



# CAFFIL Activity Report

For the period from January 1<sup>st</sup> to March 31, 2020

This free translation of the activity report Q1 2020 published in French is provided solely  
for the convenience of English-speaking readers.

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

## 1. General scope of Caisse Française de Financement Local's business activity

### 1.1 – NATURE AND ACTIVITIES OF THE COMPANY

Caisse Française de Financement Local (also known by its acronym CAFFIL) is a credit institution active in the refinancing of loans to public sector entities through the issue of covered bonds, which are called *obligations foncières*.

It is a specialized credit institution authorized to operate as a *société de crédit foncier*. As a credit institution, the Company is subject to all legal and regulatory provisions that apply to credit institutions. It conducts banking transactions in its ordinary course of business. 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 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 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, as well as the holding of securitization units or shares of similar entities when the assets in these securitizations are for at least 90% composed of assets of the same nature as the above-mentioned loans, in accordance with article 94-II and III of law No. 99-532";
- the purpose of the Company (article 2 of the by-laws) 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 of the Monetary and Financial Code as well as securitization units or shares of similar entities considered as exposures on public sector entities as defined in article L.513-5 of the Monetary and Financial Code;
  - to hold securities and other assets under the conditions set by decree to be considered as replacement assets.

*Sociétés de crédit foncier*, which were created by the law of June 1999, are now well-known in the world of bond issuers and investors. They issue covered bonds called *obligations foncières* and contract other covered debt negotiable or not in regulated markets. All these instruments are characterized by the legal privilege that primarily affects cash flows from the Company's assets to pay the interest and reimbursement of the *obligations foncières*. *Sociétés de crédit foncier* may also issue or contract non-covered debt. *Obligations foncières* constitute a significant element in the international covered bond market.

Caisse Française de Financement Local and its parent company SFIL are key elements in the financing of local governments and public hospitals in France. The organization, introduced by the French State in 2013, is based on a commercial activity developed by La Banque Postale with refinancing provided by Caisse Française de Financement Local.

Since 2015, the French State has entrusted SFIL and Caisse Française de Financement Local with a second mission that is the responsibility to refinance large export credits with the guarantee of the State (see 1.1.3.2.). The objective is to enable large export credits, as well as French local governments and public hospitals to benefit from optimal financing conditions through a high rating and irreproachable risk management.

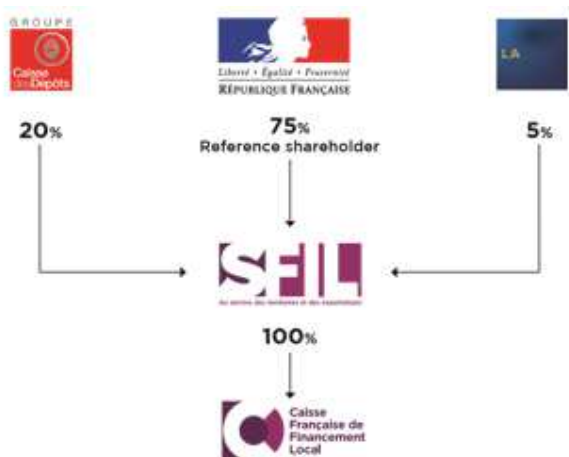
### 1.2 – SHAREHOLDING STRUCTURE OF THE COMPANY

As of March 31, 2020, Caisse Française de Financement Local was wholly owned by SFIL. SFIL is a credit institution approved by the ACPR. Its shareholders are the French State (75%), the Caisse des Dépôts (CDC) (20%) and La Banque Postale (LBP) (5%). SFIL's shareholders are thus firmly anchored in the public sphere, reflecting the missions the French State assigned it.

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

The State is the reference shareholder of SFIL and Caisse Française de Financement Local. This commitment, made with the Autorité de contrôle prudentiel et de résolution (ACPR), underlines its involvement to ensure oversight and to influence strategic decisions, as well as its determination to ensure Caisse Française de Financement Local's and SFIL's ongoing financial transactions and to comply with regulatory requirements, if so required.

In addition, on January 31, 2013, SFIL, the parent company of Caisse Française de Financement Local, signed a declaration of support ensuring that "Société de Financement Local and the French State, its reference shareholder, will ensure that Caisse Française de Financement Local will always be able to pursue its activity in an ongoing manner and to honor its financial commitments in compliance with the obligations imposed by banking regulations in effect." This declaration of support is reproduced in issuance documents and the annual financial report of Caisse Française de Financement Local.

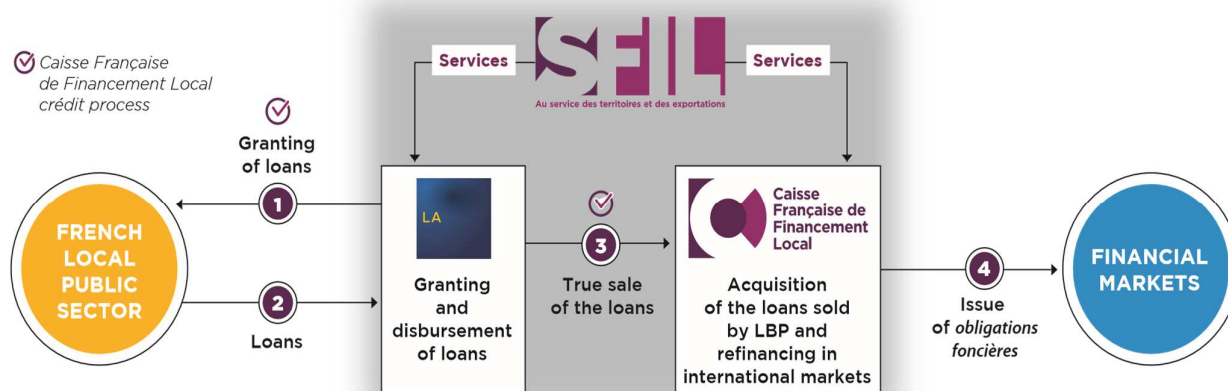


The shareholding structure of SFIL, parent company of Caisse Française de Financement Local, will change in 2020. In this respect, additional information is given in the highlights of the year 2020 (cf. 2.1)

### 1.3 – CAISSE FRANÇAISE DE FINANCEMENT LOCAL ECONOMIC MODEL

#### 1.3.1. 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 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). Since mid-2019, La Banque Postale has also been marketing green loans the purpose of which is to finance local investments contributing to the ecological transition carried out by local authorities. The SFIL Group's green issues refinance these loans. The loans originated are exclusively in euros with a simple vanilla interest rate. La Banque Postale committed to propose to Caisse Française de Financement Local all the loans that would be eligible for its cover pool.



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. Caisse Française de Financement Local's eligibility criteria are strictly monitored by internal management policies and limit eligible counterparties to French local public sector entities and public hospitals;
- 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.

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

### 1.3.2 Refinancing of large export credits

In addition to their mission of refinancing French local governments and public hospitals, SFIL and Caisse Française de Financement Local have been entrusted with a second mission by the French State: to refinance large French export contracts, with the objective to support French exports in terms of financial competitiveness, in accordance with a public refinancing plan comparable to that of other 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 participation of each of these banks in an export credit.

In this context, Caisse Française de Financement Local grants loans to SFIL in order to refinance its export credits. Such loans benefit from an irrevocable and unconditional 100% guarantee by the French State (enhanced guarantee (1)). This business brings Caisse Française de Financement Local closer to the French State, without modifying the risk profile of its cover pool.

This export refinancing loans, like the new French public sector loans marketed by La Banque Postale, are added to the portfolio of Caisse Française de Financement Local, which is financed by the issues of *obligations foncières*. Given the current size of the cover pool and the growth of its traditional line of business, the percentage share of this refinancing activity will increase gradually and will only become significant in several years. This share may reach 15% within four to five years.

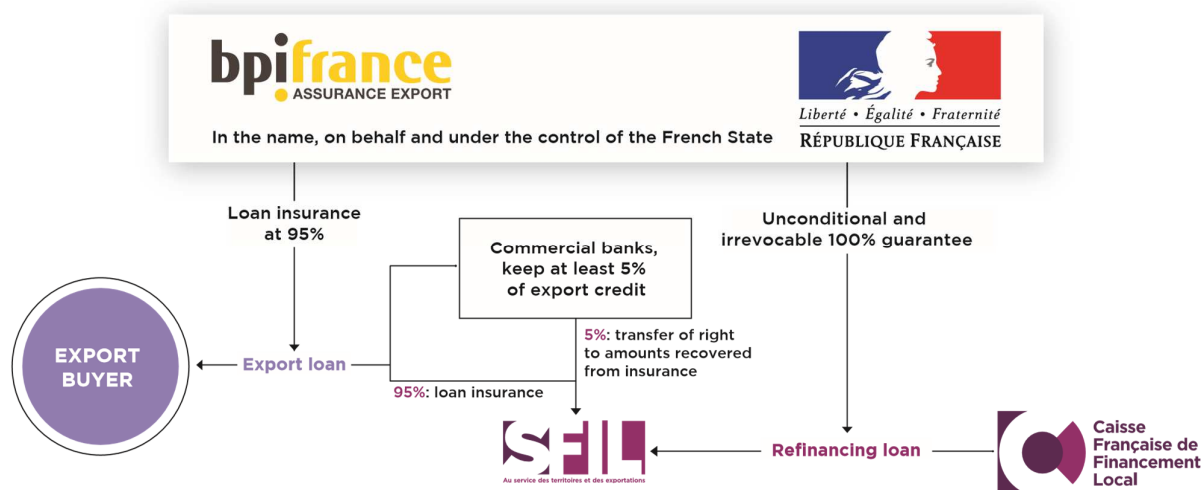
#### 1.3.2.1. The system for refinancing large export credits

The system functions as follows:

- SFIL contributes to the financial proposal made by one or more banks in the banking syndicate granting the buyer credit covered by the export credit insurance guaranteed by the French State;
- after the export contract finalization, these 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 refinancing loan benefits from an irrevocable and unconditional 100% guarantee by the French State, referred to as an enhanced guarantee.

Loans granted by Caisse Française de Financement Local to SFIL to refinance the purchased export credits thus constitute exposures that are totally guaranteed by the French State and eligible for the cover pool of a *société de crédit foncier*. These loans also comply with the European CRR regulation (article 129, which specifies the assets authorized for inclusion in a cover pool to ensure that the covered bonds will benefit from the best prudential treatment).

#### OPERATIONAL DIAGRAM OF THE SYSTEM OF EXPORT CREDIT REFINANCING BY SFIL-CAFFIL



#### 1.3.2.2. French State export guarantees

Since the end of 2016, these guarantees have been managed by Bpifrance Assurance Export, in the name, on behalf, and under the control of the French State, pursuant to article L.432.2 of the French Insurance Code. The guarantees are therefore directly granted by the State, demonstrating the support of the French State 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 decisions to grant guarantees are made by the Minister of the Economy and Finance after investigation by Bpifrance Assurance Export and the advice of the French Export Credit and Guarantee Commission (Commission des garanties et du crédit au

(1) The enhanced guarantee was introduced by law 1212-1510 of December 29, 2012, and Decree 2013-693 of July 30, 2013, as amended by Decree 2018-1162 of December 17, 2018, relating to the granting of the 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.

commerce extérieur); Bpifrance Assurance Export manages the French State guarantees in strict compliance with the rules of the WTO, the European Union and the OECD;

- Bpifrance Assurance Export issues insurance policies, as well as enhanced guarantees, in accordance with the decision made. In this context, Bpifrance Assurance Export is also tasked with collecting insurance and guarantee premiums, managing risks, payments, and collections on behalf of the French State;
- the risks related to these guarantees are borne by the French State and all financial flows (premiums, payments, repayments) are recorded in separate accounting entries by Bpifrance Assurance Export. Premiums and collections are received directly on the account of the French State, and payments are made directly from the same account, without passing through the accounts of Bpifrance Assurance Export.

### 1.3.3. Financing by 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 broad investor base. These instruments are characterized by the legal privilege, which, as a priority, allocates the sums from the Company's assets to pay their interest, and reimbursements (see section 1.1.4.2. French legal and regulatory framework). This source of financing is the main source of liquidity for the SFIL Group and represents an outstanding of EUR 49.9 billion at March 31, 2020.

### 1.3.4. Servicing and financing provided by SFIL

The role of SFIL primarily involves the following:

- to ensure the complete operational management of the Company, as defined by the regulations applicable to *sociétés de crédit foncier*, in particular article L.513-15 of the 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. Every year, the parties review this SLA;
- to provide 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 overcollateralization and derivatives) from the markets by issuing long-dated (bonds) debt and, to a lesser degree, short-dated (certificates of deposit) debt. It has gradually established its signature in the French agency segment by launching benchmark EMTN issues in euros and dollars.

SFIL can also fund these liquidity requirements by entering into loan agreements with its shareholders:

- Caisse des dépôts et consignations for needs related to transactions booked before SFIL's acquisition date (January 31, 2013) and for needs relating to the export credit refinancing activity;
- La Banque Postale for needs related to the loans it grants to French local government entities and public hospitals.

The refinancing provided by the shareholders has been replaced since 2016 by funds obtained by SFIL on the financial markets. Nevertheless, shareholder refinancing is still available particularly in the case of liquidity requirements generated under a situation of stress.

In addition to commitments of the French State as the reference shareholder, on January 31, 2013, SFIL signed a declaration of support of Caisse Française de Financement Local, which is reproduced in this annual financial report – General information.

It should be noted that SFIL also supplies services for the business of lending to French public sector entities engaged by La Banque Postale (LBP) and its joint venture LBP/CDC, La Banque Postale Collectivités Locales. These services concern activities involving commercial support, financial oversight, the supply of data for risk analysis and back office operations.

### 1.3.4. 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 partly or totally the management of these assets for their national clientele. These assets are managed in a run-off mode. As of March 2020, there were agreements with the following entities: Kommunalkredit Austria (Austria), Belfius Banque et Assurances (Belgium), and Dexia Crediop (Italy). These agreements already existed in previous years.

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

## 1.4 – RATINGS OF THE *OBLIGATIONS FONCIÈRES* ISSUED BY CAISSE FRANÇAISE DE FINANCEMENT LOCAL

As of March 31, 2020, Caisse Française de Financement Local's issuance program was rated by three international rating agencies: Moody's, Standard & Poor's (S&P) and DBRS.

The ratings of the bonds 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, asset/liability management, over-collateralization, etc.).

SFIL is currently rated at the same level as France by S&P and one notch below it by Moody's and DBRS. The agencies have given SFIL these excellent ratings because they consider it to be a French government-related entity. They reflect the strong probability that if necessary the French State would provide extraordinary support to SFIL because of the strategic importance of the public service responsibilities entrusted to it, the State's commitments and its influence on SFIL's governance.

Note that 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).

Lastly, based on the Company's performance in terms of social and environmental responsibility, Caisse Française de Financement Local's *obligations foncières* benefit also from very good ratings from extra-financial rating agencies.

The ratings at March 31, 2020 are presented in section 1.2.5.

## 2. Highlights of the year 2020

### 2.1 – PROPOSED CHANGE TO SFIL' shareholding structure

In accordance with the agreement-in-principle signed by and between the shareholders of SFIL, announced on October 9, 2019, on March 4, 2020, the State, Caisse des Dépôts (CDC) and La Banque Postale (LBP) announced the signing of an agreement on the acquisition by Caisse des Dépôts of all of the SFIL shares held by La Banque Postale (i.e. 5%) and of all of the shares held by the State (i.e. 75%), with the exception of one ordinary share that the State will retain. Caisse des Dépôts will therefore become the reference shareholder of SFIL.

The State will continue to have a seat on SFIL's Board of Directors by means of a non-voting director (censeur), in view of the public interest missions entrusted to SFIL. SFIL's shareholding structure will therefore remain entirely public and its shareholders will continue to ensure that its financial soundness is retained and its economic base protected, in accordance with the applicable regulations. La Banque Postale, which will retain a central role in this system, has ahead of time decided to extend its partnership with SFIL up to the end of 2026 for the marketing of medium- and long-term loans to French local governments and public hospitals refinanced by Caisse Française de Financement Local.

This transaction is part of the project to create a major public financial group based on Caisse des Dépôts and La Poste, the finalization of which was also announced on March 4. The change in SFIL's shareholding structure should be effective in the second quarter of 2020, subject to obtaining all regulatory and administrative authorizations required from the relevant authorities. With this transaction, the shareholding structure of Caisse Française de Financement Local will remain firmly anchored in the public sphere, thus reflecting the missions entrusted thereto by the State.

**The ownership structure of SFIL and its sole subsidiary, Caisse Française de Financement Local, upon completion of the change of ownership:**



## 2.2 – THE COVERED BONDS MARKET

The primary market for euro-denominated benchmark covered bond issues remained active over the first quarter of 2020, with EUR 47 billion of new issues to be compared with EUR 62 billion in the first quarter of 2019 and EUR 48 billion in the first quarter of 2018. The highlight of the first quarter was undoubtedly the coronavirus global pandemic and its temporary consequences on investor demand. It created a strong spread widening movement for all assets classes including covered bond segment in March. This event did not impact covered bonds market robustness which still benefits from the renewed support of the European Central Bank. Furthermore, the volume of that Eurosystem Purchase Program has been extended in response to the pandemic consequences. The return of traditional investors in March has also supported the covered bond market.

During the first quarter, French and German issuers represented 45 % of the euro primary market offer. With 17 % (compared with 9% in the same period in 2019), Canadian issuers took advantage of this market, notably in March, to access a deeper market and obtain financing conditions in euro more favorable to them than in dollar. Peripheral countries, Spain and Italy, were active at the beginning of the year (10% of the Q1 offer), but their contributions should decrease, considering that their current spread level is less attractive than ECB refinancing conditions.

In this context, Caisse Française de Financement Local decided to enter the euro benchmark primary market only once, in February. Taking advantage of investor appetite for long-dated issues, a benchmark public issue of EUR 750 million was successfully launched with a maturity of 20 years, a rare maturity on the covered bond segment. Furthermore, Caisse Française de Financement Local has also issued private placements for EUR 22 million. The average maturity of the financing raised over the first quarter of 2020 (EUR 772 million) was 19.7 years.

## 2.3 – INTERNATIONAL CONTEXT THAT LED TO HIGHER MARKET VOLATILITY

The first three months of 2020 were principally characterized by the consequences of the Coronavirus (COVID-19) pandemic on the macro-economic environment over the world, and particular by the increase of the budgetary deficit of the European countries, mainly Italy. The important decrease in the price of oil, combined with the post-Brexit negotiations and the geopolitical environment between China and United States has also affected the world economic situation. In this context, all the Central Banks, notably the ECB, took important financial measures to ensure the financing and the recovery of the economy

These events heightened financial market volatility but did not significantly and sustainably affect the covered bond market and Caisse Française de Financement Local's issue capability. Indeed, Caisse Française de Financement Local has proven its strong resiliency from an operational point of view as well as from a solvency (CET1 ratio of 22%) and a liquidity point of view (Caisse Française de Financement Local holds of a large volume of securities, which are eligible to Banque de France financing).

## 2.4 – HARMONIZATION OF THE LEGAL FRAMEWORKS FOR COVERED BONDS IN EUROPE

A new European directive, which aims at harmonizing the legal frameworks of European covered bonds as well as to amend the Article 129 of the Capital Requirements Regulation – CRR) has been adopted by the European parliament and the European council and published in the Official Journal of the European Union on December 18, 2019. This directive should be transposed into French national law by mid-2021 to entry into application as from mid-2022 later, at the same time as the version of the Article 129 of the CRR.

At this stage, Caisse Française de Financement Local has not identified any significant positive or negative impact on its activities related to the implementation of this new directive and regulation.

## **2.5 – RATING OF OBLIGATIONS FONCIÈRES**

The financial rating of *obligations foncières* issued by Caisse Française de Financement Local remained unchanged during the first quarter of 2020.

As of March 31, 2020, the ratings were as follows: AAA from Moody's ; AA+ from S&P and AAA from DBRS. The outlooks associated with each of these ratings remained stable.

In the press release published in October 2019, Standard & Poor's emphasized the State support from which SFIL would continue to benefit following the change of control. Furthermore, concerning the green bond issued by CAFFIL, Moody's mentioned its positive credit effect for SFIL and CAFFIL in an article published in November 2019.

As of March 31, 2020, the non-financial ratings associated with the CAFFIL issuance program or the CAFFIL entity were as follows: Premium C by ISS; AA by MSCI and Positive-BBB by IMUG

## **2.6 – REINFORCEMENT OF THE SFIL GROUP'S CSR COMMITMENT**

As a public development bank, SFIL group works for the sustainable and responsible financing of development projects in France.

The strong commitment of the SFIL Group to Corporate Social Responsibility (CSR), which marked the year 2019, will still be reinforced in year 2020.

After it joined the United Nations Global Compact end of 2018, SFIL gave priority to 9 Sustainable Development Objectives (SDO) out of the 17 set up by the United Nations which it undertook to sustainably integrate in its operations, activity and corporate culture. SFIL bases its CSR approach on the three axes: public policy missions in support of the regions and exports, the company's internal policies and sponsorship development, the commitments made by SFIL's employees. After the production of its first report last year, SFIL published in April 2020 its new CSR report, which reports its CSR actions, objectives and results during 2019. It is available on SFIL's website ([www.sfil.fr](http://www.sfil.fr)). A dedicated CSR governance has also been set up end of 2019, aiming at reinforcing the cross-functional nature of the Group's CSR involvement and to improve its visibility.

As part of the CSR commitment of the SFIL Group, Caisse Française de Financement Local issued thematic bonds, "social" and "green". After the success in 2019 of its first "social" issue" (EUR 1 billion with maturity at 8 years) and "green issue" (EUR 750 million and maturity at 10 years), a second social issue was launched in April 2020 (EUR 1 billion with maturity at 5 years). Market observers unanimously recognized them as successful and they were notably very largely subscribed which proves investors' strong interest in this new type of responsible investment.

## **2.7 – A BETTER THAN EXPECTED FIRST QUARTER 2020 FOR FINANCING OF PUBLIC SECTOR LOANS**

As part of its first mission, Caisse Française de Financement Local refinances the loans granted by LBP to French local governments and public hospitals. The CAFFIL/SFIL/LBP scheme has been recognized as the leader in French local public sector financing since 2015.

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 21.7 billion, including EUR 1,9 billion over the first three months of 2020.

## **2.8 – MAINTAINING THE POSITION OF LEADER IN THE REFINANCING OF LARGE EXPORT CREDITS**

As part of its second mission, Caisse Française de Financement Local grants loans to SFIL to refinance the large export credits it issues. These loans are unconditionally and irrevocably guaranteed in full by the French government. This activity anchors Caisse Française de Financement Local in the public sphere without changing the risk profile of its cover pool.

Since the start of this mission in the middle of 2015, Caisse Française de Financement Local has granted a total of EUR 8.1 billion in refinancing loans to SFIL.

As of March 31, 2020, the outstanding amount of these loans on Caisse Française de Financement Local's balance sheet was EUR 2.9 billion. As a reminder, the payment of loans used to refinance large export credits is spread out over several years.



### 3. Change in cover pool and debts

EUR billions	12/31/2019	3/31/2020	Change 2020 / 2019
<i>value after currency swaps</i>			
<b>Cover pool</b>	<b>56.5</b>	<b>56.8</b>	<b>0.7%</b>
Loans	48.4	49.5	2.2%
Securities	7.6	7.2	(5.7)%
Cash deposit in central bank	0.5	0.2	(54.9)%
<b>Assets removed from the cover pool</b>	<b>0.0</b>	<b>0.0</b>	<b>ns</b>
<b>Privileged debt</b>	<b>50.3</b>	<b>50.5</b>	<b>0.3%</b>
Obligations foncières <sup>(1)</sup>	49.8	49.9	0.3%
Cash collateral received	0.6	0.6	(2.8)%
<b>Non-privileged debt</b>	<b>5.2</b>	<b>5.5</b>	<b>5.8%</b>
SFIL	5.2	5.5	5.8%
<b>Equity IFRS (excluding unrealized gains and losses)</b>	<b>1.4</b>	<b>1.4</b>	<b>(1.7)%</b>

(1) Including registered covered bonds

The size of Caisse Française de Financement Local's cover pool increased by EUR 0.3 billion in 2020, i.e. approximately 0.7%. As of March 31, 2020, the cover pool excluding interest accrued not yet due amounted to EUR 56.8 billion.

Caisse Française de Financement Local's cover pool is composed of loans and debt securities financing public sector and also includes the temporary cash surplus put aside to anticipate the forthcoming repayment of *obligations foncières* or to prefinance new export loans. This cash 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, was EUR 0.2 billion at the end of March 2020, versus EUR 0.5 billion at the end of December 2019. The cash surplus invested in securities or loaned to SFIL was a total of EUR 2.3 billion as of March 31, 2020 versus EUR 2.6 billion at the end of December 2019.

As of March 31, 2020, 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.

As of this date, outstanding debt benefiting from the legal privilege, including cash collateral received, was EUR 50.5 billion, which increase by 0.3 % in comparison with December 31, 2019.

As of March 31, 2020, the debt contracted with the parent company totaled EUR 5.2 billion and does not benefit from the legal privilege. It 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.

### 4. Description of the cover pool

#### 4.1 – CHANGE IN ASSETS IN 2020

The net change in the cover pool during the first quarter of 2020 corresponds to a increase in assets in the amount of EUR 0.3 billion. This change is explained by the following items.

EUR billions	Q1 2020
<b>1- Acquisition of loans from La Banque Postale</b>	<b>1.9</b>
Loans to the French public sector (vanilla loans in euros)	1.9
<b>2- Net change in Export credits outstanding</b>	<b>0.3</b>
Loans to SFIL to refinance export credit guaranteed by the French State	0.3
<b>3- Reduction of loan sensitivity</b>	<b>0.0</b>
Sensitive structured loans eliminated	(0.0)
Refinancing loans (vanilla loans in euros)	0.0
New loans (vanilla loans in euros)	0.0
<b>4- Amortization of portfolio of loans and securities</b>	<b>(1.3)</b>
<b>5- Early reimbursements</b>	<b>(0.0)</b>
<b>6- Changes in treasury</b>	<b>(0.6)</b>
Net change in securities investments	(0.3)
Net change in Banque de France cash deposit	(0.3)
<b>Net change in the cover pool</b>	<b>0.3</b>

In 2020, Caisse Française de Financement Local acquired a total of EUR 1.9 billion in loans to the French local public sector and public

hospitals originated by La Banque Postale.

Drawings on refinancing loans of large export credits granted to SFIL became effective during 2020 in the amount of EUR 0.3 billion. These loans benefit from an irrevocable and unconditional 100% guarantee by the French State.

In application of the policy of reduction of loan sensitivity in effect since the beginning of 2013, the operations conducted by SFIL during the year 2020 concerned very low amounts.

The natural amortization of the portfolio of loans and securities was EUR 1.3 billion in 2020, and early reimbursements were very small.

Available cash decreased by EUR 0.6 billion. It is deposited at the Banque de France, invested in bank bonds classified as replacement assets, in European public sector bonds or lent to SFIL.

There were no divestments during 2020

## 4.2 – OUTSTANDING ASSETS AS OF MARCH 31, 2020

Caisse Française de Financement Local's pool of assets is exclusively composed of exposures on public sector entities, or guaranteed by the same, and replacement assets (within the limits specified by current legislation). These are specified in the table below. :

EUR billions	12/31/2019	3/31/2020
Loans and bonds to the public sector	53.5	54.5
<i>of which local public sector business line</i>	50.8	51.4
<i>of which large export credits refinancing business line <sup>(1)</sup></i>	2.6	2.9
<i>of which treasury investment in public sector bonds <sup>(3)</sup></i>	0.1	0.2
Banque de France cash deposit <sup>(3)</sup>	0.5	0.2
Replacement assets <sup>(3)</sup>	2.5	2.1
<b>COVER POOL</b>	<b>56.5</b>	<b>56.8</b>
<i>of which liquid and eligible to ECB refinancing assets</i>	39.2	39.8
Financing commitments granted to refinance large export credits <sup>(1)(2)</sup>	5.5	5.2
Financing commitments granted to other public sector loans	0.0	0.0
<b>FINANCING COMMITMENTS GRANTED</b>	<b>5.5</b>	<b>5.2</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 2019 and 2020, commitments granted represented concluded contracts in drawing phase.

(3) The total amount of excess treasury decreased from EUR 3.1 billion at the end of 2019 to EUR 2.5 billion at the end of March 2020.

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 replacement assets (banking sector securities or short-term loans to SFIL, its parent company). They are mentioned with a (3) in the table above.

Liquid assets (bank securities eligible to replacement assets) or assets which can be assigned in guarantee in order to obtain financing throughout the central bank tenders amount to EUR 39.8 billion or 70% of Caisse Française de Financement Local cover pool.

The amount of financing commitments given came to EUR 5.2 billion as of March 31, 2020, It concerns loans to SFIL signed but not yet drawn, in connection with the refinancing of large export credits. As a reminder, these loans benefit from an irrevocable and unconditional 100% guarantee by the French State.

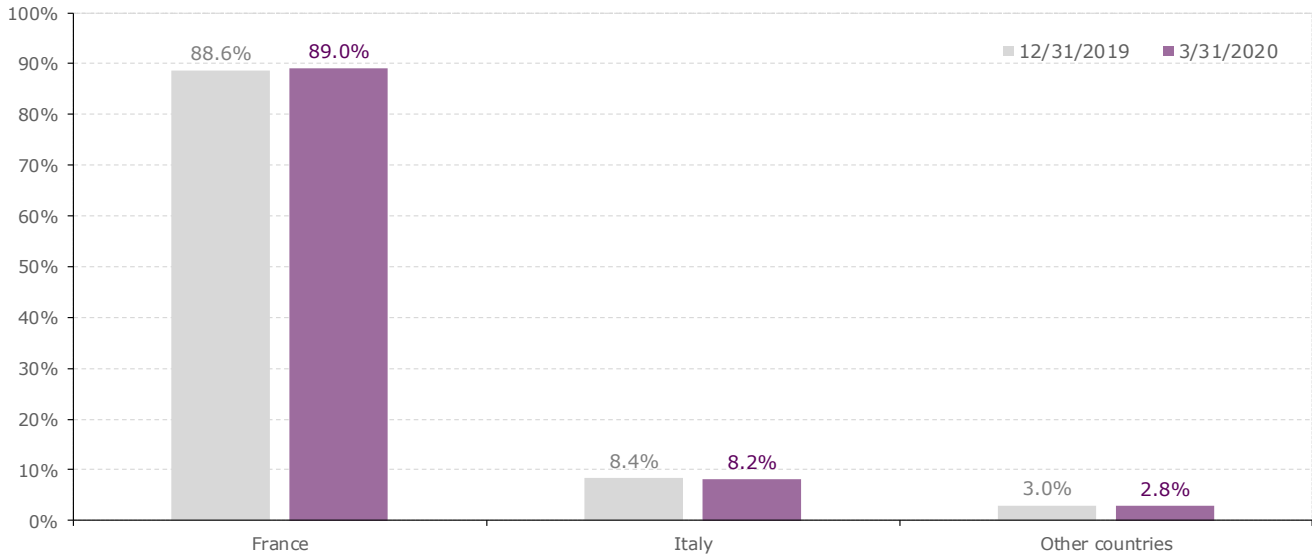
### 4.2.1. Public sector loans and bonds (excluding replacement assets and treasury placed with the Banque de France)

#### 4.2.1.1. Geographic breakdown

At the end of March 2020, French public sector loans made up the majority (89.0%) of the cover pool, a portion that will increase in the future. They include loans acquired from La Banque Postale since 2013 (EUR 17.9 billion of outstanding principal as of the end of March 2020), representing 33% of the Group's public sector loans and securities and more than 39% of its loans to the French local public sector. The State-guaranteed loans granted to SFIL for the refinancing of large export credits (EUR 2.9 billion on the balance sheet) represent approximately 5.3% of its public sector loans and bonds.

The other assets are managed in a run-off mode; they correspond to granular and geographically diversified exposures on foreign public sector entities.

The relative proportion of the total assets can be broken down as follows:



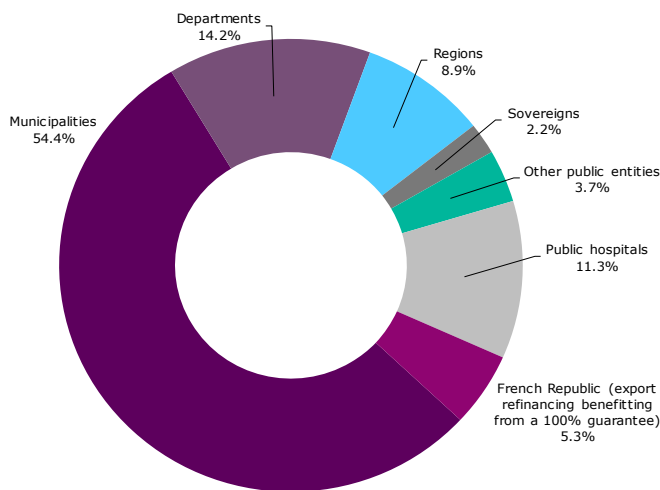
As of March 31, 2020, Italian assets represented the largest portion of non-French assets in run-off, with a total volume of EUR 4.4 billion, or 8.2% of the cover pool (excluding replacement assets and Banque de France cash deposits). These assets are granular exposures (more than 200 counterparties consisting mainly of regional and municipal authorities) distributed throughout Italy.

Exposures to other countries as of March 31, 2020, are broken down by country in the "Breakdown of cover pool" section, which is at the end of this activity report.

**4.2.1.2. Breakdown by type of counterparty**

Caisse Française de Financement Local’s portfolio is made up of:

- 78% exposures on municipalities, departments or regions;
- 6% sovereign exposures or commitments on other public sector entities;
- 11% exposures on public hospitals;
- 5% exposures 100% guaranteed by the French State in respect of loans granted to SFIL for the refinancing of large export credits.



**4.2.1.3. Securitizations**

There are no securitization units in the cover pool of Caisse Française de Financement Local (since July 1, 2013). Its obligations foncières respect the conditions of eligibility for refinancing by the European Central Bank and the new CRR/CRD IV requirements.

#### 4.2.2. Replacement assets

Assets considered by law as “replacement assets” correspond to exposures on credit institutions benefiting from at least a “Step 1 rating”, or a “Step 2 rating” when their remaining maturity does not exceed 100 days. The amount of the “replacement assets” is limited to 15% of *obligations foncières* and registered covered bonds. As of March 31, 2020, replacement assets represented 4.2% of *obligations foncières* and registered covered bonds.

The Caisse Française de Financement Local’s cash surplus can be invested in banking sector securities (in addition to deposits at the Banque de France and investments in European public sector securities) or lent to SFIL. In this case, bank exposures are classified as replacement assets, broken down below based on the rating of the issuers. In addition, Caisse Française de Financement Local granted loans to SFIL to invest its surplus cash. These loans are also included in the replacement assets.

Replacement assets	Country	12/31/2019	3/31/2020
EUR millions			
<b>Step 1 credit rating</b>			
Covered bonds			
	France	474	354
	Other countries	856	816
Other bank bonds			
	France	381	294
	Other countries	509	345
Loans to parent company, SFIL			
	France	300	300
<b>Step 2 credit rating</b>			
Bank bonds (maturity < 100 days)			
	France	-	-
	Other countries	-	-
Bank accounts balances			
	France and Other countries	4	4
<b>TOTAL</b>		<b>2,523</b>	<b>2,113</b>

#### 4.2.3. Assets removed from the cover pool

Thanks 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. In steering 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 in the event of a need for liquidity.

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

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

#### 4.2.4. Structured loans

##### 4.2.4.1. Definition

Certain loans to French counterparties in Caisse Française de Financement Local’s cover pool may be classified as structured loans. The Gissler charter, the code of conduct adopted by banking institutions and local government entities, which is 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 from being marketed because of their structure (leverage > 5, etc.), their underlying index (or indices) (foreign exchange, etc.) or their currency (denominated in CHF, JPY, etc.).

#### 4.2.4.2. Part of structured loans in the cover pool

EUR billions	Outstanding				Number of customers <sup>(1)</sup>		
	12/31/2019	3/31/2020	Change	% cover pool	12/31/2019	3/31/2020	Change
<b>French public sector loans</b>	<b>44.5</b>	<b>45.2</b>	<b>0.7</b>	<b>79.6%</b>	<b>14,142</b>	<b>13,865</b>	(277)
<b>Vanilla loans</b>	<b>40.7</b>	<b>41.6</b>	<b>0.9</b>	<b>73.3%</b>	<b>12,783</b>	<b>12,532</b>	(251)
<b>Structured loans</b>	<b>3.8</b>	<b>3.6</b>	<b>(0.2)</b>	<b>6.4%</b>	<b>1,359</b>	<b>1,333</b>	(26)
<i>of which sensitive loans not in the charter</i>	0.4	0.3	(0.1)	0.6%	44	42	(2)
<i>of which sensitive loans (3E/4E/5E)</i>	0.5	0.5	(0.0)	0.9%	129	128	(1)
<b>Total sensitive loans:</b>	<b>0.9</b>	<b>0.8</b>	<b>(0.1)</b>	<b>1.5%</b>	<b>173</b>	<b>170</b>	(3)

(1) considering the customer in the category with its most highly structured loan

During 2020, outstanding loans to the French local public sector increased by EUR 0.7 billion. Structured loans on Caisse Française de Financement Local's balance sheet still decreased and amounted to EUR 3.6 billion, representing 6.4% of the cover pool.

#### 4.2.4.3. Sensitive loans and reduction in loan sensitivity

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". This portfolio was divided by 10 and, as of March 31, 2020, these loans now represent only EUR 0.8 billion (1.5% of the cover pool) compared with EUR 8.5 billion on SFIL's inception at the end of 2012. The number of customers holding sensitive loans fell over the same period from 879 to 170.

## 5. Debt benefiting from the legal privilege

As of March 31, 2020, 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 of cash collateral received from counterparties in derivative transactions

EUR billions	31/12/2018	3/31/2020
Cash collateral received	0.6	0.6
<i>Obligations foncières</i> and registered covered bonds	49.8	49.9
<b>Total</b>	<b>50.3</b>	<b>50.5</b>

### 5.1 – CHANGE IN CASH COLLATERAL

The cash collateral received by Caisse Française de Financement Local is stable compared with the situation at the end of December 2019. Its amount stood at EUR 0.6 billion at the end of March 2020.

### 5.2 – CHANGES IN ISSUES

As part of a recurring EUR 4 to 6 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. Diversification of its sources of financing as well as of its number of investors is necessary to achieve long maturities, in line with its needs; this requires an active presence in the private placements market under the EMTN program or under the issue of registered covered bonds intended for German investors.

Moreover, as part of the implementation of the SFIL Group's social and environmental policy and to diversify its sources of financing, in 2019 CAFFIL completed its first "social" and "green" thematic issues.

#### 5.2.1. New issues in 2020

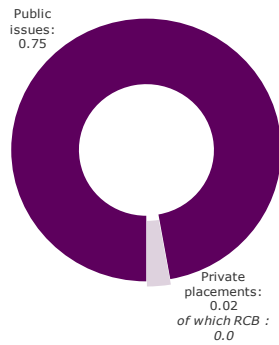
During the first quarter of 2020, Caisse Française de Financement Local raised EUR 0.75 billion through a benchmark public issue, while at the same time continuing to work on the private placements segment.

Caisse Française de Financement Local thus raised money in the public primary market in February, in an amount of EUR 0.75 billion (20 years). In addition to this public transaction, Caisse Française de Financement Local realized a private placement of EUR 22 million through its EMTN issuance program.

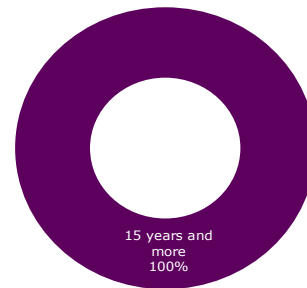
The weighted average life of the financing raised during the first quarter of 2020 was 19.7 years.

The breakdown of new issues by public/private format and maturity is presented below, as well as the breakdown of public issues by investor category and geographic zone.

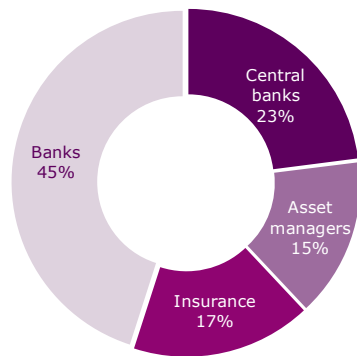
**Breakdown of Q1 2020 issues by format**  
EUR billions



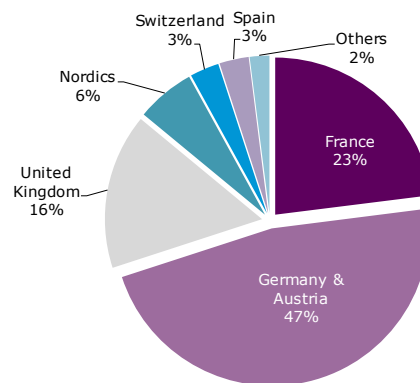
**Breakdown of Q1 2020 issues by maturity**  
(%)



**Breakdown of benchmark Q1 2020 public issues by investor category**  
(%)



**Breakdown of benchmark Q1 2020 public issues by geographic zone**  
(%)



### 5.2.2. Outstanding debt at the end of March 2020

Outstanding *obligations foncières* and registered covered bonds totaled EUR 49.9 billion in swapped value at the end of March 2020. This includes new issues of *obligations foncières* for EUR 0.8 billion and amortization of issues maturing in the first three months of 2020 for EUR 0.6 billion.

EUR billions, value after currency swaps	2019	Q1 2020
<b>BEGINNING OF THE PERIOD</b>	<b>50.3</b>	<b>49.8</b>
Issues	4.0	0.8
Amortizations	(4.5)	(0.6)
Buyback	(0.1)	-
<b>END OF THE PERIOD</b>	<b>49.8</b>	<b>49.9</b>

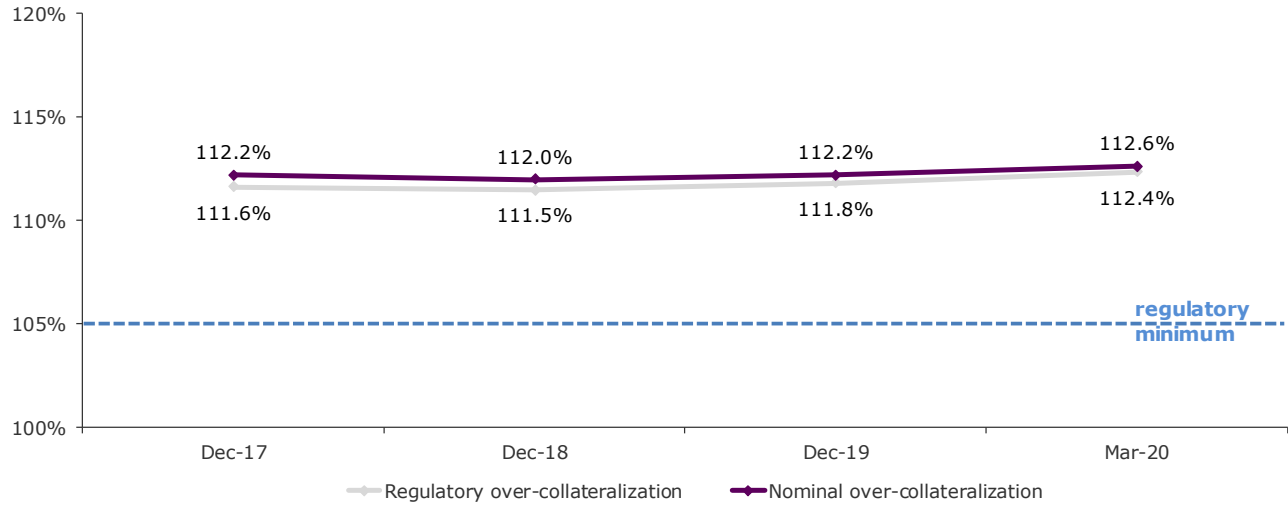
As of March 31, 2020, issues can be broken down by currency as follows:



## 6. Changes in the 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 and the resources 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 an adequate level of credit rating, a level of over-collateralization of more than 5% may be required. This requirement depends on the method applied by each of the rating agencies and on the new assets and liabilities on Caisse Française de Financement Local's balance sheet and it may vary over time. Caisse Française de Financement Local takes these particular requirements into account in the management of its activity in order to make sure they are constantly met and strives to maintain its over-collateralization at a relatively stable level, as can be seen in the following graph :



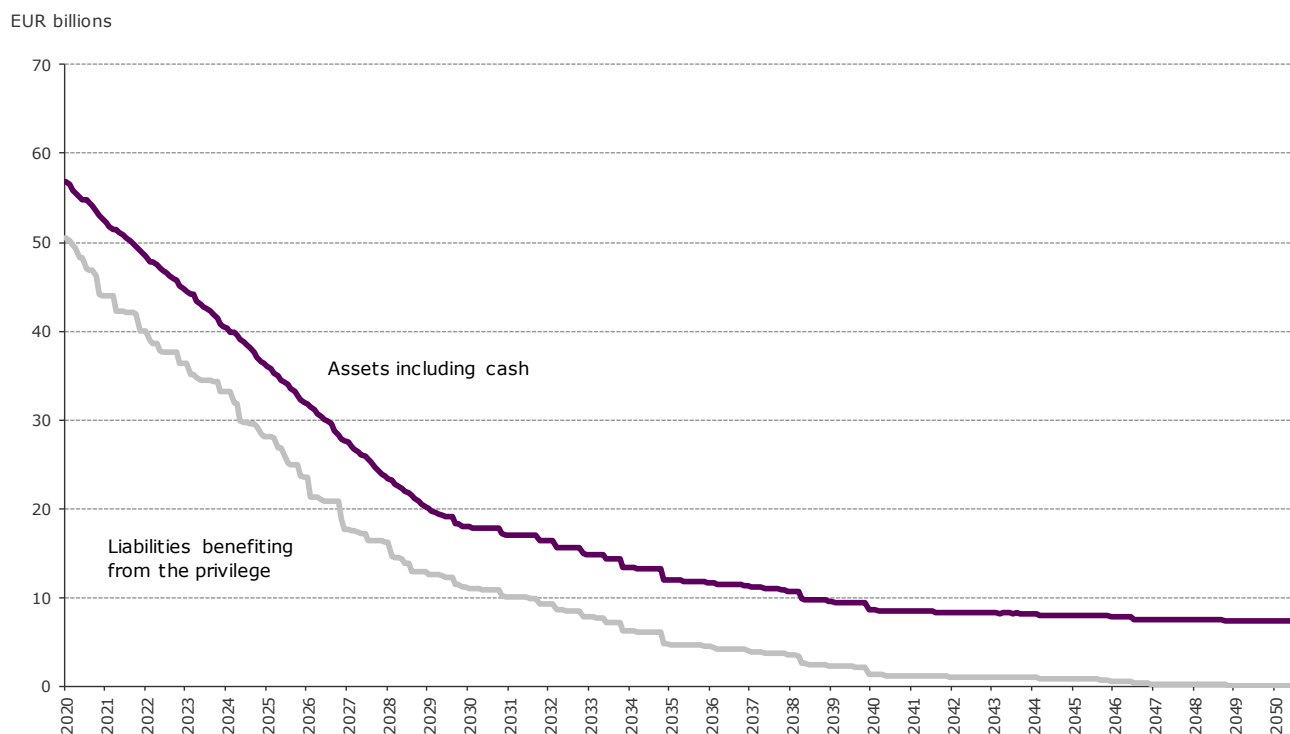
Regulatory over-collateralization may differ from nominal over-collateralization. In fact, it is calculated on the basis of the rules determined by the Autorité de Contrôle Prudentiel et de Résolution (ACPR). In particular, these rules require different weighting levels according to the assets. The assets in Caisse Française de Financement Local's cover pool are weighted at 100%. The small difference between the two ratios can be explained by the accrued interest not yet due taken into account in the regulatory over-collateralization ratio.

Any assets that Caisse Française de Financement Local may have assigned in guarantee to borrow funds from the Banque de France or any other banking institution would be excluded from the calculation of over-collateralization.

Over-collateralization may also be illustrated by the gap between the amortization curves of the assets and liabilities benefiting from the privilege. The following graph presents the curves as of March 31, 2020.



## Amortization of assets and liabilities as of March 31, 2020



In this graph, the assumption is made that excess cash generated over time is included in the cover pool.

## 7. Change in debt that does not benefit from the legal privilege

The asset surplus (assets exceeding *obligations foncières* and registered covered bonds) and miscellaneous needs are financed by equity and debt that does not benefit from the privilege of the law on *sociétés de crédit foncier*.

Such financing is obtained through the parent company. At the end of March 2020, the funds borrowed from SFIL within the framework of the financing agreement were made up of different loans with maturities that could initially run from one day to ten years with an Euribor or Eonia index

Temporary financing may also be obtained from the Banque de France. These funds do not benefit from the privilege stipulated in the law on *sociétés de crédit foncier*, but they are guaranteed by loans and securities assigned for this purpose in the account of Caisse Française de Financement Local at Banque de France. Since the creation of SFIL, except when it used 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 or from credit institutions other than its parent company.

The change in financing that does not benefit from the legal privilege, excluding accrued interest not yet due, can be presented as follows:

EUR billions	12/31/2019	3/31/2020
SFIL	5.2	5.5
Banque de France	-	-
<b>TOTAL</b>	<b>5.2</b>	<b>5.5</b>

## 8. Caisse Française de Financement Local's main risks

### 8.1 – CREDIT RISK

#### 8.1.1. Definition

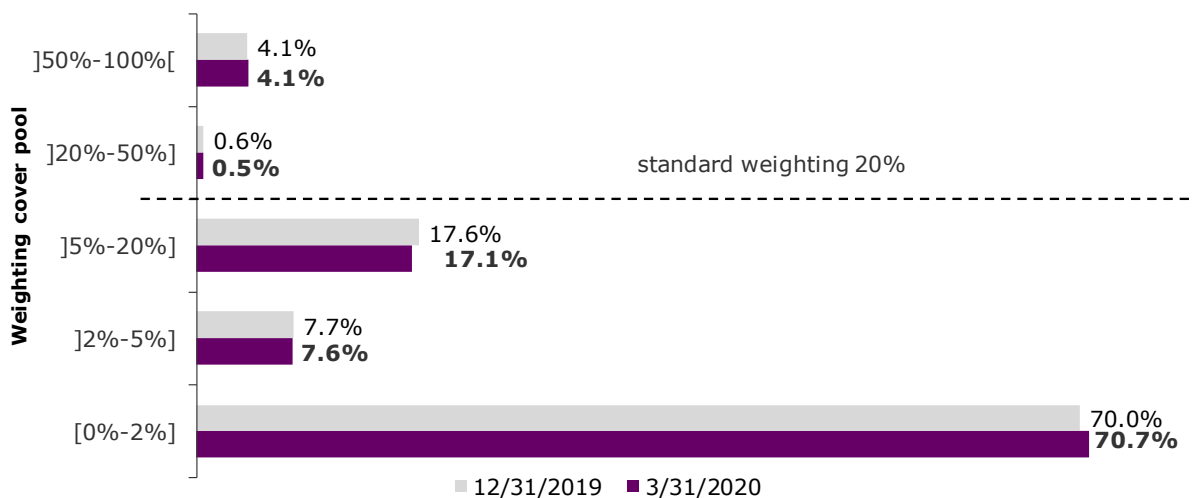
Credit risk represents the potential loss that Caisse Française de Financement Local's Credit Risks division is tasked with the following of the decline missions within the scope of its function to monitor credit in a counterparty's solvency.

#### 8.1.2. Breakdown of exposures according to risk weighting

The quality of Caisse Française de Financement Local's portfolio is illustrated by the risk weighting assigned to its assets (Risk Weighted Assets) for the calculation of the bank's solvency ratio. This reflects the fact that for most of its assets SFIL has opted for the advanced method of calculating regulatory capital requirements.

This enables Caisse Française de Financement Local to present an analysis of its exposure as of March 31, 2020 (in EAD), broken down by risk weighting, as used for the calculation of capital requirements for credit risk.

#### Risk weighting of Caisse Française de Financement Local's portfolio as of March 31, 2020



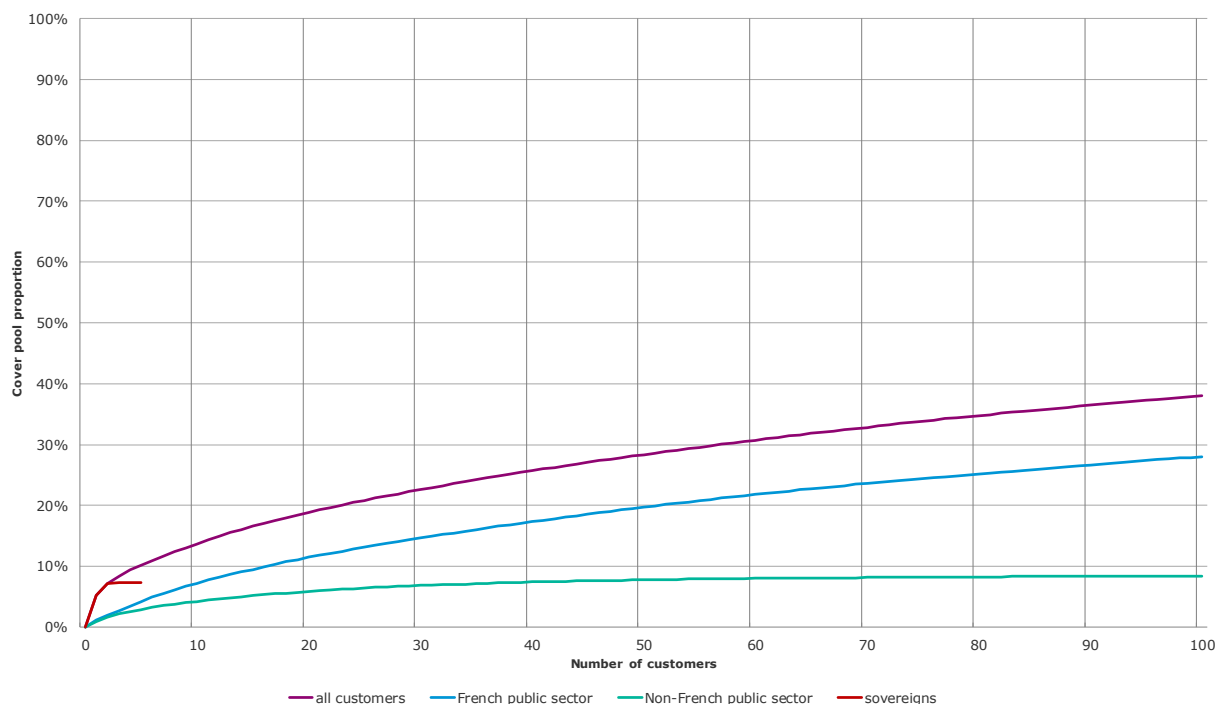
This analysis confirms the excellent quality of the assets in Caisse Française de Financement Local's portfolio:

- 78% of the portfolio has a risk weighting of 5% or less;
- less than 5% of the portfolio has a weighting of more than 20%.
- the average risk weighting of the cover pool assets is 6.5%, versus 20% for European local government entities according to the Basel standard method;

#### 8.1.3. 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 it is a risk management tool to protect from any loss in capital.

The chart below presents the concentration of the cover pool by type of counterparty (in outstanding capital); it confirms the great diversity of Caisse Française de Financement Local's portfolio of assets.



As of March 31, 2020, the 20 largest exposures (excluding replacement assets and cash deposits in the Banque de France), all categories combined, represented 18.9% of the cover pool. The largest exposure, the French State, represented 5.2% of the cover pool and the 20th 0.4%.

#### 8.1.4. Non-performing loans, litigious loans, provisions

Caisse Française de Financement Local does not publish quarterly accounts, but only half-year and annual accounts. Therefore, information concerning Non-performing loans, litigious loans and provisions at the end of the first quarter 2020 is not available in this activity report. Last published information about these issues was disclosed in the management report of the annual financial report 2019, which is available on the website of the Company.

#### 8.1.5. 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:

- replacement assets in the amount of EUR 2.5 billion (see 1.4.2.2);
- derivative contracts, entered into within the framework of its management of interest rate and foreign exchange risks.

All of Caisse Française de Financement Local's derivative operations are conducted within the framework of standard ISDA or FBF (Fédération bancaire française) contracts with major international banks. 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). 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 collateral (or variation margin), whereas they have to pay Caisse Française de Financement Local except for some which benefit from the agencies' highest short-term rating.

At the end of March 2020, Caisse Française de Financement Local was exposed (positive fair value of swaps) on nine bank counterparties, all of these paid cash collateral of EUR 0.6 billion, offsetting total exposure.

All derivative exposures as of March 31, 2020 are listed below.

EUR billions	Short-term notional amounts	Long-term notional amounts	% of long-term notional amounts	Mark to Market		Collateral received	Number of counterparties
				-	+		
SFIL	-	16.1	21.5%	(1.5)	-	-	1
Other counterparties	26.9	58.8	78.5%	(2.5)	0.6	0.6	24
<b>Total</b>	<b>26.9</b>	<b>74.9</b>	<b>100.0%</b>	<b>(3.9)</b>	<b>0.6</b>	<b>0.6</b>	<b>25</b>

The swaps negotiated with external counterparties represented 79% of outstanding long-term swaps and those signed with SFIL 21%. The long-term swaps signed with the five largest counterparties represented a total of 43% of notional amounts.

Short-term swaps (Eonia) were all contracted with external counterparties.

## 8.2 – MARKET RISK

Market risk is defined as the potential risk of loss (through income statement or directly through other comprehensive income) resulting from fluctuations in the prices of financial instruments that make up a particular portfolio. If the transactions of a portfolio are entered into for trading purposes, regulatory market risk requires daily monitoring of risks and results indicators of that portfolio. Changes in the value of trading portfolios directly impact the income statement.

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 risk.

Nevertheless, some positions of Caisse Française de Financement Local's banking book and activities are exposed to market volatility which could affect its accounting income and equity. They are monitored under non-regulatory market risks. This concerns mainly the following, under IFRS standards:

- the assets recorded at fair value through profit or loss or through other comprehensive income, the value of which can fluctuate;
- cross-currency swaps hedging the export credit activity in USD, the changes in value of which pass directly as income as long as the underlying loan is not totally paid;
- derivatives, of which the book value adjustments like the CVA (Credit Valuation Adjustment) and the DVA (Debit Valuation Adjustment), are recorded as income pursuant to IFRS standards.

In French accounting standards, this also concerns "placement" securities, the losses in value of which are provisioned.

## 8.3 – ALM RISK

### 8.3.1. Liquidity risk

#### 8.3.1.1. Definition and management of liquidity risk management

Liquidity risk is defined as the risk that the institution may not be able to find the necessary liquidity, on a timely basis and at a reasonable cost, to cover its financing needs.

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 debt benefiting from the legal privilege.

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

- financing of the assets that cover the *obligations foncières* it issues;
- 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.

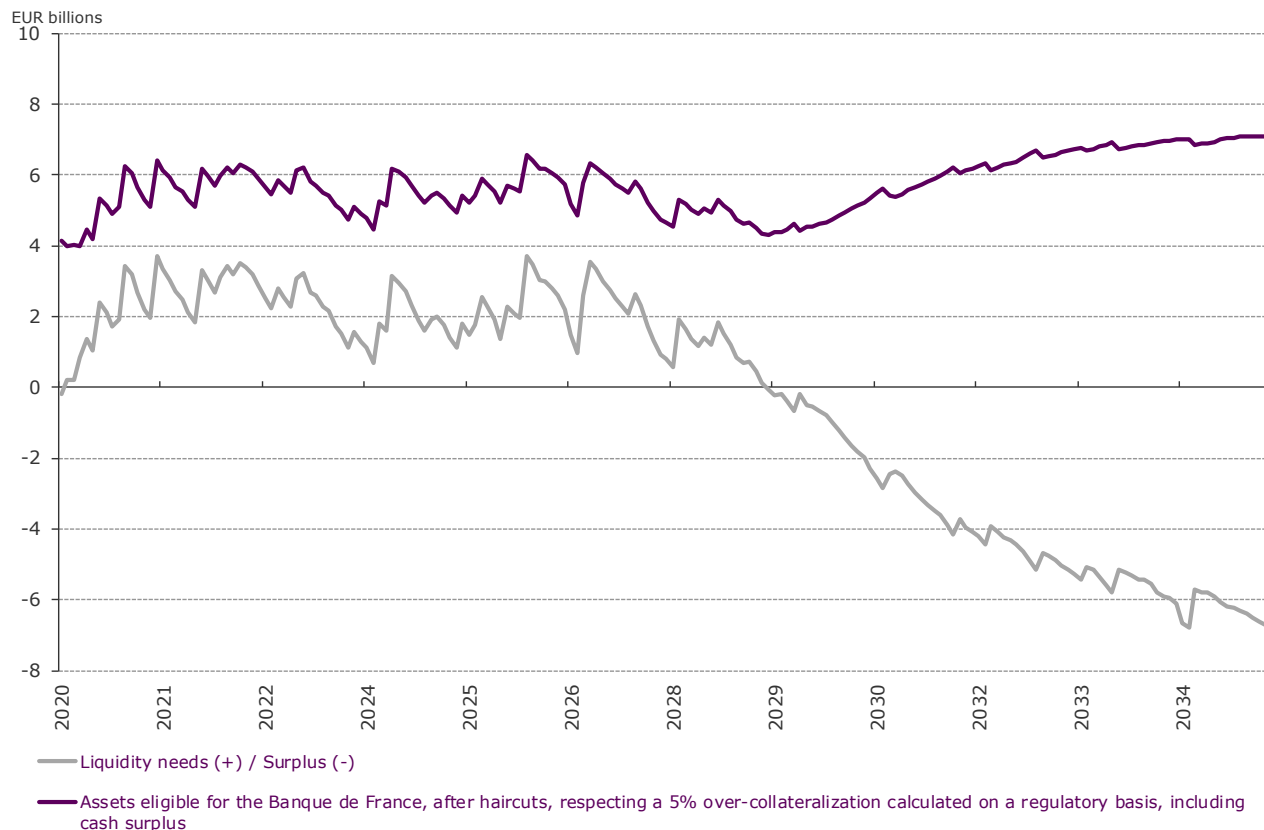
The sources of financing used to meet these requirements, other than the entity's equity, are:

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

Furthermore, Caisse Française de Financement Local has a very large stock of assets eligible for European Central Bank refinancing via the Banque de France. In addition to access to the central bank refinancing in its own name, Caisse Française de Financement Local can also mobilize certain of these assets by using interbank financing in the form of repurchase agreements. If necessary, these transactions would easily cover its cash flow requirements.

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:

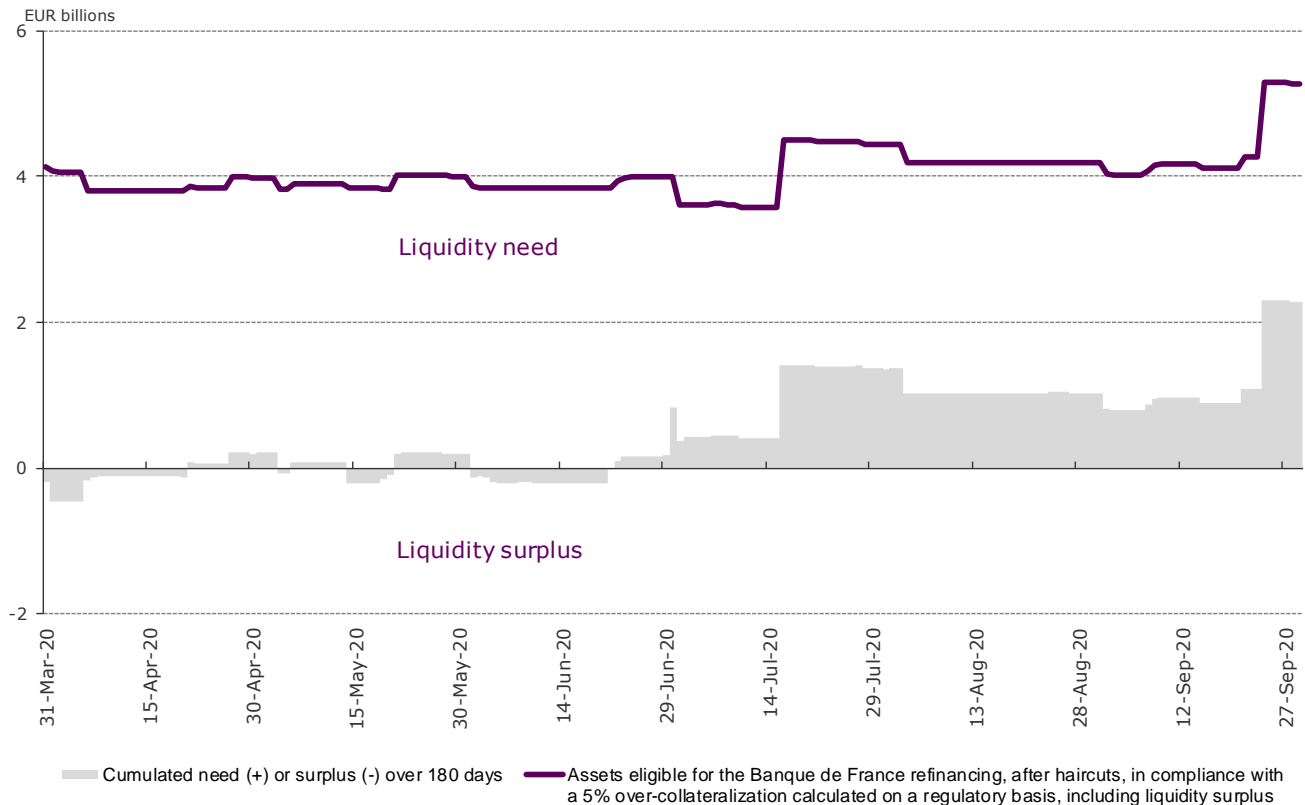


Caisse Française de Financement Local has its own autonomous resources that enable it to cover its temporary liquidity needs, even in the event of the default of its parent company, since any legal proceedings engaged for the bankruptcy or liquidation of its parent company cannot be extended to Caisse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

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

- regulatory indicators specific to *sociétés de crédit foncier* (SCF):
  - the regulatory coverage ratio (or over-collateralization ratio): this represents the ratio between assets and debts benefiting from the legal privilege, and must be at least 105% (see section 6.),
  - the maximum gap of 1.5 years between the average maturity of debt benefiting from the legal privilege and that of assets (see the specific section on transformation risk below),
  - forecast cash needs at 180 days: 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 the Banque de France's credit operations. Cash needs include repayments of *obligations foncières* and registered covered bonds, debt not benefiting from the legal privilege and of cash collateral received (forecasts), after deduction of cash flows from amortization of assets. This forecast is published quarterly in the asset quality report, and is shown below.

At the end of March 2020, forecast cash needs at 180 days presented a maximum liquidity need of EUR 2.3 Billion for the end of the period. Management measures were taken or will be taken to cover this liquidity needs. Thus, the company issued EUR 1.0 Billion at the beginning of May.



- the regulatory liquidity indicators applicable to credit institutions, in particular Regulation 575/2013 of the European Parliament and Council of June 26, 2013, concerning:
  - the LCR ratio (Liquidity Coverage Ratio): on March 31, 2020, Caisse Française de Financement Local's LCR ratio is 321%,
  - 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: Regulation 2019/876 which will come into effect in June 2021 defines the methods for calculating this indicator
- the internal liquidity indicators:
  - the coverage ratio (or over-collateralization ratio), which is steered at an over-collateralization level consistent with the Caisse Française de Financement Local's target rating (see section 6 – Over-collateralization ratio),
  - the dynamic financing need within one year and the
  - CAFFIL's ability to issue,
  - the one-year survival horizon in stressed conditions,
  - the limit of privileged liability maturities over the same annual period,
  - the difference in duration between assets and debts benefiting from the legal privilege (limited to three years): this is published every quarter and came to 0.36 year as of March 31, 2020 (see the specific section on transformation risk below),
  - 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 EUR/USD basis risk appetite for export credit transactions which measures the loss of revenue on these transactions which could result from stress on the financing costs in euros or USD

### 8.3.1.2. 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 8.3.2),

Caisse Française de Financement Local ensures that asset and liability maturities match by keeping the difference in duration between assets and debts 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 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 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	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020
Cover pool	6.79	6.83	7.16	7.01	7.20
Privileged liabilities	6.88	6.83	6.98	6.71	6.84
<b>Gap in asset-liability duration</b>	<b>-0.09</b>	<b>0.00</b>	<b>0.18</b>	<b>0.30</b>	<b>0.36</b>
Duration gap limit	3	3	3	3	3

### 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 gap in the weighted average life of the cover pool and the liabilities benefiting from the legal privilege is presented below:

Weighted average life (in years)	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020
Cover pool	7.15	7.06	7.23	7.21	7.28
Privileged liabilities	7.21	7.06	7.05	6.89	6.92
<b>Gap in asset-liability weighted average life</b>	<b>-0.06</b>	<b>0.00</b>	<b>0.18</b>	<b>0.32</b>	<b>0.36</b>

### Regulatory limit

Current regulations impose a limit of one-and-a-half years on the weighted average life gap between the cover pool and privileged liabilities. Caisse Française de Financement Local respects this limit.

## 8.3.2. Interest rate risk

### 8.3.2.1. Definition

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

There are three types of interest rate risks, which are generally covered using derivatives:

- Fixed interest rate risk : Results from the difference in volume and maturity between assets and liabilities with a fixed rate or an adjustable rate that has already been set. This risk can result in yield curve parallel shifts, steepening, flattening or rotation.
- Basis risk : Results from the gap that may exist in the matching of assets and liabilities which are indexed on variable rates of different types or index tenors.
- Fixing risk : Results from the gap between the fixing dates applied to all the variable rate balance sheet and off-balance sheet item linked to the same index tenor.

### 8.3.2.2. Hedging strategy

To limit its impact, interest rate 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 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.

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 an 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.

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 :
  - Translation of the rate curve : Limit of EUR 25 million
  - Sloping/rotation of the interest rate curve on distant points on the curve : EUR 10 million limit over each of the 4 time buckets
  - Sloping/rotation of the interest rate curve inside a time bucket : EUR 40 million limit on the absolute value of the sensitivities inside each time bucket

For sensitivity to the sloping/rotation of the rate curve within a time bucket, the limit was raised from EUR 20 million to EUR 40 million as from December 31, 2019, with no change in the overall loss level of 6% of the total equity mentioned above.

#### Limiting directional risk:

The measurement of sensitivity at the end of each quarter is presented below.

#### **Directional risk**

Total sensitivity

EUR millions	Limit	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020
<b>Sensitivity</b>	<b>(25)/25</b>	(0.2)	(0.1)	3.2	(0.3)	<b>(2.7)</b>

#### Measurement of the slope/rotation risk:

The quarter-end sensitivity measurements are presented below.

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

Sum of sensitivities

EUR millions	Limit	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020
Short term	<b>(10)/10</b>	(5.5)	(5.7)	(0.1)	(5.5)	<b>(6.0)</b>
Medium term	<b>(10)/10</b>	(3.5)	(5.6)	(8.6)	(9.2)	<b>(2.1)</b>
Long term	<b>(10)/10</b>	5.3	6.7	5.7	8.4	<b>1.6</b>
Very long term	<b>(10)/10</b>	3.6	4.4	6.2	6.0	<b>3.8</b>

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

Sum of sensitivities in absolute value

EUR millions	Limit*	3/31/2019	6/30/2019	9/30/2019	12/31/2019	3/31/2020
Short term	<b>40</b>	15.0	9.3	5.9	10.8	<b>17.3</b>
Medium term	<b>40</b>	9.8	13.3	11.0	15.3	<b>12.7</b>
Long term	<b>40</b>	8.9	6.8	8.2	12.3	<b>12.3</b>
Very long term	<b>40</b>	12.8	8.0	10.5	9.0	<b>7.0</b>

\* The limit, which applied to points before 12/31/2019, was EUR 20 million. It is EUR 40 million as of 12/31/2019.



### 8.3.3. Foreign exchange risk

#### 8.3.3.1. Definition

The foreign exchange risk is defined as the risk of a loss, linked to a change in the exchange rate of currencies vis-à-vis 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.

#### 8.3.3.2. Hedging Strategy

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 fully hedged. Floating rate exposures in euros generated by this management policy are incorporated into interest rate risk management. Nonetheless, certain loans to refinance large credit exports denominated in USD may cause a very limited risk of foreign exchange during their drawing phase in case of time shift between effective drawing dates, initially scheduled, and hedged drawing dates. This residual risk is handled through the calculation of a very low sensitivity limit.

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 US dollars, in which a marginal position is tolerated for operational reasons.

## 8.4 – OTHER RISKS

### 8.4.1. Operational risk

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

Management procedures for operational risks apply to all of SFIL's divisions responsible for Caisse Française de Financement Local's management, activities and processes.

SFIL's policy for measuring and managing operational risks, excluding non-compliance risk, consists of regularly identifying and assessing its risk exposure and the existing mitigation and control systems to establish whether or not the level of residual risk is acceptable. This policy is divided into three main processes:

- the collection and reporting of operational incidents;
- operational risk mapping;
- monitoring key operational risk indicators.

This system is complemented by an IT security management policy, a Recovery and Business Continuity Plan (RBCP) and, where necessary, insurance policies to cover specific risks.

The members of Caisse Française de Financement Local's Executive Board and Supervisory Board are regularly informed of changes in the operational risk mapping, major operational incidents, key indicators of operational risks exceeding the alert thresholds and the corrective action plans developed to reduce identified risks.

### 8.4.2. Legal and tax risks

#### 8.4.2.1. Legal risk

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

Caisse Française de Financement Local is monitoring of legal risks focuses on the prevention of litigation, the anticipation of legal developments and the respect of governance principles.

The Executive Board and Supervisory Board of Caisse Française de Financement Local receive regular updates on the progress of litigation. A management report regarding the lawsuits is presented at each Supervisory Board.

As regards litigation, relating to structured loans, as of March 31, 2020, there were 15 borrowers who had brought suit on structured loans, the same number as at December 31, 2019, compared to 18 at the end of 2018, 25 at the end of 2017, 39 at the end of 2016, and 131 at the end of 2015. Since SFIL's creation, 207 borrowers have dropped their claims regarding these loans against the Group.

As of March 31, 2020, there were no other lawsuits or disputes between SFIL or Caisse Française de Financement Local and its borrowers that were considered significant

### 8.4.2.3. Tax risk

A collection notice was issued at the end of 2018, for tax related to the inspection for 2012 and 2013, in relation to the taxation in Ireland of the income of the former Dexia Municipal Agency (CAFFIL's former name) branch which closed in 2013 and which resulted in a tax adjustment notice from the French tax authorities. In 2019, Caisse Française de Financement Local formally accepted and paid this adjustment, which thus became definitive, and kept in its accounts the provision set aside for the sums not yet paid, including those which will be called in 2020. The net exceeding provisions were cancelled, which generated an income of EUR 14 million for the year 2018 and an income of 3 million for the year 2019.

### 8.4.3. Risks of non-compliance

#### 8.4.3.1. Definition

Non-compliance risk is defined in French regulations 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 accountable officers or the executive body taken pursuant to guidelines from the supervisory body.

Non-compliance risks by the SFIL Group are organized into two major categories: regulatory compliance risks and risks in terms of financial security:

Regulatory non-compliance risks					Risks in terms of financial security		
Professional conduct and preventing conflicts of interest	Integrity of the markets	Protection of the interests of customers	Anti-corruption	Protection of personal data	Customer knowledge (KYC)	AML/CFT	Sanctions, freezing of assets and embargos

A report on the compliance system is prepared and submitted to the governing bodies of SFI and Caisse Française de Financement Local.

## 9. Outlook for 2020

In 2020, Caisse Française de Financement Local and its parent company SFIL will aim to maintain their position as the recognized leader for their two activities entrusted by the French State:

- financing loans to French local authorities and public hospitals, within the framework of the partnership established with La Banque Postale;
- supporting French exporters by refinancing large export credits guaranteed by the State.

Concerning this second mission (refinancing large export credits), on May 7, 2020, the European Commission renewed its authorization to the SFIL group for refinancing large export credits guaranteed by the State for 7 years (against 5 years initially). In addition, SFIL wishes to be able to intervene in the refinancing scheme for loans eligible for the new guarantee on projects with a strategic interest for the French overseas economy. The plan to extend SFIL's activity to this new guarantee will enable France to offer an export financing system comparable to the best foreign equivalents, in line with the practices observed in major exporting countries, particularly in Asia. The authorization of the European Commission should be obtained to enable SFIL intervention in this respect. Once the necessary authorizations have been obtained, this extension should come into operation during 2020.

To cover its financing requirements, Caisse Française de Financement Local plans to issue between EUR 3.5 and 5.5 billion of covered bonds in 2020 with a long-dated average maturity, adapted to the profile of the assets financed. It will carry out this program mainly through a number of benchmark *obligations foncières* issued in euros on the primary market and private placements adapted to the needs of its broad investor base.

SFIL will continue its CSR measures in 2020, particularly by reinforcing gender parity and continuing actions in favor of education, insertion and disability; continuing its efforts to reduce its CO2 emissions in accordance with its commitments; offering greater possibility for employees' commitment and improving practices (campaign to reduce the use of plastic in the Company's premises, awareness of fair trade, conference on zero waste, etc.). At the same time, the SFIL Group plans to issue a part of its bonds in 2020 in the form of social and/or green thematic issues. A social issue "Covid-19" of EUR 1 billion with a maturity of 5 years was realized at the end of April 2020. It aims at financing French public hospitals and has been highly successful in a context of gradual improvement in the market conditions (the rate of oversubscription was of 4.5).

From a macroeconomic point of view, the SFIL Group will closely monitor the impacts of the Coronavirus (COVID-19) pandemic in 2020. In this context, the SFIL Group is following the recommendations of the World Health Organization and the French government and has implemented the measures necessary to maintain operational continuity in all its business activities. The SFIL Group's teams very closely monitor disruptions in the financial markets. The impact on current and planned transactions of SFIL and CAFFIL, and on their counterparties (customers, banks, and partners) are being reassessed regularly. Time lags in the collection of income from some of its assets (consisting entirely of exposures to public sector borrowers) may be considered: indeed the group SFIL proposed a 6-

month delay of payment (for the term to be paid before June 30, 2020) to its clients of the French public hospital sector. The postponement of certain bond issues in the event of unfavorable market conditions can also be taken into consideration. Nevertheless, the liquidity risk is limited by the good matching of the maturity profiles of assets and liabilities and the ability to benefit from the financing proposed by the European Central Bank through high-quality assets in the portfolio. Moreover, the quality of SFIL's shareholding structure, its status as a public development bank, the quality of CAFFIL's and SFIL's standings, the very rigorous risk management and the solid solvency ratio are all advantages within the current context.

Lastly, the transfer of control of SFIL to the Caisse des Dépôts, pursuant to the agreement signed on March 4, 2020, should be finalized by mid-2020. This operation will enable the public financial institutions to continue to serve the French territory, by grouping them within a large public financial group, formed around the Caisse des Dépôts and La Poste.

## Breakdown of cover pool as of March 31, 2020

EUR millions	3/31/2020				12/31/2019	
	Direct exposure		Indirect exposure		Total	Total
COUNTRY	Loans	Bonds	Loans	Bonds		
<b>France</b>						
State:						
- export refinancing	-	-	2,880	-	2,880	2,588
- others	5	-	-	55	60	13
Banque de France	213	-	-	-	213	473
Regions	1,901	100	245	-	2,246	2,227
Departments	6,967	-	154	-	7,121	6,906
Municipalities	15,009	14	310	-	15,333	15,293
Groups of municipalities	12,639	69	99	-	12,807	12,325
Public sector entities:						
- health	6,126	8	-	-	6,134	6,093
- social housing	1,031	-	-	-	1,031	1,053
- others	822	54	1	-	877	861
Credit institutions	304	648	-	-	952	1,159
<b>Subtotal</b>	<b>45,017</b>	<b>893</b>	<b>3,689</b>	<b>55</b>	<b>49,654</b>	<b>48,991</b>
<b>Germany</b>						
Länder	-	274	-	-	274	275
Credit institutions	-	93	-	-	93	95
<b>Subtotal</b>	<b>-</b>	<b>367</b>	<b>-</b>	<b>-</b>	<b>367</b>	<b>370</b>
<b>Austria</b>						
Länder	-	-	176	-	176	178
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>176</b>	<b>-</b>	<b>176</b>	<b>178</b>
<b>Belgium</b>						
Regions	2	-	10	-	12	12
Public sector entities	40	-	-	-	40	43
Credit institutions	-	174	-	-	174	174
<b>Subtotal</b>	<b>42</b>	<b>174</b>	<b>10</b>	<b>-</b>	<b>226</b>	<b>229</b>
<b>Canada</b>						
Municipalities	100	-	-	-	100	100
Public sector entities	34	-	-	-	34	34
Credit institutions	-	224	-	-	224	225
<b>Subtotal</b>	<b>134</b>	<b>224</b>	<b>-</b>	<b>-</b>	<b>358</b>	<b>359</b>
<b>Denmark</b>						
Credit institutions	-	64	-	-	64	91
<b>Subtotal</b>	<b>-</b>	<b>64</b>	<b>-</b>	<b>-</b>	<b>64</b>	<b>91</b>
<b>Spain</b>						
State	-	-	-	-	-	25
Regions	-	50	-	-	50	50
Municipalities	69	-	-	-	69	69
<b>Subtotal</b>	<b>69</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>144</b>

EUR millions	3/31/2020				Total	12/31/2019
	Direct exposure		Indirect exposure			
COUNTRY	Loans	Bonds	Loans	Bonds		Total
<b>United States</b>						
Federated States	-	222	-	-	222	234
<b>Subtotal</b>	-	<b>222</b>	-	-	<b>222</b>	<b>234</b>
<b>Finland</b>						
Credit institutions	-	95	-	-	95	96
<b>Subtotal</b>	-	<b>95</b>	-	-	<b>95</b>	<b>96</b>
<b>Italy</b>						
State	-	1,133	-	-	1,133	1,138
Regions	-	1,860	-	-	1,860	1,862
Provinces	-	437	-	-	437	442
Municipalities	6	1,007	-	-	1,013	1,030
<b>Subtotal</b>	<b>6</b>	<b>4,437</b>	-	-	<b>4,443</b>	<b>4,472</b>
<b>Japan</b>						
Municipalities	-	25	-	-	25	25
<b>Subtotal</b>	-	<b>25</b>	-	-	<b>25</b>	<b>25</b>
<b>Norway</b>						
Credit institutions	-	222	-	-	222	222
<b>Subtotal</b>	-	<b>222</b>	-	-	<b>222</b>	<b>222</b>
<b>Netherlands</b>						
Credit institutions	-	98	-	-	98	151
<b>Subtotal</b>	-	<b>98</b>	-	-	<b>98</b>	<b>151</b>
<b>Portugal</b>						
State	-	-	-	-	-	-
Municipalities	11	-	-	-	11	11
Public sector entities	3	-	-	-	3	3
<b>Subtotal</b>	<b>14</b>	-	-	-	<b>14</b>	<b>14</b>
<b>United Kingdom</b>						
State	-	-	-	32	32	39
Credit institutions	-	10	-	-	10	10
<b>Subtotal</b>	-	<b>10</b>	-	<b>32</b>	<b>42</b>	<b>49</b>
<b>Sweden</b>						
Municipalities	18	-	-	-	18	18
Credit institutions	-	181	-	-	181	301
<b>Subtotal</b>	<b>18</b>	<b>181</b>	-	-	<b>199</b>	<b>319</b>
<b>Switzerland</b>						
Cantons	162	-	6	-	168	168
Municipalities	259	-	-	-	259	259
Public sector entities	60	-	-	-	60	60
<b>Subtotal</b>	<b>481</b>	-	<b>6</b>	-	<b>487</b>	<b>487</b>
<b>Supranational</b>						
International organizations	17	-	-	-	17	20
<b>Subtotal</b>	<b>17</b>	-	-	-	<b>17</b>	<b>20</b>
<b>TOTAL COVER POOL</b>	<b>45,798</b>	<b>7,062</b>	<b>3,881</b>	<b>87</b>	<b>56,828</b>	<b>56,451</b>

Loans and securities are off 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 to these impairments, Caisse Française de Financement Local makes collective and sectorial impairments.