



**Report on asset quality
as of September 30, 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 September 30, 2020, Caisse Française de Financement Local's cover pool is made of EUR 50.1 billion of loans, EUR 5.4 billion of bonds and EUR 1.6 billion of replacement assets, that correspond to the following exposures:

EUR thousands, as of 9/30/2020	Total cover pool	Assets removed from the cover pool	Total Outstanding
Exposures on public sector	55,535,516	570	55,536,086
Asset-backed securities	-	-	-
Replacement assets	1,564,290	-	1,564,290
TOTAL	57,099,806	570	57,100,376

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 September 30, 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	-	-	3,375,251	-	3,375,251	-
- others	20,278	-	84	155,000	175,362	-
Banque de France ⁽²⁾	559,230	-	-	-	559,230	-
Regions	2,011,637	75,007	241,421	-	2,328,065	50,362
Departments	7,166,041	-	148,299	-	7,314,340	38
Municipalities	14,581,751	13,884	294,103	-	14,889,738	22,549
Groups of municipalities ⁽³⁾	12,982,180	68,930	89,521	-	13,140,631	3,484
Public sector entities :						
- health	6,022,223	8,389	-	-	6,030,612	7,670
- social housing	989,549	-	-	-	989,549	1
- others	784,158	154,149	682	-	938,989	198
Sub total	45,117,047	320,359	4,149,361	155,000	49,741,767	84,302
Germany						
Länder	-	274,910	-	-	274,910	-
Sub total	-	274,910	-	-	274,910	-
Austria						
Länder	-	-	173,016	-	173,016	-
Sub total	-	-	173,016	-	173,016	-
Belgium						
Regions	1,166	-	7,500	-	8,666	-
Public sector entities	37,707	-	-	-	37,707	-
Sub total	38,873	-	7,500	-	46,373	-
Canada						
Municipalities	100,287	-	-	-	100,287	-
Public sector entities	34,485	-	-	-	34,485	-
Sub total	134,772	-	-	-	134,772	-
Spain						
State	-	40,000	-	-	40,000	-
Regions	-	50,000	-	-	50,000	-
Municipalities	67,944	-	-	-	67,944	-
Sub total	67,944	90,000	-	-	157,944	-
United States						
Federated States	-	209,474	-	-	209,474	-
Sub total	-	209,474	-	-	209,474	-

EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which past due ⁽¹⁾
	Loans	Bonds	Loans	Bonds		
COUNTRY						
Italy						
State	-	1,140,915	-	-	1,140,915	-
Regions	-	1,815,584	-	-	1,815,584	-
Provinces	-	419,164	-	-	419,164	-
Municipalities	5,109	958,171	-	-	963,280	-
Sub total	5,109	4,333,834	-	-	4,338,943	-
Japan						
Municipalities	-	25,000	-	-	25,000	-
Sub total	-	25,000	-	-	25,000	-
Portugal						
State	-	-	-	-	-	-
Municipalities	9,103	-	-	-	9,103	-
Public sector entities	2,148	-	-	-	2,148	-
Sub total	11,251	-	-	-	11,251	-
United Kingdom						
State	-	-	-	15,774	15,774	-
Sub total	-	-	-	15,774	15,774	-
Sweden						
Municipalities	18,490	-	-	-	18,490	-
Sub total	18,490	-	-	-	18,490	-
Switzerland						
Cantons	65,253	-	6,453	-	71,706	-
Municipalities	240,483	-	-	-	240,483	-
Public sector entities	60,350	-	-	-	60,350	-
Sub total	366,086	-	6,453	-	372,539	-
Supranational						
International organizations	15,263	-	-	-	15,263	-
Sub total	15,263	-	-	-	15,263	-
TOTAL	45,774,835	5,253,577	4,336,330	170,774	55,535,516	84,302

(1) No data relating to nonperforming and litigious loans, and specific impairments as of September 30 are disclosed in this table because Caisse Française de Financement Local does not publish quarterly accounts but only 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 September 30, 2020

(3) Of which EUR 15,837 thousand on operations linked to partnership agreements.

2.2 RATINGS

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

2.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 9/30/2020

Residual maturity		Term to maturity					TOTAL
Maturity date in years	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	2,367	736,936	63,000	-	-	-	799,936
1	2,602	51,646	66,991	190,556	126,980	-	436,173
2	2,648	40,826	55,147	79,610	609,884	-	785,467
3	2,379	50,175	59,060	122,504	934,083	-	1,165,822
4	2,341	41,441	59,939	85,223	839,577	-	1,026,180
5	4,434	60,828	56,371	122,436	1,149,238	162,753	1,551,626
6	2,505	78,596	52,584	101,760	967,040	793,016	1,992,996
7	2,370	51,016	78,699	106,460	1,034,595	1,162,333	2,433,103
8	2,945	87,507	85,686	158,975	1,356,682	1,264,275	2,953,125
9	2,450	143,505	61,811	201,556	1,739,658	1,715,821	3,862,351
10	2,828	74,126	72,173	158,926	1,249,830	2,080,452	3,635,507
11	1,601	58,075	61,166	111,281	941,177	1,674,758	2,846,457
12	1,548	51,286	45,922	91,001	819,735	1,753,612	2,761,556
13	1,631	52,424	51,652	81,050	905,253	2,135,761	3,226,140
14	1,860	57,130	62,641	101,185	960,714	3,131,584	4,313,254
15	1,429	52,551	40,260	93,448	745,823	2,695,249	3,627,331
16	1,063	43,232	35,469	60,210	581,818	2,499,065	3,219,794
17	1,044	36,813	35,348	57,457	536,447	2,115,848	2,781,913
18	1,029	30,763	30,765	73,384	551,810	2,081,013	2,767,735
19	1,070	31,610	34,827	61,419	519,520	2,030,210	2,677,586
20	402	16,788	14,004	47,021	311,639	1,302,324	1,691,776
21	165	12,495	7,036	12,196	132,682	600,950	765,359
22	151	4,535	4,252	11,087	81,944	390,929	492,747
23	241	5,162	8,145	8,909	91,171	485,849	599,236
24	258	4,566	5,493	10,270	80,555	437,161	538,045
25	80	1,387	1,700	2,744	24,463	144,982	175,276
26	48	316	3,649	6,233	42,214	252,591	305,003
27	82	2,632	2,563	4,905	42,308	903,413	955,821
28	82	1,669	3,277	5,057	42,671	346,160	398,834
29	107	2,800	2,606	5,231	44,115	328,314	383,066
30	21	537	539	2,698	15,694	130,316	149,784
31	4	91	107	181	1,525	10,790	12,694
32	13	13	114	574	2,864	24,324	27,889
33	40	264	724	125	4,968	73,271	79,352
34	11	170	242	482	3,927	61,179	66,000
35	35	331	183	808	5,708	74,210	81,240
36	22	30	90	80	844	11,631	12,675
37	15	13	119	731	3,856	32,312	37,031
38	8	86	242	216	2,317	30,225	33,086
39	2	30	55	85	701	8,342	9,213
40	2	75	123	199	1,625	19,126	21,148
41	1	0	32	33	286	6,169	6,520
	43,934	1,884,476	1,164,806	2,178,306	17,507,941	32,970,318	55,705,847
TRANSLATION ADJUSTMENTS							-170,331
TOTAL							55,535,516

(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 9/30/2020

COUNTRY	Early repayments during the year 2020	Rate of early repayments
France		
State	-	-
Departments	14,596	0.21%
Municipalities	24,770	0.16%
Groups of municipalities	4,973	0.04%
Public sector entities :		
- health	-	-
- social housing	-	-
- others	59	0.01%
Sub total	44,398	0.09%
GLOBAL exposures on public sector	44,398	0.08%

The rate of early repayments at the end of the third quarter corresponds to the volume of early repayments occurred over the year 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 repayments of EUR 255 million.

3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

3.1 BREAKDOWN BY COUNTERPART

As of September 30, 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 9/30/2020	Country	Amount
Step 1 credit rating		
Covered Bonds		
	France	341,195
	Other countries	705,610
Other Bank bonds		
	France	221,141
	Other countries	289,655
Loans to SFIL	France	-
Step 2 credit rating		
Bank bonds (Maturity < 100 days)		
	France	-
	Other countries	-
Bank accounts' balances	France and other countries	6,689
TOTAL		1,564,290

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 September 30, 2020, replacement assets were composed of bank bonds 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 9/30/2020		Term to maturity					TOTAL
Residual maturity		Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
Maturity date in years	Number of deals ⁽¹⁾						
0	11	116,290	449,943	-	-	-	566,233
1	18	-	-	295,700	262,318	-	558,018
2	10	-	-	-	206,160	-	206,160
3	4	-	-	-	139,679	-	139,679
4	2	-	-	-	94,200	-	94,200
Total	45	116,290	449,943	295,700	702,357	-	1,564,290

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

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

4.4 EARLY REPAYMENTS

No early repayment occurred during the three firsts quarters of 2020.

5. MANAGEMENT OF THE INTEREST RATE RISK

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 or €str 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.

More recently, some hedges have been entered into directly in Eonia or €str, without intermediate swaps against Euribor

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 or €str 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.

As at September 30, 2020, the sensitivity limits to interest rate risk are the following :

Translation of the rate curve	Limit of EUR 25 million
Sloping/rotation of the interest rate curve on distant points on the curve	EUR 15 million limit over Short term time buckets EUR 10 million limit over Medium term time buckets EUR 10 million limit over Long term time buckets EUR 9 million limit over Very long term time buckets
Sloping/rotation of the interest rate curve inside a time bucket	EUR 30 million limit on the absolute value of the sensitivities inside each time bucket

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

Directional risk

Total sensitivity

<i>EUR millions, end of quarter</i>	Limit	12/31/2019	3/31/2020	6/30/2020	9/30/2020
Sensitivity	25.0	-0.3	-2.7	-1.9	-1.0

Risk of slope between two distant points on the rate curve

Sum of sensitivities

<i>EUR millions, end of quarter</i>	Limit*	12/31/2019	3/31/2020	6/30/2020	9/30/2020
Short term	15.0	-5.5	-6.0	-4.0	-5.3
Medium term	10.0	-9.2	-2.1	-6.6	-6.1
Long term	10.0	8.4	1.6	4.1	5.1
Very long term	9.0	6.0	3.8	4.6	5.3

* The limits applicable to points prior to 6/30/2020 were EUR 10 million for each time bucket. Since 6/30/2020, the limit is now EUR 15 million for the short-term time bucket, EUR 10 million for the medium-term and long-term time buckets and EUR 9 million for the very long-term time bucket.

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*	12/31/2019	3/31/2020	6/30/2020	9/30/2020
Short term	30.0	10.8	17.3	9.0	12.6
Medium term	30.0	15.3	12.7	13.0	13.9
Long term	30.0	12.3	12.3	10.4	3.7
Very long term	30.0	9.0	7.0	7.6	8.2

* The limit applicable to points prior to 12/31/2019 was EUR 20 million. As of 12/31/2019 and 3/31/2020, the limit applicable was EUR 40 million. Since 6/30/2020, the limit applicable is now EUR 30 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 at September 30, 2020, forecast cash needs at 180 days presented a maximum liquidity need of EUR 1 Billion during the next six months. Management measures were taken or will be taken to cover this liquidity needs. The movements observed correspond to cash flows from amortization of obligations foncières, cash collateral, non privileged liabilities and assets.

