



Report on asset quality
as of March 31, 2020
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, 2020, Caisse Française de Financement Local's cover pool is made of EUR 49.5 billion of loans, EUR 7.1 billion of bonds and EUR 0.2 billion of cash account deposit at Banque de France, that correspond to the following exposures, presented in this report :

EUR thousands, as of 03/31/2020	Total cover pool	Assets removed from the cover pool	Total Outstanding
Exposures on public sector	54,715,729	600	54,716,329
Asset-backed securities	-	-	-
Replacement assets	2,112,998	-	2,112,998
TOTAL	56,828,727	600	56,829,327

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 March 31, 2020.

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 ⁽¹⁾
	Loans	Bonds	Loans	Bonds		
France						
State :						
- export refinancing	-	-	2,880,337	-	2,880,337	-
- others	5,174	-	103	55,000	60,277	-
Banque de France ⁽²⁾	213,377	-	-	-	213,377	-
Regions	1,901,213	99,503	244,938	-	2,245,654	44,607
Departments	6,966,663	-	153,888	-	7,120,551	99
Municipalities	15,009,413	14,432	310,329	-	15,334,174	18,864
Groups of municipalities ⁽³⁾	12,638,864	68,929	98,965	-	12,806,758	2,667
Public sector entities :						
- health	6,126,155	8,352	-	-	6,134,507	253
- social housing	1,030,961	-	-	-	1,030,961	24
- others	821,729	54,154	682	-	876,565	152
Sub total	44,713,549	245,370	3,689,242	55,000	48,703,161	66,666
Germany						
Länder	-	274,046	-	-	274,046	-
Sub total	-	274,046	-	-	274,046	-
Austria						
Länder	-	-	175,608	-	175,608	-
Sub total	-	-	175,608	-	175,608	-
Belgium						
Regions	1,840	-	9,500	-	11,340	-
Public sector entities	39,845	-	-	-	39,845	-
Sub total	41,685	-	9,500	-	51,185	-
Canada						
Municipalities	100,287	-	-	-	100,287	-
Public sector entities	34,485	-	-	-	34,485	-
Sub total	134,772	-	-	-	134,772	-
Spain						
State	-	-	-	-	-	-
Regions	-	50,000	-	-	50,000	-
Municipalities	69,130	-	-	-	69,130	-
Sub total	69,130	50,000	-	-	119,130	-
United States						
Federated States	-	222,001	-	-	222,001	-
Sub total	-	222,001	-	-	222,001	-

EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which past due ⁽¹⁾
	Loans	Bonds	Loans	Bonds		
COUNTRY						
Italy						
State	-	1,133,118	-	-	1,133,118	-
Regions	-	1,860,006	-	-	1,860,006	-
Provinces	-	437,275	-	-	437,275	-
Municipalities	5,669	1,006,507	-	-	1,012,176	-
Sub total	5,669	4,436,906	-	-	4,442,575	-
Japan						
Municipalities	-	25,000	-	-	25,000	-
Sub total	-	25,000	-	-	25,000	-
Portugal						
State	-	-	-	-	-	-
Municipalities	10,618	-	-	-	10,618	-
Public sector entities	2,578	-	-	-	2,578	-
Sub total	13,196	-	-	-	13,196	-
United Kingdom						
State	-	-	-	31,549	31,549	-
Sub total	-	-	-	31,549	31,549	-
Sweden						
Municipalities	18,490	-	-	-	18,490	-
Sub total	18,490	-	-	-	18,490	-
Switzerland						
Cantons	162,002	-	6,453	-	168,455	-
Municipalities	258,727	-	-	-	258,727	-
Public sector entities	60,350	-	-	-	60,350	-
Sub total	481,079	-	6,453	-	487,532	-
Supranational						
International organizations	17,484	-	-	-	17,484	-
Sub total	17,484	-	-	-	17,484	-
TOTAL	45,495,054	5,253,323	3,880,803	86,549	54,715,729	66,666

(1) No data relating to nonperforming and litigious loans, and specific impairments as of March 31, are disclosed in this table because Caisse Française de Financement Local does not publish quarterly accounts but annual and semi-annual accounts (as of December 31 and June 30).

(2) Caisse Française de Financement Local's Banque de France account as of March 31, 2020

(3) Of which EUR 16,702 thousand on operations linked to public-private 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 03/31/2020

Maturity date in years	Residual maturity	Term to maturity					TOTAL
	Number of deals ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	2,103	378,935	166,008	-	-	-	544,943
1	2,554	35,250	36,601	190,999	162,204	-	425,054
2	2,596	39,686	40,327	122,116	576,787	-	778,916
3	2,693	65,111	42,532	99,027	919,532	-	1,126,202
4	2,181	42,878	48,825	111,957	724,557	-	928,217
5	3,567	50,508	61,834	108,905	1,076,417	244,825	1,542,489
6	3,261	41,220	44,905	112,788	841,405	459,975	1,500,293
7	2,326	63,069	54,955	132,249	1,051,296	1,051,846	2,353,415
8	2,731	56,673	83,210	144,811	1,225,482	1,450,306	2,960,482
9	2,571	51,461	67,599	161,042	1,153,952	1,350,055	2,784,109
10	2,691	139,678	74,451	215,065	1,748,129	2,132,166	4,309,489
11	2,182	70,870	52,032	130,398	1,030,846	1,823,665	3,107,811
12	1,504	51,058	52,843	116,981	911,312	1,877,027	3,009,221
13	1,593	36,689	34,046	97,990	698,794	1,949,933	2,817,452
14	1,647	42,254	45,646	108,255	798,462	2,241,091	3,235,708
15	1,742	48,250	49,460	107,731	849,665	3,337,606	4,392,712
16	1,094	25,519	25,708	69,114	508,922	2,022,575	2,651,838
17	1,072	27,819	36,745	80,653	609,135	2,856,542	3,610,894
18	988	29,424	38,020	76,847	593,123	2,274,794	3,012,208
19	1,027	22,577	27,465	58,860	447,504	1,845,115	2,401,521
20	692	19,491	25,566	49,435	384,600	1,565,838	2,044,930
21	200	7,909	8,486	18,530	140,074	632,573	807,572
22	166	3,843	7,703	17,840	122,273	589,322	740,981
23	171	3,581	3,882	9,734	71,149	379,564	467,910
24	268	5,235	5,176	13,057	94,999	500,653	619,120
25	147	2,411	2,256	6,783	45,848	265,225	322,523
26	62	2,183	4,745	2,706	40,710	261,571	311,915
27	60	1,307	1,766	4,433	31,140	230,361	269,007
28	72	1,575	3,312	5,151	43,060	962,019	1,015,117
29	101	2,022	2,486	5,044	39,341	284,992	333,885
30	55	1,007	887	3,790	23,294	166,083	195,061
31	2	83	83	167	1,334	8,646	10,313
32	9	519	220	198	3,782	29,253	33,972
33	34	68	66	237	1,593	20,798	22,762
34	14	30	149	929	4,919	71,664	77,691
35	16	551	219	379	5,115	89,636	95,900
36	26	173	159	497	3,496	36,668	40,993
37	20	577	112	200	3,975	35,913	40,777
38	6	64	133	199	1,644	20,331	22,371
39	7	45	106	266	1,801	25,685	27,903
40	2	75	122	198	1,617	19,333	21,345
41	1	0	31	32	280	6,208	6,551
	44,254	1,371,678	1,150,877	2,385,593	16,993,568	33,119,857	55,021,573
TRANSLATION ADJUSTMENTS							-305,844
TOTAL							54,715,729

(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 03/31/2020

COUNTRY	Early repayments during the year 2020	Rate of early repayments
France		
Departments	1,565	0.02%
Municipalities	20,875	0.14%
Groups of municipalities	660	0.01%
Public sector entities :		
- health		0.00%
- social housing		0.00%
- others	59	0.01%
State		0.00%
Sub total	23,159	0.05%
GLOBAL exposures on public sector	23,159	0.04%

The rate of early repayments as of March 31, 2020, corresponds to the volume of early repayments occurred during the first quarter 2020 divided by the arithmetic average outstanding amount for the period (equal to the average amount of daily outstandings). This rate is not annualised as the early repayments are not foreseeable considering that the cover pool is composed of exposures on public sector and replacement assets invested in credit institutions.

In 2019, the rate of early repayments for this entire year was 0.47% for a total amount of early repayments of EUR 255 million.

3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

3.1 BREAKDOWN BY COUNTERPART

As of March 31, 2020, 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 03/31/2020	Country	Amount
Step 1 credit rating		
Covered Bonds		
	France	353,894
	Other countries	815,845
Other Bank bonds		
	France	294,348
	Other countries	345,153
Loans to SFIL	France	300,000
Step 2 credit rating		
Bank bonds (Maturity < 100 days)		
	France	-
	Other countries	-
Bank accounts' balances	France and other countries	3,758
TOTAL		2,112,998

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 can grant 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, 2020, replacement assets were composed of bank bonds, of loans to SFIL and, to a lesser extent, of bank accounts balances. These exposures should benefit from ratings corresponding 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 03/31/2020

Maturity date in years	Residual maturity		Term to maturity				TOTAL
	Number of deals ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	14	450,623	128,043	-	-	-	578,666
1	19	-	-	557,145	293,766	-	850,911
2	15	-	-	-	348,519	-	348,519
3	6	-	-	-	197,100	-	197,100
4	3	-	-	-	137,802	-	137,802
Total	57	450,623	128,043	557,145	977,187	-	2,112,998

(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

EUR thousands, as of 03/31/2020

COUNTRY	Early repayments during the year	Rate of early repayments
Step 1 credit rating		
Loan to SFIL	0	0,00%
Sub total	0	0,00%
GLOBAL	0	0,00%

No early repayment occurred during the first quarter 2020.

In 2019, the rate of early repayments for the full year was 16.78% for a total amount of repayments of EUR 500 million. This rate corresponds to the volume of early repayments occurred during the year 2019 divided by the arithmetic average outstanding amount for the period (equal to the average amount of daily outstandings). This rate is not annualised as the early repayments are not foreseeable considering that the cover pool is composed of exposures on public sector and replacement assets invested in credit institutions.

5. MANAGEMENT OF THE INTEREST RATE RISK

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

- in the first stage, all the assets 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 is more often obtained by entering into interest rate swaps, but also when this is possible, by the cancellation 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 Euribor (1, 3, 6 or 12 months) and the fixing risk due to the reset 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.

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

- the production of gaps (fixed rate, basis and fixing respectively), calculated statically:

The fixed rate gap	Difference between balance sheet and off-balance sheet assets and liabilities for fixed-rate transactions or transactions for which the rate has been set. It is calculated every month until balance sheet run-off.
Index gaps	Difference between balance sheet and off-balance sheet assets and liabilities for a given index tenor that has not yet been fixed. This gap is calculated every month until balance sheet run-off.
Basis gaps	Gap resulting from the matching of two index gaps. There are therefore as many basis gaps as there are index pairs.
Fixing gap	corresponds, for a given tenor index, to the difference between adjustable rate balance sheet and off-balance sheet assets and liabilities, by fixing date.

- the monthly production of net present value (NPV) sensitivity indicators, calculated for a rate shock of 100bp, which aim to regulate the fixed or set rate residual positions of Caisse Française de Financement Local (after setting up hedges). These indicators are calculated for 4 predefined time buckets (short-term, medium-term, long-term, very long-term) regulated by limits which are calibrated to avoid losing more than 6% of equity (i.e. EUR 80 million) with a 99% quantile calculated on a 10-year history.

Limiting directional risk :

The quarter-end sensitivity measurements are presented below :

Directional risk

Total sensitivity

<i>EUR millions, end of quarter</i>	Limit	2Q 2019	3Q 2019	4Q 2019	1Q 2020
Sensitivity	25.0	-0.1	3.2	-0.3	-2.7

Risk of slope between two distant points on the rate curve

Sum of sensitivities

<i>EUR millions, end of quarter</i>	Limit	2Q 2019	3Q 2019	4Q 2019	1Q 2020
Short term	10.0	-5.7	-0.1	-5.5	-6.0
Medium term	10.0	-5.6	-8.6	-9.2	-2.1
Long term	10.0	6.7	5.7	8.4	1.6
Very long term	10.0	4.4	6.2	6.0	3.8

Risk of slope between two close points on the rate curve

Sum of sensitivities in absolute value

<i>EUR millions, end of quarter</i>	Limit*	2Q 2019	3Q 2019	4Q 2019	1Q 2020
Short term	40.0	9.3	5.9	10.8	17.3
Medium term	40.0	13.3	11.0	15.3	12.7
Long term	40.0	6.8	8.2	12.3	12.3
Very long term	40.0	8.0	10.5	9.0	7.0

* The limit applicable to points prior to 12/31/2019 was EUR 20 million. Since 12/31/2019, the limit applicable is now EUR 40 million.

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, 2020, over the next 180 days, the liquidity situation present a maximum cash need of EUR 2.3 billion. The necessary management measures have been taken or will be taken to cover this gap. Thus, an issue of EUR 1.0 billion was done at the beginning of May 2020.

