. Depending on their purpose, these transactions are assigned to micro-hedge or macro-hedge portfolios. The valuation and accounting treatments of these financial instruments depends on the chosen category.

The notional amount of these transactions is recognized off-balance sheet over the maturity of the instruments, *i.e.* from the date the contract is signed (including forward contracts) up to maturity. The amount recognized is adjusted to reflect any changes in notional amounts so as to represent the current or future maximum commitment.

Payments made at the inception of financial instruments are amortized over their maturity for the time remaining according to a quasi-actuarial method.

#### 1.2.6.1 Micro-hedge transactions

Derivatives are booked as micro-hedges when they are designed to hedge against the interest rate risk or the foreign exchange risk related to an item or a set of homogeneous items identified from the outset.

Expense and income on these transactions are recognized in the income statement the same way as income and expense on the hedged item or set of homogeneous items.

Termination fees received or paid because of the early interruption of the hedging instrument are generally recognized in the income statement at the termination date. In the framework of a restructuring, they are by way of exception amortized when they constitute an expense in compliance with the tax rule.

#### 1.2.6.2 Macro-hedge transactions

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

Expense and income on these transactions are recognized in the income statement *prorata temporis*, respectively as Interest expense and Interest income. The counterpart is recognized in accruals until the payment date.

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

#### 1.2.7 Foreign currency transactions

Caisse Française de Financement Local recognizes foreign currency transactions in accounts opened and denominated in each of the currencies used.

Specific foreign exchange position accounts and foreign exchange position equivalent accounts are opened in each currency.

At each closing date, differences between on the one hand the amounts resulting from a market price valuation at closing date of the foreign exchange position accounts and on the other hand the amounts recognized in the foreign exchange position equivalent accounts are recognized in the income statement.

#### 1.2.8 Foreign exchange transactions

As part of the systematic hedging of its foreign exchange risk, Caisse Française de Financement Local enters into currency swaps. These currency swaps are initiated to eliminate the risk of foreign exchange rate fluctuations that might affect an asset or liability as soon as such a risk is identified. They are mainly used to hedge certain liabilities, debt securities and customer loans.

Results of foreign exchange hedging transactions are accounted for by recognizing the difference between the hedging rate and the spot rate – contango or backwardation – *prorata temporis* in the income statement.

#### 1.2.9 Guarantees

As part of its activity to refinance large export credits, Caisse Française de Financement Local benefits from an irrevocable and unconditional 100% guarantee by the French State, called an enhanced guarantee. Expenses related to these guarantees are recognized *prorata temporis* in the net interest margin.

### 1.2.10 Non-recurring income and expense

Non-recurring income and expense results from events or transactions that do not relate to ordinary business operations or routine management of the Company's assets and liabilities.

Furthermore, the income or expense involved does not depend on decisions taken within the framework of usual management of the Company's activities or assets, but results from external events of a completely exceptional nature. Only items of this nature that have a significant impact on the period's income statement are recognized as non-recurring income and expense.

### 1.2.11 Tax consolidation

Since January 1, 2014, Caisse Française de Financement Local belongs to the tax group that is headed up by Sfil. This entity pays the total income tax and lump-sum annual tax owed by the Group. Caisse Française de Financement Local recognizes in its accounts the tax expense for which it would be liable if it were not a member of the tax group.

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

### 1.2.12 Offices and activities in uncooperative States and territories

In application of article L.511-45 of the Monetary and Financial Code, it should be noted that Caisse Française de Financement Local has no offices in States that have not signed an administrative assistance agreement with France (subsidiaries, branches, including *ad hoc* entities, and equity interest in other entities over which the Company has exclusive or joint (or *de facto*) control).

### 1.2.13 Identity of the parent company consolidating the accounts of Caisse Française de Financement Local as of June 30, 2023

Sfil

112-114 avenue Emile Zola,  
75015 Paris

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

### 2.1 - Central banks

	12/31/2022	6/30/2023
Mandatory reserves	-	-
Other deposits	1 808	709
<b>TOTAL</b>	<b>1 808</b>	<b>709</b>

### 2.2 - Government and public entity securities eligible for central bank refinancing

#### 2.2.1. Accrued interest included in this item: 29

#### 2.2.2. Analysis by residual maturity excluding accrued interest

	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate	Total
	0	2	23	837	1 900	-	<b>2 763</b>

#### 2.2.3. Analysis by listed securities and other securities excluding accrued interest

	Net amount as of 12/31/2022	Gross amount as of 6/30/2023	Impairment as of 6/30/2023	Net amount as of 6/30/2023	Unrealized capital gain or loss as of 6/30/2023 <sup>(2)</sup>
Listed securities <sup>(1)</sup>	3 008	2 763	-	2 763	(435)
Other securities	-	-	-	-	-
<b>TOTAL</b>	<b>3 008</b>	<b>2 763</b>	<b>-</b>	<b>2 763</b>	<b>(435)</b>

(1) Listed securities are registered for trading on a stock exchange.

(2) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

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

Portfolio	Net amount as of 12/31/2022	Gross amount as of 12/31/2022	Acquisitions, increase	Amortization, redemption or disposals	Others movements	Exchange rate variation	Impairment as of 6/30/2023	Net amount as of 6/30/2023 <sup>(1)</sup>	Unrealized capital gain or loss as of 6/30/2023 <sup>(2)</sup>
Trading	-	-	-	-	-	-	-	-	-
Placement	136	141	1	(26)	-	-	-	116	(13)
Investment	2 871	2 871	8	(232)	-	-	-	2 647	(422)
<b>TOTAL</b>	<b>3 008</b>	<b>3 008</b>	<b>8</b>	<b>-258</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 763</b>	<b>(435)</b>

(1) This amount includes a premium / discount of EUR 6 million for the placement portfolio and of EUR 42 million for the investment portfolio.

(2) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

#### 2.2.5. Impairment breakdown by country

See note 29

## 2.3 - Loans and advances to banks

## 2.3.1. Sight loans and advances to banks

	12/31/2022	6/30/2023
Sight accounts	8	35
Unallocated sums	-	-
<b>TOTAL</b>	<b>8</b>	<b>35</b>

## 2.3.2. Term loans and advances to banks

## 2.3.2.1 Accrued interest included in this item: 53

## 2.3.2.2 Analysis by residual maturity excluding accrued interest

	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate	Total
	34	43	493	3150	3370	-	<b>7 091</b>

## 2.3.2.3 Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2022	Gross amount as of 6/30/2023	Impairment as of 6/30/2023	Net amount as of 6/30/2023
Loans of less than 1 year	-	-	-	-
Loans of more than 1 year	6 661	7 091	-	7 091
<b>TOTAL</b>	<b>6 661</b>	<b>7 091</b>	<b>-</b>	<b>7 091</b>

## 2.3.2.4 Breakdown by counterparty

	12/31/2022	6/30/2023
Sfil - Export credits refinancing loans guaranteed by the French State <sup>(1)</sup>	6 658	7 036
Avances de trésorerie octroyées à la Caisse des Dépôts et Consignations <sup>(2)</sup>	3	55
Banks guaranteed by a local government, crédits municipaux	0	0
<b>TOTAL</b>	<b>6 661</b>	<b>7 091</b>

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

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

## Classification: [C2]:Diffusion restreinte

### 2.4 - Loans and advances to customers

#### 2.4.1. Accrued interest included in this item: 430

#### 2.4.2. Analysis by residual maturity excluding accrued interest

	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate	Total
	529	614	3 175	15 844	26 679	(2)	46 839

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

Economic sector	12/31/2022	6/30/2023
Public sector	45 898	45 826
Other sectors	1 067	1 013
<b>TOTAL</b>	<b>46 965</b>	<b>46 839</b>

#### 2.4.4. Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2022	Gross amount as of * 6/30/2023	Impairment as of 6/30/2023	Net amount as of 6/30/2023
Loans of less than 1 year	20	10	-	10
Loans of more than 1 year	46 945	46 831	(2)	46 829
<b>TOTAL</b>	<b>46 965</b>	<b>46 841</b>	<b>(2)</b>	<b>46 839</b>

#### 2.4.5. Analysis of loans by category of outstanding loans excluding accrued interest

	Net amount as of 12/31/2022	Gross amount as of * 6/30/2023	Impairment as of 6/30/2023	Net amount as of 6/30/2023
Performing commitments	46 857	46 752	-	46 752
Non-performing loans	49	14	(1)	13
Compromised non-performing loans	59	75	(1)	74
<b>TOTAL</b>	<b>46 965</b>	<b>46 965</b>	<b>(2)</b>	<b>46 839</b>

In the absence of a precise definition of the concept of a restructured loan in French GAAP, Caisse Française de Financement Local equates the concept of restructured loan with the concept of forbearance with a view to operational simplification and comparability with prudential standards. Assets considered as forborne by Caisse Française de Financement Local concern exposures to which renegotiation measures have been applied in a context of borrower's financial difficulties (recognized or to come). Renegotiation measures consist of concessions, which may be, for example, payment deferrals, interest rate reductions, rescheduling of maturities, waivers of debts or alterations to contractual conditions. There were 91 forborne contracts as of June 30, 2023, with 60 borrowers, for a total of EUR 223 million.

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

	12/31/2022	Allocations	Reversals	Transfers	6/30/2023
<b>For non-performing loans</b>					
On loans	-	-	-	-	-
On interest	(1)	(0)	1	-	(1)
<b>For compromised non-performing loans</b>					
On loans	-	-	-	-	-
On interest	(1)	(0)	1	-	(1)
<b>TOTAL</b>	<b>(2)</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	<b>(2)</b>

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

#### 2.4.7. Impairment breakdown by country

See note 2.9

## Classification: [C2]:Diffusion restreinte

### 2.5 - Bonds and other fixed income securities

#### 2.5.1. Accrued interest included in this item: 16

#### 2.5.2. Analysis by residual maturity excluding accrued interest

	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate	Total
	12	85	617	1194	1139	(2)	3 046

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

	12/31/2022	6/30/2023
Public sector	1 729	1 696
Other sectors (guaranteed by a State or by a local government)	-	-
Credit institutions	486	1 351
<b>TOTAL</b>	<b>2 215</b>	<b>3 046</b>

#### 2.5.4. Analysis by listed securities and other securities excluding accrued interest

	Net amount as of 12/31/2022	Gross amount as of 6/30/2023	Impairment as of 6/30/2023	Net amount as of 6/30/2023	Unrealized capital gain or loss as of 6/30/2023 <sup>(2)</sup>
Listed securities <sup>(1)</sup>	1 163	2 013	(2)	2 012	(51)
Other securities	1 053	1 035	-	1 035	(38)
<b>TOTAL</b>	<b>2 215</b>	<b>3 048</b>	<b>(2)</b>	<b>3 046</b>	<b>(89)</b>

(1) Listed securities are registered for trading on a stock exchange.

(2) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

#### 2.5.5. Analysis by type of portfolio excluding accrued interest and changes during the year

Portfolio	Net amount as of 12/31/2022	Gross amount as of 12/31/2022	Acquisitions, increase	Amortization, redemption or disposals	Others movements	Variations de change	Dépréciations au 6/30/2023	Net amount as of 6/30/2023	Unrealized capital gain or loss as of 6/30/2023 <sup>(2)</sup>
Trading	-	-	-	-	-	-	-	-	-
Placement	495	499	2	(185)	-	(4)	(2)	310	17
Investment	1 720	1 720	1 165	(148)	-	(1)	-	2 736	(106)
<b>TOTAL</b>	<b>2 215</b>	<b>2 219</b>	<b>1 168</b>	<b>(533)</b>	<b>-</b>	<b>(5)</b>	<b>(2)</b>	<b>3 046</b>	<b>(89)</b>

(1) This amount includes a premium / discount of EUR 29 million for the investment portfolio.

(2) The unrealized capital gain or loss is calculated as the difference between the book value and the market value, taking derivatives into account.

#### 2.5.6. Breakdown of impairment by country

See note 2.9

## 2.6 - Other assets

	12/31/2022	6/30/2023
Taxes	35	18
Other receivables	6	7
Collateral cash paid to SFIL (1)	68	64
<b>TOTAL</b>	<b>109</b>	<b>89</b>

(1) It should be noted that Caisse Française de Financement Local has set up a new ISDA framework agreement with Sfil. This new framework agreement enables the implementation of interest rate and exchange rate risk hedging derivatives associated with a very limited number of Caisse Française de Financement Local's assets that do not meet the requirements of article 129 of the CRR as amended as part of the new covered bonds directive that came into force at the beginning of July 2022. Caisse Française de Financement Local has complied with this new framework in order to obtain the "European High Quality Covered Bond" label for its obligations foncières. As the new texts are more restrictive as regards the eligibility of certain assets, the derivatives used to hedge the associated risks no longer benefit from the legal privilege. A symmetrical exchange of cash collateral between the parties is carried out in line with market practices. In this context, as of June 30, 2023, Caisse Française de Financement Local had paid EUR 64 million in cash collateral to Sfil.

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

## 2.7 - Accruals and other assets

	12/31/2022	6/30/2023
Deferred losses on hedging transactions	876	834
Deferred charges on bond issues	61	60
Prepaid charges on hedging transactions	162	156
Premiums on acquisition of loans	588	565
Other prepaid charges	0	0
Accrued interest not yet due on hedging transactions	542	838
Translation adjustments	-	(0)
Other deferred income	0	1
Other accruals	6	4
<b>TOTAL</b>	<b>2 236</b>	<b>2 459</b>

## 2.8 - Breakdown of assets by currency

Analysis by original currency	Amount in original	Amount	Amount in original	Amount
	currency as of	in euros as of	currency as of	in euros as of
	12/31/2022	12/31/2022	6/30/2023	6/30/2023
EUR	62 950	62 950	62 976	62 976
CHF	130	132	153	157
GBP	129	145	133	154
PLN	53	11	55	12
USD	29	27	38	35
AUD	20	13	20	12
CAD	306	211	306	212
<b>TOTAL</b>		<b>63 490</b>		<b>63 559</b>

## 2.9 - Breakdown of depreciation by country

	Amount as of	Amount as of
	12/31/2022	6/30/2023
<b>Government and public entity - placement securities</b>	<b>(5)</b>	<b>-</b>
France	(0)	-
Italy	(5)	-
<b>Bonds and other fixed income - placement securities</b>	<b>(3)</b>	<b>(2)</b>
France	(1)	(1)
Belgium	-	-
Canada	(2)	(1)
Finland	-	-
Norway	-	-
Netherlands	-	-
Germany	-	-
Sweden	(0)	-
<b>Bonds and other fixed income - investment securities</b>	<b>-</b>	<b>-</b>
<b>Loans and advances to customers</b>	<b>(2)</b>	<b>(2)</b>
France	(2)	(2)

## Classification: [C2]:Diffusion restreinte

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

#### 3.1 - Due to banks

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

##### 3.1.1 Accrued interest included in this item: 75

##### 3.1.2. Debt to credit institutions excluding accrued interest

	12/31/2022	6/30/2023
Sight accounts	-	-
Current account - parent company	-	-
Term borrowing - parent company	6 195	6 850
Unallocated sums	-	-
<b>TOTAL</b>	<b>6 195</b>	<b>6 850</b>

##### 3.1.3 Analysis by residual maturity excluding accrued interest

	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate	Total
Sight	-	-	-	-	-	-	-
Term	320	1 700	1 000	2 830	1 000	-	6 850
<b>TOTAL</b>	<b>320</b>	<b>1 700</b>	<b>1 000</b>	<b>2 830</b>	<b>1 000</b>	<b>-</b>	<b>6 850</b>

#### 3.2 - Debt securities

##### 3.2.1. Debt securities (obligations foncières)

##### 3.2.1.1. Accrued interest included in this item: 387

##### 3.2.1.2. Analysis by residual maturity excluding accrued interest

Type of securities	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate	Total
Obligations foncières	250	10	2 290	19 506	23 781	-	45 836
of which net issue premiums	0	0	(1)	14	0	-	13

##### 3.2.1.3. Changes during the year excluding accrued interest

Type of securities	Amount as of 12/31/2022	Increases	Decreases	Others movements	Amount as of 6/30/2023
Obligations foncières	46 589	1 959	(2 719)	6	45 836

##### 3.2.2. Other bonds (registered covered bonds)

##### 3.2.2.1. Accrued interest included in this item: 140

##### 3.2.2.2. Analysis by residual maturity excluding accrued interest

Type of securities	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate	Total
Registered covered bonds	10	-	329	1 958	3 788	-	6 085
of which net issue premiums	-	-	(0)	(1)	32	-	31

##### 3.2.2.3. Changes during the year excluding accrued interest

Type of securities	Amount as of 12/31/2022	Increases	Decreases	Others movements	Amount as of 6/30/2023
Registered covered bonds	6 244	27	(186)	-	6 085

## Classification: [C2]:Diffusion restreinte

### 3.3 - Other liabilities

	12/31/2022	6/30/2023
Cash collateral received	72	93
Accrued interest not yet due on cash collateral received	0	0
Taxes	24	11
Balances to pay on unwound hedging contracts	-	-
Contribution to the support fund <sup>(1)</sup>	60	50
Other creditors	13	13
<b>TOTAL</b>	<b>169</b>	<b>168</b>

(1) This item includes the residual balance of the commitments made in 2013 by Caisse Française de Financement Local to contribute EUR 10 million per year over 15 years to the multi-year local government entity support funds, for a total of EUR 150 million.

### 3.4 - Accruals and other liabilities

	12/31/2022	6/30/2023
Deferred gains on hedging transactions	-	-
Deferred income on hedging transactions	759	691
Deferred income on loans	597	704
Accrued interest not yet due on hedging transactions	526	819
Other accrued charges	16	12
Translation adjustments	342	276
Other accruals - liabilities	0	26
<b>TOTAL</b>	<b>2 240</b>	<b>2 529</b>

### 3.5 - Provisions for risks and charges

	Amount as of 12/31/2022	Increases	Decreases	Others movements	Amount as of 6/30/2023
Loans and commitments (1)	19	2	(1)	-	21
Financial instruments (2)	13	-	(0)	-	13
Other provisions <sup>(3)</sup>	2	-	-	-	2
<b>TOTAL</b>	<b>34</b>	<b>2</b>	<b>(1)</b>	<b>-</b>	<b>35</b>

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

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

(3) As a reminder, in the context of the health crisis and the consequences for the cruise industry, Caisse Française de Financement Local decided in 2020 to set up a provision for risks on the foreign exchange financial hedging instruments used to refinance the export credits in dollars in this sector. This provision was raised to EUR 3.9 million at the end of 2021. In 2022, Caisse Française de Financement Local decided to reduce the amount of this provision by EUR 2.2 million in view of the decrease in the underlying risk. As a result, this provision for risks and charges represented EUR 1.7 million at end-December 2022. The amount of this provision remained stable in the first half of 2023.

### 3.6 Breakdown of equity

	Amount as of 12/31/2022	Amount as of 6/30/2023
Share capital	1 350	1 350
Legal reserve	62	66
Retained earnings (+/-)	0	0
Net income (+/-)	88	38
<b>TOTAL</b>	<b>1 500</b>	<b>1 454</b>

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

Caisse Française de Financement Local's share capital totaled EUR1,350 million, comprising 13,500,000 shares.

### 3.7 - Breakdown of liabilities by currency

Analysis by original currency	Amount in original currency as of	Amount in euros as of	Amount in original currency as of	Amount in euros as of
	12/31/2022	12/31/2022	6/30/2023	6/30/2023
EUR	62 950	62 950	62 976	62 976
CHF	130	132	153	157
GBP	129	145	133	154
PLN	53	11	55	12
USD	29	27	38	35
AUD	20	13	20	12
CAD	306	211	306	212
<b>TOTAL</b>		<b>63 490</b>		<b>63 559</b>

### 3.8 - Transactions with related parties

Analysis by nature	Parent company <sup>(1)</sup>		Other related parties <sup>(2)</sup>	
	12/31/2022	6/30/2023	12/31/2022	6/30/2023
<b>ASSETS</b>				
Loans and advances to banks	6 695	7 089	3	55
Bonds and other fixed income securities	-	-	-	-
Other assets	102	82	-	-
Accruals and other assets	152	196	(0)	0
<b>LIABILITIES</b>				
Due to banks	6 210	6 925	-	-
Debt securities	-	-	354	278
Other liabilities	24	11	-	-
Accruals and other liabilities	263	267	-	-
<b>INCOME STATEMENT</b>				
Interest income	74	176	-	-
Interest expense	(15)	(206)	(13)	(5)
Commission income	-	-	-	-
Commission expense	-	-	(0)	(0)
Net gains (losses) on held for trading portfolio	-	-	-	-
Net gains (losses) on placement portfolio	-	-	-	-
Other banking income	-	-	-	-
Other banking expense	-	-	-	-
General operating expenses	(102)	(53)	-	-
<b>OFF-BALANCE SHEET</b>				
Interest rate derivatives	15 186	14 349	-	-
Foreign exchange derivatives	1 120	1 202	-	-
Financing commitments received	250	50	-	-
Other commitments received (3)	-	-	3	135
Financing commitments given	3 989	5 981	1	80

(1) This item includes transactions with Sfil, the parent company of Caisse Française de Financement Local.

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

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

## Classification: [C2]:Diffusion restreinte

### 4. Notes to the off-balance sheet items (EUR millions)

#### 4.1 - Commitments granted

	12/31/2022	6/30/2023
Financing commitments granted to credit institutions <sup>(1)</sup>	3 990	6 061
Financing commitments granted to customers <sup>(2)</sup>	20	20
Commitments on securities - commitments to pay	-	95
Other commitments given, assets assigned in guarantee <sup>(3)</sup>	6	7
<b>TOTAL</b>	<b>4 016</b>	<b>6 183</b>

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

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

(3) It means the irrevocable payment commitment to the Fonds de garantie et de résolution.

#### 4.2 - Commitments received

	12/31/2022	6/30/2023
Financing commitments received from credit institutions <sup>(1)</sup>	250	65
Currencies borrowed	-	-
Guarantees received from credit institutions	-	-
Enhanced guarantees <sup>(2)</sup>	10 678	13 067
Guarantees received from local governments and asset transfers as guarantees of commitments on lo	1 403	1 286
Commitments on securities - securities to be received	-	95
Other commitments received <sup>(3)</sup>	3	135
<b>TOTAL</b>	<b>12 334</b>	<b>14 648</b>

(1) This item corresponded to the amount of the overdraft, authorized in the current account agreement set up with Sfil, totaling EUR 50 million. In 2022, it also included a deferred-start loan granted by Sfil. In 2023, it also includes a registered covered bond issue with a future value date.

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

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

#### 4.3 - Foreign currency transactions

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

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

	12/31/2022	6/30/2023	Fair value as of 6/30/2023
Currencies to receive	7 664	7 796	(198)
Currencies to deliver	8 006	8 072	139
<b>TOTAL</b>	<b>15 670</b>	<b>15 867</b>	<b>(58)</b>

#### 4.4 - Commitments on forward financial instruments

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

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

Type of transaction	Amount as of 12/31/2020	Less than 1 month	1 to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Indeterminate	Amount as of 6/30/2023
Notional amount	84 791	11 683	4 188	9 758	25 503	32 786	-	83 918
of which deferred start	8 888	-	-	4 200	120	943	-	5 264

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

##### 4.4.2. Analysis of interest rate transactions by product type

	12/31/2022	6/30/2023
Interest rate swaps	84 791	83 918
Term contracts	-	-
Interest rate options	-	-
<b>TOTAL</b>	<b>84 791</b>	<b>83 918</b>

##### 4.4.3. Analysis of interest rate swap transactions

	12/31/2022	6/30/2023	Fair value as of 6/30/2023
Micro-hedge	47 867	45 835	(2 913)
Macro-hedge	36 924	38 084	202
<b>TOTAL</b>	<b>84 791</b>	<b>83 918</b>	<b>(2 711)</b>

##### 4.4.4. Analysis of interest rate transactions by counterparty

	12/31/2022	6/30/2023
Related parties	15 186	14 349
Other counterparties	69 605	69 570
<b>TOTAL</b>	<b>84 791</b>	<b>83 918</b>

**5. Notes to the income statement (EUR millions)****5.1 - Interests and related income / expense**

	H1 2022	H1 2023
<b>INCOME</b>	<b>576</b>	<b>1 268</b>
Due from banks	6	138
Due from customers	372	607
Bonds and other fixed income securities	23	74
Macro-hedge transactions	175	449
Other commitments	-	-
<b>EXPENSE</b>	<b>(412)</b>	<b>(1 164)</b>
Due to banks	(5)	(103)
Due to customers	(96)	(34)
Bonds and other fixed income securities	(72)	(603)
Macro-hedge transactions	(239)	(424)
Other commitments	-	-
<b>INTEREST MARGIN</b>	<b>164</b>	<b>105</b>

As a reminder, the interest margin at June 30, 2022 recorded income of EUR 62 million from the collection of compensation for the termination of interest rate macro-hedging swaps in accordance with the Company's accounting principles (see 1.2.6). This income had been offset by expenses of the same nature at the end of the financial year due to the method used to hedge the interest rate risk associated with the Company's assets and liabilities and the swap cancellations carried out in the second half of 2022. This income explains the significant variation in the interest margin between the two periods.

As a reminder, Caffil may have to terminate asset or liability hedging swaps in order to naturally match fixed-rate assets with fixed-rate liabilities. This makes it possible to hedge interest rate risk without the use of hedging derivatives. This practice, used for several years, allows the Company to reduce its volume of derivatives. Caisse Française de Financement Local only uses derivatives to hedge its risks and manages its interest rate risk within very low limits given its limited risk appetite.

**5.2 - Commissions received and paid**

	H1 2022	H1 2023
Chargeback commissions received from / paid to Sfil	-	-
Other commissions	(2)	(1)
<b>TOTAL</b>	<b>(2)</b>	<b>(1)</b>

**5.3 - Net gains or losses on portfolio transactions**

	H1 2022	H1 2023
Transactions on placement securities <sup>(1)</sup>	(3)	7
Transactions on interest rate derivatives	0	-
Foreign exchange transactions	0	0
<b>TOTAL</b>	<b>(2)</b>	<b>7</b>

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

**5.4 - General operating expenses**

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

	H1 2022	H1 2023
Payroll costs	-	-
Other general and administrative operating expenses	(53)	(54)
Taxes	(8)	(6)
<b>TOTAL</b>	<b>(61)</b>	<b>(60)</b>
<i>of which fees charged back by Sfil.</i>	<i>(52)</i>	<i>(53)</i>

**5.5 - Cost of risk**

	H1 2022	H1 2023
Collective and specific impairments	5	(1)
<b>TOTAL</b>	<b>5</b>	<b>(1)</b>

**5.6 - Gains or losses on fixed assets**

	H1 2022	H1 2023
Transactions on investment securities	-	-
Other operations	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

**5.7 - Corporate income tax**

	H1 2022	H1 2023
Income tax for the year	(23)	(11)
<b>TOTAL</b>	<b>(23)</b>	<b>(11)</b>

## **6. Impact of the war in Ukraine on the company's financial statements (in EUR million)**

de Financement Local does not have any exposure in Russia nor in Belarus. Sfil, its parent company, has only one exposure in Ukraine, which as of June 30, 2023 represented outstandings on the balance sheet of EUR 52 million. This exposure was granted as part of the export credit activity and is 100% guaranteed by the French Republic. Sfil is not, therefore, directly exposed to credit risk on this file. This contract was the subject of a refinancing contract granted by Caisse Française de Financement Local which, in addition to the 100% credit insurance, benefits from the 100% guarantee granted by the French Republic known as the enhanced guarantee.

## **8. Post-closing events**

No significant event that influenced the Company's financial situation has occurred since the closing on June 30, 2023.

### 3. Statutory auditors' report (French GAAP)

*This is a free translation into English of the Statutory Auditors' review 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.*

# Caisse Française de Financement Local

## Statutory Auditors' review report on the interim financial information (for the six months ended 30 June 2023)

To the Shareholders,

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 review of the accompanying interim financial statements of Caisse Française de Financement Local for the six months ended 30 June 2023;
- the verification of the information contained in the interim management report.

These financial statements are the responsibility of the Executive Board. Our role is to express a conclusion on these financial statements based on our review.

### **I – Conclusion on the financial statements**

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

A 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements have not been prepared, in all material respects, in accordance with French accounting principles.

### **II – Specific verification**

We have also verified the information given in the interim management report on the interim financial statements subject to our review.

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

Neuilly-sur-Seine and Paris La Défense, 11 September 2023

The Statutory Auditors

PricewaterhouseCoopers Audit  
Ridha Ben Chamek

KPMG S.A.  
Jean-François Dandé

## 4. Statement by the person responsible

## **STATEMENT OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT**

I, the undersigned, Gilles GALLERNE, Chairman of the Executive Board of Caisse Française de Financement Local, hereby affirms that, to the best of my knowledge, these half-year 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 half-year financial report presents a fair image of significant events that have taken place during the first six months of the year and their impact on the half-year financial statements, and a description of all the major risks and uncertainties concerning the remaining six months of the fiscal year.

Paris, September 11, 2023

Gilles GALLERNE  
Chairman of the executive board