



**Report on asset quality**  
**as of March 31, 2019**  
Caisse Française de Financement Local  
(Instruction n° 2011-I-07 of June 15, 2011)

C.I.B 14 388

The report on asset quality, compliant with Instruction No. 2011-I-07 of, June 15, 2011, aims at presenting all of the assets comprising the cover pool of Caisse Française de Financement Local and the management framework of its interest rate and liquidity risks.

As of March 31, 2019, Caisse Française de Financement Local's cover pool is made of EUR 48.6 billion of loans, EUR 6.0 billion of bonds and EUR 3.2 billion of replacement assets, that correspond to the following exposures:

EUR thousands, as of 03/31/2019	<b>Total cover pool</b>	<b>Assets removed from the cover pool</b>	<b>Total Outstanding</b>
Exposures on public sector	54,593,596	654	54,594,250
Asset-backed securities	-	-	-
Replacement assets	3,174,797	-	3,174,797
<b>TOTAL</b>	<b>57,768,393</b>	<b>654</b>	<b>57,769,047</b>

As a *société de crédit foncier*, Caisse Française de Financement Local can access the refinancing possibilities offered by the Banque de France to banks. Within the framework of the management of its cover pool and its cash, Caisse Française de Financement Local can thus remove some assets from its cover pool and pledge them to the central bank to obtain funding from tenders organized by the Banque de France. Caisse Française de Financement Local did not use this possibility over the course of the last three years (with the exception of operational access tests, regularly implemented) and no asset has been pledged to the Banque de France as of Mars 31, 2019.

Some assets held by Caisse Française de Financement Local may also be removed from the cover pool if they become non-eligible, before being sold or matured.

The cover pool does not contain any asset-backed securities. The current and future *obligations foncières* issued by Caisse Française de Financement Local are in line with the eligibility criteria required by the European Central Bank for refinancing and are also compliant with regulations rules CRR / CRD IV.

## 1. MORTGAGE LOANS

Caisse Française de Financement Local has no mortgage loans in its cover pool.

## 2. EXPOSURES ON PUBLIC SECTOR

### 2.1 BREAKDOWN BY COUNTERPARTY

Direct exposures refer to exposures on public sector entities and indirect exposures to exposures fully guaranteed by public sector entities. Exposures in a foreign currency are converted into euro using the exchange rate of the hedging swap.

Loans and bonds are presented after specific impairments and are off premium / discount.

EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which past due <sup>(1)</sup>
	Loans	Bonds	Loans	Bonds		
COUNTRY						
<b>France</b>						
State :						
- export refinancing	-	-	1,495,361	-	1,495,361	-
- others	4,982	-	143	-	5,125	-
Banque de France <sup>(2)</sup>	1,516,633	-	-	-	1,516,633	-
Regions	1,874,433	199,448	251,942	-	2,325,823	36,443
Departments	6,838,689	54,965	170,274	-	7,063,928	-
Municipalities	15,067,099	35,490	356,618	-	15,459,207	19,875
Groups of municipalities <sup>(3)</sup>	11,609,782	75,996	127,574	-	11,813,352	3,198
Public sector entities :						
- health	6,142,913	28,171	-	-	6,171,084	310
- social housing	1,137,540	-	-	-	1,137,540	-
- others	835,036	154,205	888	-	990,129	108
<b>Sub total</b>	<b>45,027,107</b>	<b>548,275</b>	<b>2,402,800</b>	<b>-</b>	<b>47,978,182</b>	<b>59,934</b>
<b>Germany</b>						
Länder	-	275,000	-	-	275,000	-
<b>Sub total</b>	<b>-</b>	<b>275,000</b>	<b>-</b>	<b>-</b>	<b>275,000</b>	<b>-</b>
<b>Austria</b>						
Länder	-	-	180,681	-	180,681	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>180,681</b>	<b>-</b>	<b>180,681</b>	<b>-</b>
<b>Belgium</b>						
Regions	4,218	-	15,000	-	19,218	-
Public sector entities	45,749	-	-	-	45,749	-
<b>Sub total</b>	<b>49,967</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>64,967</b>	<b>-</b>
<b>Canada</b>						
Municipalities	100,287	-	-	-	100,287	-
Public sector entities	34,485	-	-	-	34,485	-
<b>Sub total</b>	<b>134,772</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134,772</b>	<b>-</b>
<b>Spain</b>						
State	-	100,000	-	-	100,000	-
Regions	-	50,000	-	-	50,000	-
Municipalities	72,661	-	-	-	72,661	-
<b>Sub total</b>	<b>72,661</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>222,661</b>	<b>-</b>
<b>United States</b>						
Federated States	-	252,943	-	-	252,943	-
<b>Sub total</b>	<b>-</b>	<b>252,943</b>	<b>-</b>	<b>-</b>	<b>252,943</b>	<b>-</b>

EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which past due <sup>(1)</sup>
	Loans	Bonds	Loans	Bonds		
COUNTRY						
<b>Italy</b>						
State	-	530,410	-	-	530,410	-
Regions	-	1,910,280	-	-	1,910,280	-
Provinces	-	473,708	-	-	473,708	-
Municipalities	6,759	1,707,452	-	-	1,714,211	-
<b>Sub total</b>	<b>6,759</b>	<b>4,621,850</b>	-	-	<b>4,628,609</b>	-
<b>Japon</b>						
Municipalities	-	25,000	-	-	25,000	-
<b>Sub total</b>	-	<b>25,000</b>	-	-	<b>25,000</b>	-
<b>Portugal</b>						
State	-	10,000	-	-	10,000	-
Municipalities	13,842	-	-	-	13,842	-
Public sector entities	3,437	-	-	-	3,437	-
<b>Sub total</b>	<b>17,279</b>	<b>10,000</b>	-	-	<b>27,279</b>	-
<b>United Kingdom</b>						
State	-	-	-	114,255	114,255	-
<b>Sub total</b>	-	-	-	<b>114,255</b>	<b>114,255</b>	-
<b>Sweden</b>						
Municipalities	18,490	-	-	-	18,490	-
<b>Sub total</b>	<b>18,490</b>	-	-	-	<b>18,490</b>	-
<b>Switzerland</b>						
Cantons	256,700	-	6,453	-	263,153	-
Municipalities	325,451	-	-	-	325,451	-
Public sector entities	60,350	-	-	-	60,350	-
<b>Sub total</b>	<b>642,501</b>	-	<b>6,453</b>	-	<b>648,954</b>	-
<b>Supranational</b>						
International organizations	21,803	-	-	-	21,803	-
<b>Sub total</b>	<b>21,803</b>	-	-	-	<b>21,803</b>	-
<b>TOTAL</b>	<b>45,991,339</b>	<b>5,883,068</b>	<b>2,604,934</b>	<b>114,255</b>	<b>54,593,596</b>	<b>59,934</b>

(1) Caisse Française de Financement Local publishes annual and semi-annual accounts. Consequently, data relating to nonperforming and litigious loans, and specific impairments as of March 31, 2019, are not disclosed in the table below. Nevertheless, non-performing and litigious loans and specific impairments are under regular monitoring and can lead to some adjustments of exposures presented in this table.

(2) Caisse Française de Financement Local's Banque de France account as of March 31, 2019

(3) Of which EUR 18,379 thousand on operations linked to partnership agreements.

## 2.2 RATINGS

Caisse Française de Financement Local has no exposure (except replacement assets as described below) that would require a minimal rating from a rating agency recognized by the Autorité de contrôle prudentiel et de résolution (ACPR).

## 2.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 03/31/2019

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals <sup>(1)</sup>	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	2,050	1,889,505	113,214	347	-	-	2,003,066
1	3,169	49,457	46,656	506,984	264,525	-	867,622
2	2,645	35,473	35,778	119,456	457,776	-	648,483
3	2,673	38,936	39,519	122,046	792,136	-	992,637
4	2,760	58,303	41,751	96,902	1,139,179	-	1,336,135
5	2,200	41,990	48,131	111,247	875,332	27,716	1,104,416
6	3,611	50,150	59,069	106,944	885,801	629,655	1,731,619
7	3,317	41,472	44,145	113,695	835,599	708,043	1,742,954
8	2,314	51,026	53,966	116,819	935,255	1,295,092	2,452,158
9	2,763	51,425	74,663	135,893	1,165,811	1,724,916	3,152,708
10	2,491	51,394	63,224	147,590	1,086,759	1,738,476	3,087,443
11	2,618	60,457	65,377	127,421	1,037,889	1,881,447	3,172,591
12	2,176	50,956	51,383	112,216	875,264	3,229,215	4,319,034
13	1,482	37,833	40,209	91,428	703,556	1,711,102	2,584,128
14	1,583	35,851	32,111	95,070	680,264	1,819,030	2,662,326
15	1,194	30,452	29,396	82,625	582,548	1,900,995	2,626,016
16	1,371	34,803	36,071	70,307	597,700	2,753,487	3,492,368
17	1,117	25,403	24,461	67,488	495,434	2,163,977	2,776,763
18	1,072	26,724	35,035	76,269	587,169	2,982,900	3,708,097
19	994	28,531	37,345	73,714	580,202	2,399,790	3,119,582
20	659	10,752	12,279	36,997	248,790	1,170,517	1,479,335
21	342	9,241	14,983	20,440	184,476	863,855	1,092,995
22	211	7,810	8,364	18,347	139,507	670,785	844,813
23	169	3,719	7,559	17,283	118,375	611,331	758,267
24	171	3,535	3,837	9,690	70,222	397,938	485,222
25	142	2,726	1,682	8,102	51,031	285,486	349,027
26	51	359	423	1,561	9,793	75,458	87,594
27	66	2,109	4,706	2,623	39,818	272,097	321,353
28	61	1,294	1,700	4,424	30,732	238,612	276,762
29	74	1,455	3,139	4,933	41,886	973,231	1,024,644
30	52	746	790	3,213	19,483	132,033	156,265
31	10	82	108	984	4,868	30,910	36,952
32	2	83	83	167	1,334	8,980	10,647
33	9	517	219	197	3,767	30,205	34,905
34	36	65	64	231	1,547	21,214	23,121
35	14	30	144	890	4,719	72,972	78,755
36	16	526	211	364	4,901	90,999	97,001
37	28	172	157	508	3,428	37,564	41,829
38	22	554	109	193	3,857	37,308	42,021
39	7	64	131	214	1,699	21,011	23,119
40	7	44	103	257	1,746	26,157	28,307
41	2	75	120	196	1,600	19,743	21,734
42	1	0	30	31	269	6,282	6,612
	<b>45,752</b>	<b>2,736,099</b>	<b>1,032,445</b>	<b>2,506,306</b>	<b>15,566,047</b>	<b>33,060,529</b>	<b>54,901,426</b>
TRANSLATION ADJUSTMENTS							-307,829
<b>TOTAL</b>							<b>54,593,597</b>

(1) Number of loans and bonds maturing during the period

The first period (maturity date in 0 year) includes the balance of Banque de France account.

## 2.4 EARLY REPAYMENTS

EUR thousands, as of 3/31/2019

COUNTRY	Early repayments during the year 2019	Rate of early repayments End of period
<b>France</b>		
Departments	3,959	0.06%
Municipalities	22,111	0.14%
Groups of municipalities	277	0.00%
Public sector entities :		
- health	7,698	0.13%
- social housing	1,514	0.13%
- others	6,375	0.65%
State	112,448	8.87%
<b>Sub-total</b>	<b>154,382</b>	<b>0.33%</b>
<b>TOTAL exposures on public sector</b>	<b>154,382</b>	<b>0.29%</b>

The rate of early repayments as of March 31, 2019, corresponds to the volume of early repayments occurred over the first quarter divided by the arithmetic average outstanding amount for the period (equal to the average amount of daily outstandings).

In 2018, the rate of early repayments for this entire year was 0.23% for a total amount of repayments of EUR 123 million.

### 3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

#### 3.1 BREAKDOWN BY COUNTERPART

As of March 31, 2019, Caisse Française de Financement Local did not hold any asset-backed securities or similar structures.

#### 3.2 RATINGS

Not applicable

#### 3.3 BREAKDOWN BY MATURITY DATE

Not applicable

#### 3.4 EARLY REPAYMENTS

Not applicable



## 4. REPLACEMENT ASSETS

### 4.1. BREAKDOWN BY COUNTERPART

EUR thousands, as of 03/31/2019	Country	Amount
<b>Step 1 credit rating</b>		
Covered Bonds		
	France	473,433
	Other countries	726,727
Other Bank bonds		
	France	486,224
	Other countries	589,492
Loans to SFIL	France	800,000
<b>Step 2 credit rating</b>		
Bank bonds (Maturity < 100 days)		
	France	45,000
	Other countries	50,000
Bank account's balances	France and other countries	3,921
<b>TOTAL</b>		<b>3,174,797</b>

Bank bonds correspond to cash investments made of certificates of deposit or bonds issued by credit institutions.

Bank bonds are presented after specific impairments and are off premium / discount.

Caisse Française de Financement Local grants loans to SFIL, its parent company, in order to invest its surplus cash.

No non-performing or litigious loans are enumerated among replacement assets.

### 4.2 RATINGS

As of March 31, 2019, replacement assets were composed of bank bonds, of loans to SFIL and of bank accounts balances, whose ratings correspond to a step 1, or step 2 credit rating when the maturity is under 100 days.

### 4.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 03/31/2019

Maturity date in years	Residual maturity		Term to maturity				TOTAL
	Number of deals <sup>(1)</sup>	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	5	513,832	29,956	-	-	-	543,788
1	30	-	-	1,219,866	161,270	-	1,381,136
2	19	-	-	-	694,269	-	694,269
3	16	-	-	-	343,515	-	343,515
4	5	-	-	-	139,889	-	139,889
5	2	-	-	-	-	72,200	72,200
<b>Total</b>	<b>77</b>	<b>513,832</b>	<b>29,956</b>	<b>1,219,866</b>	<b>1,338,943</b>	<b>72,200</b>	<b>3,174,797</b>

(1) Numbers of loans and bonds maturing during the period

Balances of bank current accounts are presented as a unique matured deal.

### 4.4 EARLY REPAYMENTS

No early repayment occurred on replacement assets in 2019.

## 5. MANAGEMENT OF THE INTEREST RATE RISK

To limit interest rate risk impact, this risk is hedged in two stages by Caisse Française de Financement Local:

- In the first stage, all the assets and the liabilities benefiting from the privilege which do not naturally have a floating rate are hedged against Euribor until maturity as soon as they are recorded on the balance sheet. In practice, acquisitions of loan portfolios (in which the unit amount is generally small) are usually macro-hedged. Loans granted individually or bond issues can be micro- or macro-hedged. Hedging of assets and liabilities is more often obtained in using new interest rate swaps, but the same effect can also be obtained whenever possible by the cancelation of swaps of opposite direction.
- In the second stage, Euribor lending and borrowing flows (naturally or after hedges) are swapped against Eonia in order to eliminate the basis risk generated by differences in the tenor (Euribor 1, 3, 6 or 12 months) and the fixing risk due to refixing dates of reference indices that differ for the assets and the liabilities. The residual risk is managed using macro-hedges with a management horizon of one week.

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 concerned by these hedging operations. In fact, debt contracted by Caisse Française de Financement Local with its shareholder to finance over-collateralization is borrowed either directly with a Eonia index and does not need to be swapped, or with a Euribor index and thus finances assets also indexed on Euribor. Short-term debt owed the Banque de France with a fixed rate (if any) is not hedged, but finances fixed rate assets.

The sensitivity of residual positions in fixed rates and variable rates fixed for a determined period of time that remain after the two levels of hedging is monitored on a monthly basis. Limits provide a framework for this sensitivity and are designed to reduce the impact on the value of balance sheet items in the event of a shift in the yield curve or a move in sloping/rotation. They are calibrated so as not to lose more than EUR 80 million with a quantile of 99% calculated based on ten years historical data.

A set of three limits makes it possible to have a grasp of the slope risk, as well as the directional risk. These limits control the sensitivity of the fixed rate risk and together guarantee the respect of the maximum loss mentioned above.

The measurement of sensitivity for shifts in rates of 100 basis points at the end of each quarter is presented below:

### Directional risk

Total sensitivity

EUR millions, end of quarter	Limit	2Q 2018	3Q 2018	4Q 2018	1Q 2019
<b>Sensitivity</b>	<b>25.0</b>	<b>1.7</b>	<b>-2.0</b>	<b>0.9</b>	<b>-0.2</b>

### Risk of slope between two distant points on the rate curve

Sum of sensitivities

EUR millions, end of quarter	Limit	2Q 2018	3Q 2018	4Q 2018	1Q 2019
<b>Short term</b>	<b>10.0</b>	<b>-4.3</b>	<b>-5.5</b>	<b>-5.8</b>	<b>-5.5</b>
<b>Medium term</b>	<b>10.0</b>	<b>-1.0</b>	<b>-4.9</b>	<b>0.0</b>	<b>-3.5</b>
<b>Long term</b>	<b>10.0</b>	<b>4.6</b>	<b>4.6</b>	<b>2.5</b>	<b>5.3</b>
<b>Very long term</b>	<b>10.0</b>	<b>2.4</b>	<b>3.8</b>	<b>4.3</b>	<b>3.6</b>

### Risk of slope between two close points on the rate curve

Sum of sensitivities in absolute value

EUR millions, end of quarter	Limit	2Q 2018	3Q 2018	4Q 2018	1Q 2019
<b>Short term</b>	<b>20.0</b>	<b>8.8</b>	<b>10.3</b>	<b>9.2</b>	<b>15.0</b>
<b>Medium term</b>	<b>20.0</b>	<b>14.4</b>	<b>9.9</b>	<b>10.0</b>	<b>9.8</b>
<b>Long term</b>	<b>20.0</b>	<b>8.7</b>	<b>13.0</b>	<b>12.9</b>	<b>8.9</b>
<b>Very long term</b>	<b>20.0</b>	<b>10.8</b>	<b>14.1</b>	<b>13.3</b>	<b>12.8</b>

## 6. MANAGEMENT OF THE LIQUIDITY RISK

Caisse Française de Financement Local's management makes it possible to provide a structural coverage of its liquidity needs by assets eligible for refinancing by the Banque de France, until the full amortization of the privileged liabilities.

Moreover, Caisse Française de Financement Local ensures that at any time, its cash needs over a period of 180 days are covered by replacement assets and assets eligible for credit operations with the Banque de France. Cash needs are defined as repayments of *obligations foncières* and registered covered bonds (RCB), of debts that do not benefit from the legal privilege and forecasts of repayment of the cash collateral received, after deduction of amortization cash flows from assets.

As of March 31, 2019, the liquidity situation showed a surplus over the next 180 days. The movements observed correspond to cash flows from amortization of *obligations foncières*, cash collateral, non privileged liabilities and assets.

