



# CAFFIL Activity Report

For the period from January 1<sup>st</sup> to September 30, 2020

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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 (see 1.3.1). 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 1.3.2.). 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 September 30, 2020, Caisse Française de Financement Local was wholly owned by SFIL.

SFIL is a credit institution approved by the ACPR. Since September 30, 2020, its shareholder is the Caisse des Dépôts (CDC) (99.99%), with the exception of one ordinary share that the French state retained (cf. 2.1). SFIL's shareholders remains thus firmly anchored in the public sphere, thus 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 Caisse des Dépôts is the reference shareholder of SFIL. 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.

To take into account the new shareholding situation, on 5 November 2020, SFIL, the parent company of Caisse Française de Financement Local signed a new declaration of support of Caisse Française de Financement Local, ensuring notably that "SFIL, its reference shareholder the Caisse des dépôts and the French State, will ensure, subject to EU State Aid rules, that the economic base of Caisse Française de Financement Local is protected and its financial strength preserved through its life, in compliance with the requirements of banking regulations in force". This declaration of support is reproduced in issuance documents and will be reproduced in the annual financial report of Caisse Française de Financement Local.

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



\* The Caisse des Dépôts holds all SFIL shares with the exception of one ordinary share retained by the French State.  
 \*\* The French State holds 50% of the capital of Bpifrance S.A. (through EPIC Bpifrance) and 34% of La Poste's capital.

**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). 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. 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.



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

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.

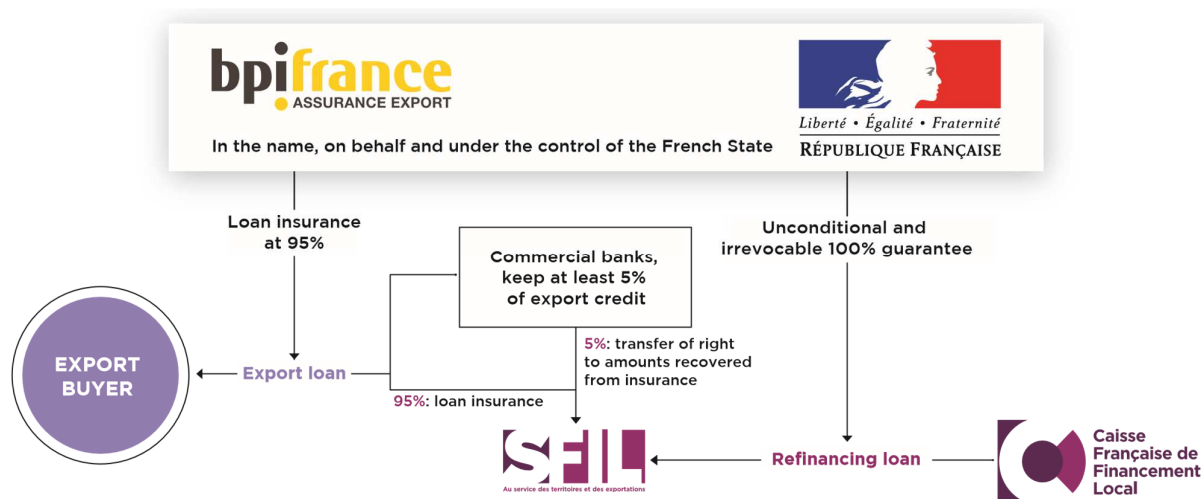
#### 1.3.2.1. The system for refinancing large export credits

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) The enhanced guarantee was introduced by law 2012-1510 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..

### 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 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. This source of financing is the main source of liquidity for the SFIL Group and represents an outstanding of EUR 50.5 billion at September 30, 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 initially 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 Caisse des Dépôts as the reference shareholder of SFIL, on November 5, 2020 SFIL signed a new declaration of support of Caisse Française de Financement Local.

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. At the end of September 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 September 30, 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 Caisse des Dépôts and the French State would provide extraordinary support to SFIL because of the strategic importance of the public service responsibilities entrusted to it, the Caisse des Dépôts and the State's commitments and their influence on SFIL's governance.

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 September 30, 2020 are presented in section 2.5.

## 2. Highlights of the first nine months of 2020

### 2.1 – HEALTH CRISIS DUE TO THE COVID-19 PANDEMIC

Within the context of the pandemic health crisis, the Caisse Française de Financement Local continued its two missions of financing of the local public sector and refinancing of large export credits. It showed its resilience capacity notably in terms of solvency and liquidity, thanks to the public development model of its parent company, SFIL.

On the operational side, SFIL is able to adapt its work organization and IT systems depending on the evolution of the crisis to enable all of its activities, and notably its services for the Caisse Française de Financement Local, to continue normally.

The SFIL Group is in capacity to monitor and manage all of its risks, notably those related to market volatility and the economic situation of customers.

For the Caisse Française de Financement Local, the financial impacts of this crisis were very limited, although some impacts can be seen in the income statement due to banking regulations and IFRS accounting rules. These impacts are explained in the different sections of this report.

### 2.2 – 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 French 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.

This operation to transfer all of SFIL's capital to the Caisse des Dépôts (with the exception of one share retained by the French State) was carried out on September 30, 2020. Caisse des Dépôts thus becomes the new reference shareholder of the 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 therefore retains its status as a public development bank with fully public shareholders. Its scope of intervention is maintained as is with a commitment from its shareholders, the Caisse des Dépôts and the French State, to protect the economic base and the financial viability of the SFIL Group and to support it in accordance with the applicable regulations. Otherwise, La Banque Postale, which retains 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.

With this transaction, the shareholding structure of Caisse Française de Financement Local remains firmly anchored in the public sphere, thus reflecting the missions the French State assigned to it.

This transaction is part of the creation of a major public financial group based on Caisse des Dépôts and La Poste.

### 2.3 – THE COVERED BONDS MARKET

At the end of September 2020, the volume of issue on the primary market of covered bonds in euros amounted to EUR 82 billion, a significant decrease of 30% compared to 2019 over the same period (EUR 117 billion). At the same time, nearly EUR 84 billion were repaid, leading to a negative net offer (EUR -2 billion). The gross offer remained dominated, as it has for several years, by French and German issuers, which represent more than half of the volume with respectively 31% and 20% of the issues carried out at the end of September.

In the third quarter, the offer on the primary market of covered bonds in euros stood at EUR 12.9 billion, showing a significant decrease of 40% compared to the third quarter of 2019 (EUR 21.5 billion). This situation is explained by a significant recourse by European banks to advantageous Eurosystem refinancing schemes (TLTRO) and by a lack of visibility of most bank issuers on their future loan volumes to be refinanced.

In this market context, in the 3rd quarter, Caisse Française de Financement Local raised money in the public primary benchmark market in euros in September with a 7-year transaction for a size of EUR 1.5 billion. Caisse Française de Financement Local took advantage of investor demand to provide additional liquidity on its benchmark issue of June 2030 via two contributions in July and September of € 150 million each, bringing its outstanding amount to EUR 1.3 billion and on its benchmark issue of January 2026 via a contribution in August of € 150 million, bringing its outstanding amount to EUR 1.3 billion. Finally, CAFFIL issued private placements for EUR 25 million.

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

A European directive on covered bonds as well as an amendment to the Article 129 of the Capital Requirements Regulation – CRR) have been published in the Official Journal of the European Union on December 18, 2019. This new legal framework aims at standardizing the different European covered bond models. This directive should be transposed into French national law by mid-2021 to take effect by no later than mid-2022, at the same time as the new 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 nine months of 2020.

As of September 30, 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.

As of September 30, 2020, the extra-financial ratings of Caisse Française de Financement Local were as follows: Premium C+ by ISS and AA by MSCI, and the extra-financial rating associated with CAFFIL issuance program was 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.

During the first nine months of 2020, despite the generalized lockdown due to the health crisis of the Covid-19, SFIL endeavored to continue its CSR commitments, in line with its strategy and road map, notably *via* the publication of its CSR report for 2019 (available in English and French on the SFIL website ([www.sfil.fr](http://www.sfil.fr))) and the publication of the report on the allocation of the February 2019 inaugural "social" theme issue funds.

### 2.7 – 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.

Despite a significant decline in demand during April, due to the COVID-19 pandemic lockdown, French local public sector financing saw a sustained level of activity during the first nine months of 2020. The volume of loans granted by the CAFFIL/SFIL/LBP system is superior to the budget and close to the level of 2019, which was a record year for production.

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 23.6 billion, including EUR 3.7 billion over the first nine months of 2020.

The SFIL Group decided to deploy two approaches to support its customers faced with difficulties due to the health crisis:

- One, proactive and systematic, by proposing payment terms to all health institutions in recognition of the cost of their exceptional involvement in the COVID-19 pandemic. Caisse Française de Financement Local proposed payment terms of 180 days to these borrowers for all of their loan contract maturities between March 12 and June 30, 2020, without any late interest or penalties being invoiced. Only 27 health institutions had benefited from these payment terms. The offset payment maturities amounted to EUR 9 million as of June 30, 2020. As of September 30, 2020, 23 health institutions still benefited from these payment terms for an amount of less than EUR 9 million.
- The other approach by responding to incoming requests from health institutions with customized needs and local and equivalent authorities faced with temporary cash flow difficulties due to the health crisis caused by the decline in revenue from specific activities, related to economic, cultural and touristic activities (cinemas, swimming pools, car parks, thermal baths, etc.), on a case by case basis. As of September 30, 2020, the offset payment maturities amounted to EUR 2 million for 17 borrowers instead of EUR 8 million for 28 borrowers as of June 30, 2020.

In total, the offset maturities represented a very low number of customers (40) and amount (EUR 11 million).

## 2.8 – 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.

In May 2020, the European Commission renewed its authorization for the export credit refinancing activity guaranteed by the French State for 7 years; it maintained its diagnosis of a market failure for export credit refinancing and the appropriate and necessary nature of the intervention of a public development bank, such as SFIL, to remedy it.

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.

No new contracts were signed during the first nine months of the year. The impact of the successive lockdown periods in the different regions of the world, led, in the short term, to a slowdown in on-going negotiations for certain projects. However, over the medium term and as part of the economic recovery, the use of SFIL export credit and refinancing could play a counter-cyclical role.

As of September 30, 2020, the outstanding amount of these loans on Caisse Française de Financement Local's balance sheet was EUR 3.4 billion. As a reminder, the payment of loans used to refinance large export credits is spread out over several years.

The COVID-19 pandemic had a limited impact on the SFIL Group's current export refinancing portfolio, with only the cruise ship financing sector requiring specific action (as a reminder, SFIL is present in all cruise ship financing operations through French export credits signed since 2016). The SFIL Group entered into the approach developed jointly by the European export credit guarantee agencies to provide liquidity support for export credits for cruise companies. These companies were impacted by the brutal interruption to their business due to the health crisis and their need to continue to face fixed costs. This liquidity support consists of deferring the repayment of the principal amount of the credits for a 12 month period and spreading repayment over four years. Thus, Caisse Française de Financement Local accepted to defer the payment of maturities on 3 contracts for a total of around EUR 75 million. In addition, the manufacture and delivery of certain cruise ships will be staggered in time, which will have an impact on the profile of the refinancing granted by CAFFIL to SFIL.

## 3. Change in cover pool and debts

EUR billions	12/31/2019	9/30/2020	Change 2020 / 2019
value after currency swaps			
<b>Cover pool</b>	<b>56.5</b>	<b>57.1</b>	<b>1.1%</b>
Loans	48.4	49.5	2.3%
Securities	7.6	7.0	(7.9)%
Cash deposit in central bank	0.5	0.6	18.2%
<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>51.0</b>	<b>1.2%</b>
Obligations foncières <sup>(1)</sup>	49.8	50.5	1.4%
Cash collateral received	0.6	0.5	(13.8)%
<b>Non-privileged debt</b>	<b>5.2</b>	<b>5.4</b>	<b>3.6%</b>
SFIL	5.2	5.4	3.6%
<b>Equity IFRS (excluding unrealized gains and losses)</b>	<b>1.4</b>	<b>1.4</b>	<b>(2.9)%</b>

(1) Including registered covered bonds



The size of Caisse Française de Financement Local's cover pool increased by EUR 0.6 billion in 2020, i.e. approximately 1.1%. As of September 30, 2020, the cover pool excluding interest accrued not yet due amounted to EUR 57.1 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 0.6 billion at the end of September 2020, versus EUR 0.5 billion at the end of December 2019. The cash surplus invested in securities was a total of EUR 1.9 billion as of September 30, 2020 versus EUR 2.6 billion at the end of December 2019.

As of September 30, 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 51.0 billion, which increase by 1.2 % in comparison with December 31, 2019.

As of September 30, 2020, the debt contracted with the parent company totaled EUR 5.4 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 third quarter of 2020 corresponds to an increase in assets in the amount of EUR 0.6 billion. This change is explained by the following items.

EUR billions	Q3 2020
<b>1- Acquisition of loans from La Banque Postale</b>	<b>3.7</b>
Loans to the French public sector (vanilla loans in euros)	3.7
<b>2- Loans disbursements to refinance export credit</b>	<b>0.9</b>
Loan disbursements to SFIL to refinance export credit guaranteed by the French State	0.9
<b>3- Reduction of loan sensitivity</b>	<b>0.1</b>
Sensitive structured loans eliminated	(0.1)
Refinancing loans (vanilla loans in euros)	0.1
New loans (vanilla loans in euros)	0.1
<b>4- Amortization of portfolio of loans and securities</b>	<b>(3.5)</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	(0.7)
Net change in Banque de France cash deposit	0.1
<b>Net change in the cover pool</b>	<b>0.6</b>

In 2020, Caisse Française de Financement Local acquired a total of EUR 3.7 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 0.9 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 3.5 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 or in European public sector bonds.

There were no divestments during 2020.

### 4.2 – OUTSTANDING ASSETS AS OF SEPTEMBER 30, 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	9/30/2020
Loans and bonds to the public sector	53.5	54.9
of which local public sector business line	50.8	51.2
of which large export credits refinancing business line <sup>(1)</sup>	2.6	3.4
of which treasury investment in public sector bonds <sup>(3)</sup>	0.1	0.3
Banque de France cash deposit <sup>(3)</sup>	0.5	0.6
Replacement assets <sup>(3)</sup>	2.5	1.6
<b>COVER POOL</b>	<b>56.5</b>	<b>57.1</b>
of which liquid and eligible to ECB refinancing assets	39.2	40.1
Financing commitments granted to refinance large export credits <sup>(1)(2)</sup>	5.5	4.7
Financing commitments granted to other public sector loans	0.0	0.0
<b>FINANCING COMMITMENTS GRANTED</b>	<b>5.5</b>	<b>4.7</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 September 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 40.1 billion or 70.2% of Caisse Française de Financement Local cover pool.

The amount of financing commitments given came to EUR 4.6 billion as of September 30, 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.

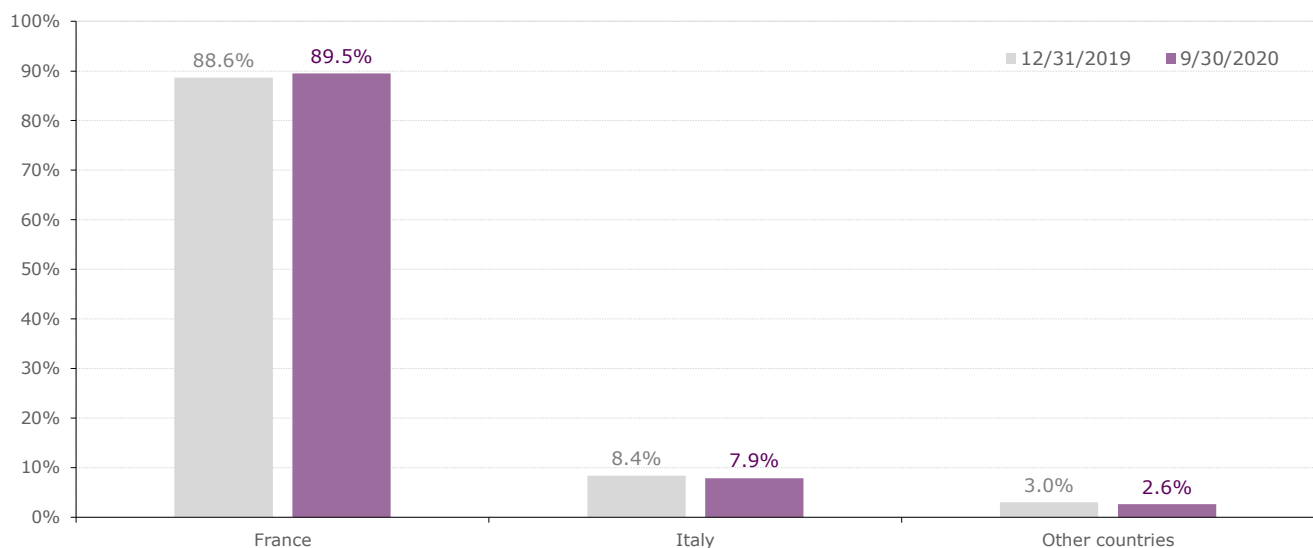
#### 4.2.1. Public sector loans and bonds (excluding replacement assets and treasury placed with the Banque de France)

##### 4.2.1.1. Geographic breakdown

At the end of September 2020, French public sector loans made up the majority (89.5%) of the cover pool, a portion that will increase in the future. They include loans acquired from La Banque Postale since 2013 (EUR 19.0 billion of outstanding principal as of the end of September 2020), representing almost 35% of the Group's public sector loans and securities and more than 42% of its loans to the French local public sector. The State-guaranteed loans granted to SFIL for the refinancing of large export credits (EUR 3.4 billion on the balance sheet) represent approximately 6.1% 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:



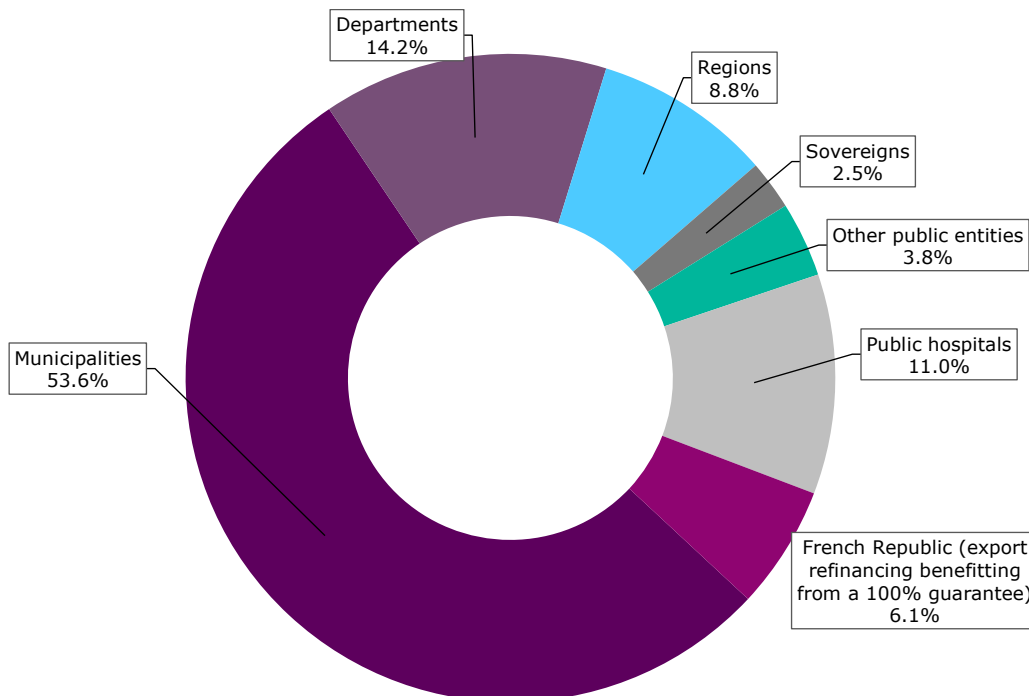
As of September 30, 2020, Italian assets represented the largest portion of non-French assets in run-off, with a total volume of EUR 4.3 billion, or 7.9% of the cover pool (excluding replacement assets and Banque de France cash deposits). These assets are granular exposures (more than 200 counterparties consisting mainly of regional and municipal authorities) distributed throughout Italy.

Exposures to other countries as of September 30, 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:

- 77% exposures on municipalities, departments or regions;
- 6% sovereign exposures or commitments on other public sector entities;
- 11% exposures on public hospitals;
- 6% 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 September 30, 2020, replacement assets represented 3.1% 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	9/30/2020
EUR millions			
<b>Step 1 credit rating</b>			
Covered bonds			
	France	474	341
	Other countries	856	705
Other bank bonds			
	France	381	221
	Other countries	509	290
Loans to parent company, SFIL	France	300	-
<b>Step 2 credit rating</b>			
Bank bonds (maturity < 100 days)			
	France	-	-
	Other countries	-	-
Bank accounts balances	France and Other countries	4	7
<b>TOTAL</b>		<b>2,523</b>	<b>1,564</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	9/30/2020	Change	% cover pool	12/31/2019	9/30/2020	Change
<b>French public sector loans</b>	<b>44.5</b>	<b>45.2</b>	0.7	<b>79.3%</b>	<b>14,142</b>	<b>13,576</b>	(566)
<b>Vanilla loans</b>	<b>40.7</b>	<b>41.8</b>	1.1	<b>73.3%</b>	<b>12,783</b>	<b>12,295</b>	(488)
<b>Structured loans</b>	<b>3.8</b>	<b>3.4</b>	(0.4)	<b>6.0%</b>	<b>1,359</b>	<b>1,281</b>	(78)

(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 3.4 billion, representing 6 % of the cover pool.

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

EUR billions	Outstanding				Number of customers <sup>(1)</sup>		
	12/31/2019	9/30/2020	Change	% cover pool	12/31/2019	9/30/2020	Change
Sensitive loans not in the charter	0.4	0.3	(0.1)	0.6%	44	41	(3)
Sensitive loans (3E/4E/5E)	0.5	0.5	(0.0)	0.8%	129	122	(7)
<b>Total sensitive loans:</b>	<b>0.9</b>	<b>0.8</b>	<b>(0.1)</b>	<b>1.4%</b>	<b>173</b>	<b>163</b>	<b>(10)</b>

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

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 September 30, 2020, these loans now represent only EUR 0.8 billion (1.4% 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 163.

**5. Debt benefiting from the legal privilege**

As of September 30, 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	9/30/2020
Cash collateral received	0.6	0.5
<i>Obligations foncières</i> and registered covered bonds	49.8	50.5
<b>Total</b>	<b>50.3</b>	<b>51.0</b>

**5.1 – CHANGE IN CASH COLLATERAL**

The cash collateral received by Caisse Française de Financement Local slightly increased compared with the situation at the end of December 2019. Its amount stood at EUR 0.5 billion at the end of September 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 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, a format 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, Caisse Française de Financement Local is also regularly active on the market of “Social” and “Green” thematic bond issues, as evidenced by the realization of its second “Social” thematic issue (first European covered bond linked to “COVID 19”) in April 2020.

**5.2.1. New issues in 2020**

During the first nine months of 2020, Caisse Française de Financement Local raised EUR 4.7 billion, i.e. 86% of the forecasted volume for 2020, through benchmark public issues, as well as tap issues, while, at the same time continuing to work on the private placements segment.

Caisse Française de Financement Local raised money in the public primary market four times, in the total amount of EUR 4.25 billion:

- a public issue with a maturity of 20 years in February in the amount of 0.75 billion,
- a “social” bond issue “Covid-19” with a maturity of 5 years in April in the amount of EUR 1 billion,
- a public issue with a maturity of 10 years in June in the amount of EUR 1 billion,
- a public issue with a maturity of 7.5 years in September in the amount of 1.5 billion.

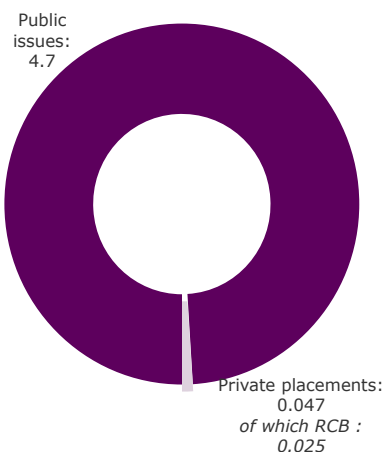
Caisse Française de Financement Local also provided additional liquidity on several of its reference issues via 3 taps for a cumulative amount of 0.45 billion.

In addition to these public transactions, Caisse Française de Financement Local remained active in the private placement segment through the EMTN and the registered covered bond (RCB) format. It raised EUR 47 million in this market segment since the beginning of the year.

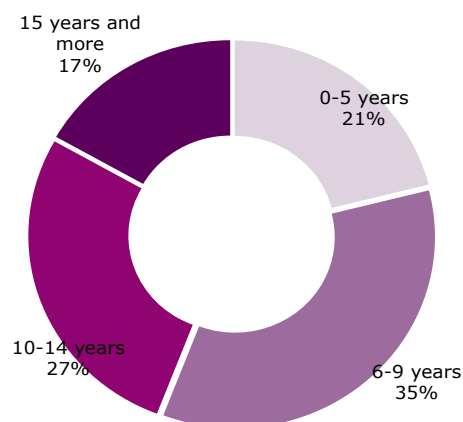
The weighted average life of the financing raised during the first nine months of 2020 was 9.5 years.

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.

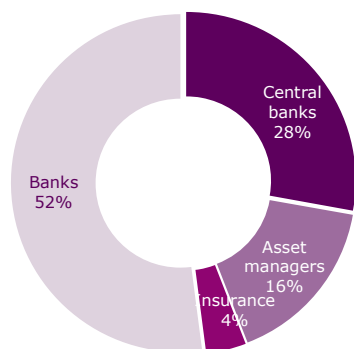
**Breakdown of Q3 2020 issues  
by format**  
EUR billions



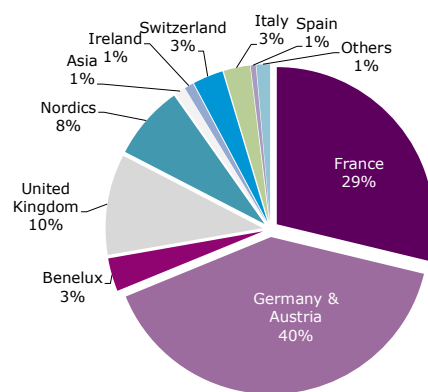
**Breakdown of Q3 2020 issues  
by maturity**  
(%)



**Breakdown of benchmark Q3 2020 public issues  
by investor category**  
(%)



**Breakdown of benchmark Q3 2020 public issues  
by geographic zone**  
(%)



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

Outstanding *obligations foncières* and registered covered bonds totaled EUR 50.5 billion in swapped value at the end of September 2020. This includes new issues of *obligations foncières* for EUR 4.75 billion and amortization of issues maturing in the first nine months of 2020 for EUR 4 billion.

EUR billions, value after currency swaps	2019	Q3 2020
<b>BEGINNING OF THE PERIOD</b>	<b>50.3</b>	<b>49.8</b>
Issues	4.0	4.7
Amortizations	(4.5)	(4.0)
Buyback	(0.1)	(0.0)
<b>END OF THE PERIOD</b>	<b>49.8</b>	<b>50.5</b>

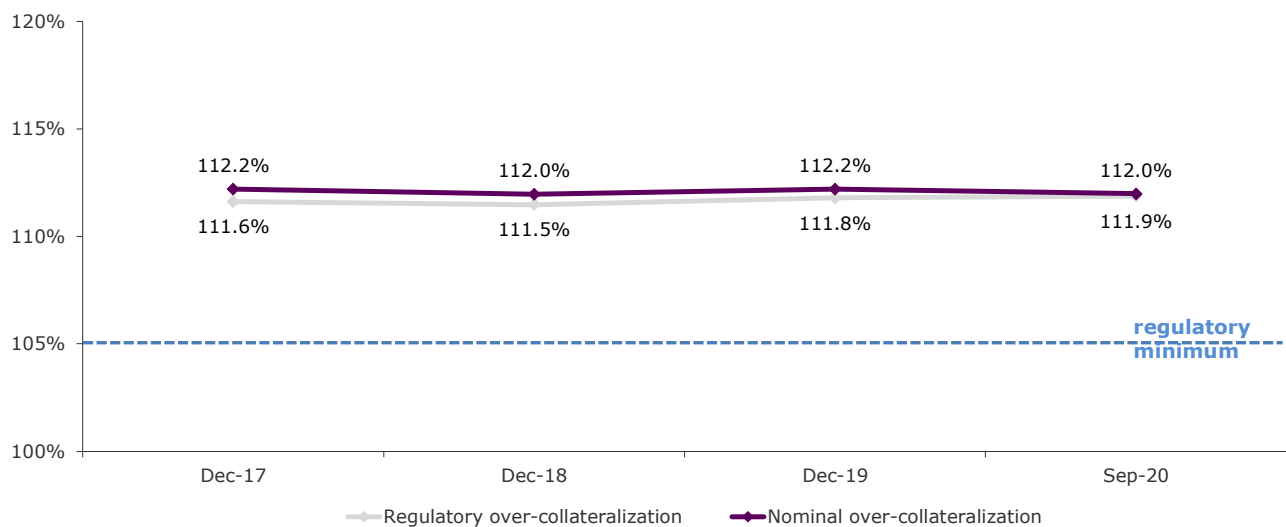
As of September 30, 2020, issues can be broken down by currency as follows:



## 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 :



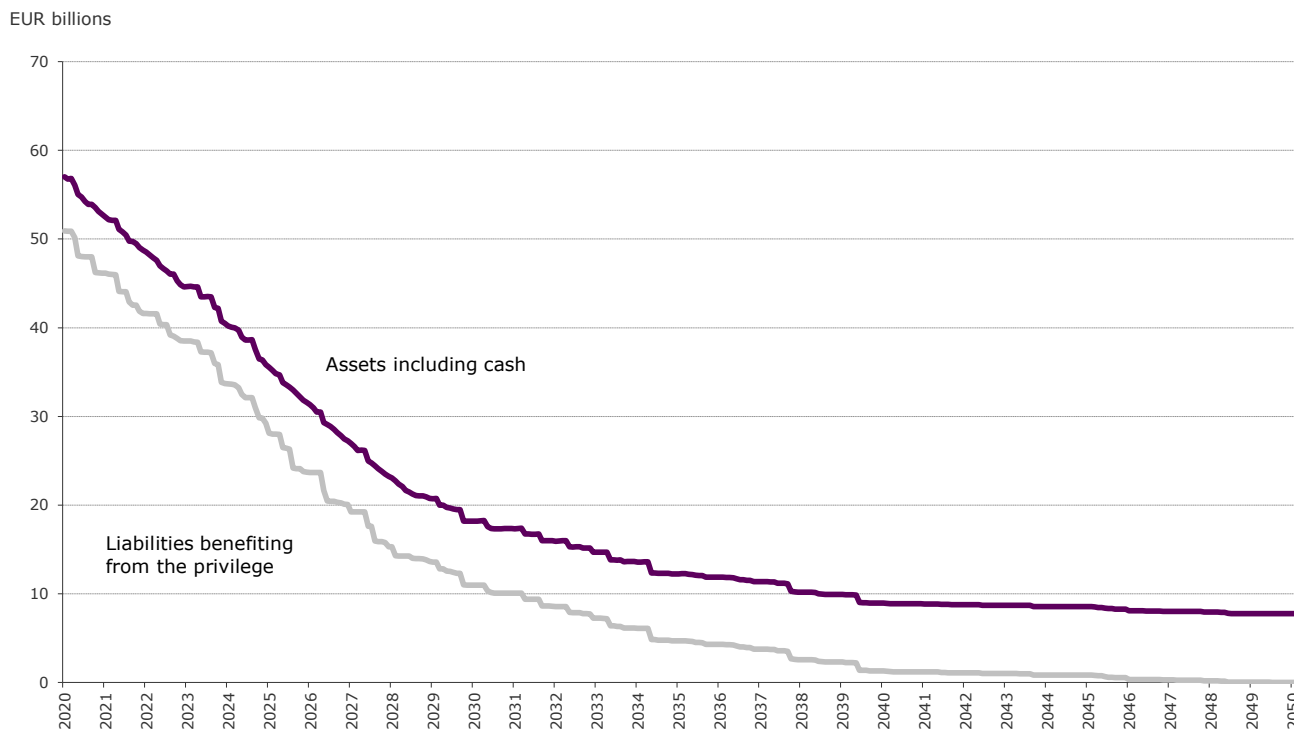
Regulatory over-collateralization may differ from nominal over-collateralization. In fact, it is calculated on the basis of the rules determined by the Autorité de Contrôle Prudentiel et de Résolution (ACPR). In particular, these rules require different weighting levels according to the assets. The assets 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 September 30, 2020.

Amortization of assets and liabilities as of September 30 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 September 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, Eonia or €str 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	9/30/2020
SFIL	5.2	5.4
Banque de France	-	-
<b>TOTAL</b>	<b>5.2</b>	<b>5.4</b>



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

### 8.1 – CREDIT RISK

#### 8.1.1. Definition

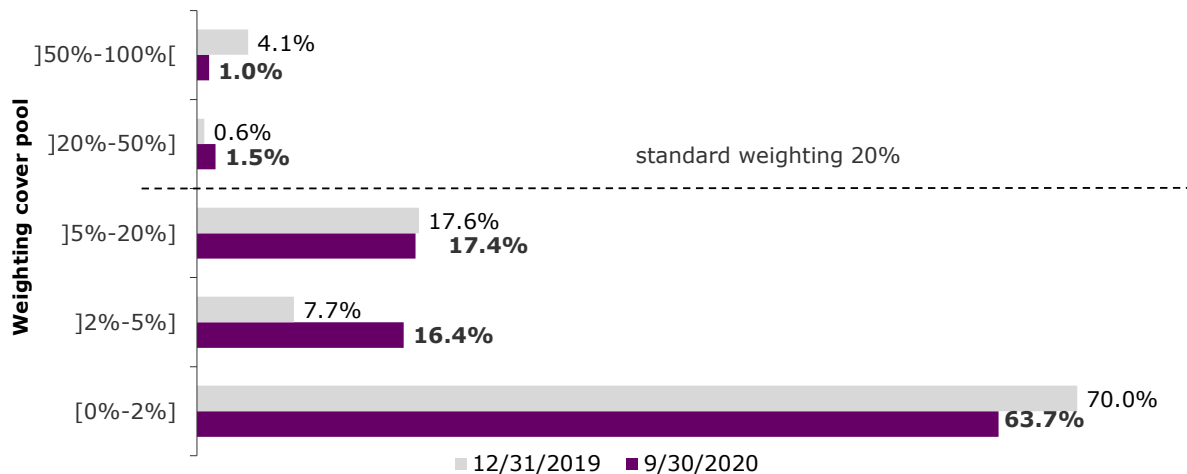
Credit risk represents the potential loss that could affect Caisse Française de Financement Local due to the deterioration of a counterparty's solvency.

#### 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, Caisse Française de Financement Local 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 September 30, 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 September 30, 2020



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

- 80% of the portfolio has a risk weighting of 5% or less;
- less than 3% of the portfolio has a weighting of more than 20%.

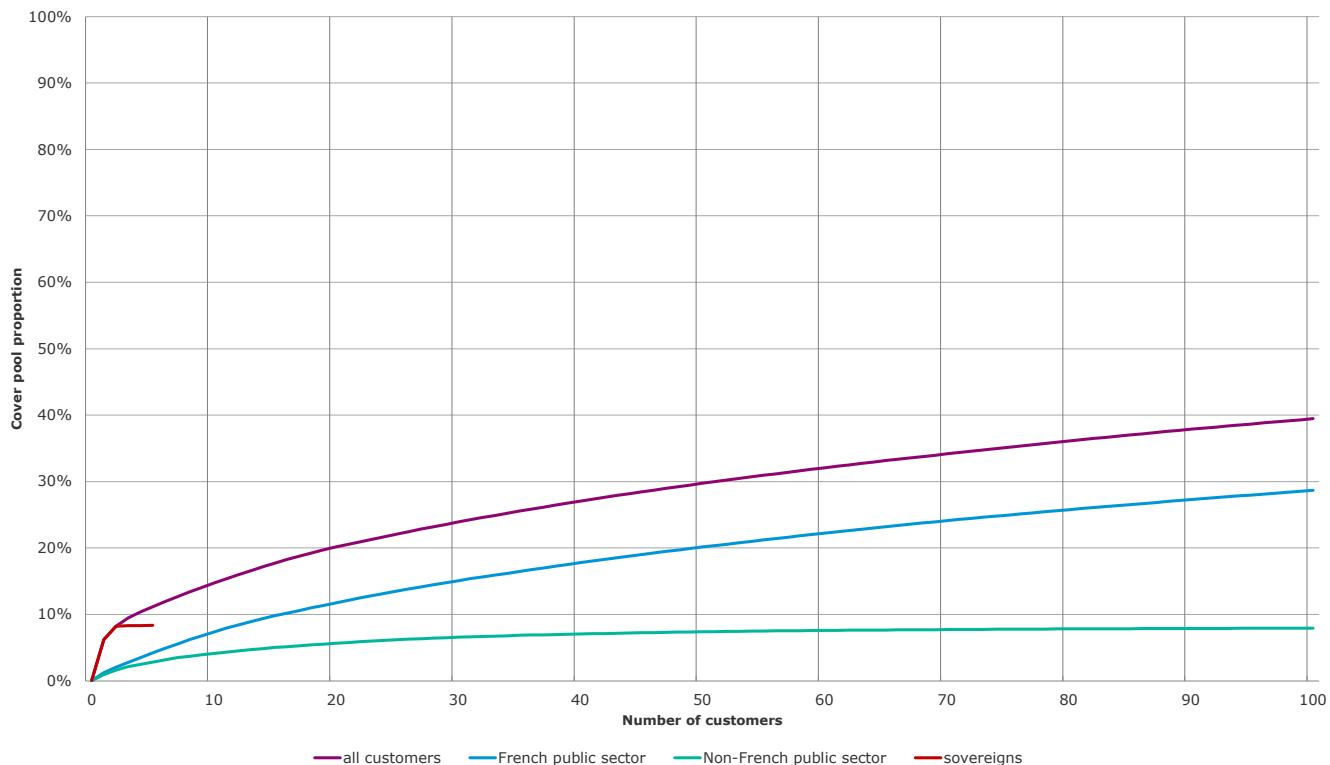
The average risk weighting of the cover pool assets is 5.5%, versus 20% for European local government entities according to the Basel standard method. They were 6.6% at the end of the previous year; most of this variation is due to the change in the weighting method for sovereign exposure and exposure on Italian local authorities (now in the standard method).

The impacts of the COVID-19 pandemic are limited at this stage to French local public sector entities. The SFIL Group has supported all health institutions as part of the national mobilization to fight against the global pandemic. The SFIL Group proposed payment terms of 180 days to these entities for all of their loan contract maturities between March 12 and June 30, 2020, without any late interest or penalties being invoiced. Requests for payment terms were also received from certain local authorities or French public sector entities. As of September 30, 2020, these payment terms led to the entry into default of 19 borrowers, representing a limited credit exposure of EUR 26.5 million.

#### 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 September 30, the 20 largest exposures (excluding replacement assets and cash deposits in the Banque de France), all categories combined, represented 20.1% of the cover pool. The largest exposure, the French State, represented 6.2% 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 third quarter 2020 is not available in this activity report. Last published information about these issues was disclosed in the management report of the semi-annual financial report 2020, 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 1.6 billion (see 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 September 2020, Caisse Française de Financement Local was exposed (positive fair value of swaps) on eight bank counterparties, all of these paid cash collateral of EUR 0.5 billion, offsetting total exposure.

All derivative exposures as of September 30, 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	-	16.2	22.2%	(1.6)	-	-	1
Other counterparties	21.4	56.9	77.8%	(2.1)	0.5	0.5	25
<b>Total</b>	<b>21.4</b>	<b>73.1</b>	<b>100.0%</b>	<b>(3.7)</b>	<b>0.5</b>	<b>0.5</b>	<b>26</b>

The swaps negotiated with external counterparties represented almost 78% of outstanding long-term swaps and those signed with SFIL 22%. The long-term swaps signed with the five largest counterparties represented a total of 45% of notional amounts.

Short-term swaps (Eonia or €str) 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.

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

Under IFRS standards, this concerns mainly the following items :

- 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.

Over the first half of 2020, the impact of these items on accounting Net Banking Income represented EUR -26 million for the financial assets recognized at fair value through profit or loss and EUR -3 million on book value adjustments. The health crisis due to the COVID-19 pandemic had an impact on these usual items of accounting volatility, but it should be noted that a similar amount of value adjustments has already been seen in the past during periods of market instability. It should also be noted that these expenses do not have an economic nature, as these transactions are intended to be kept on the balance sheet until maturity. The corresponding results have been recorded as non-recurring items.

## 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

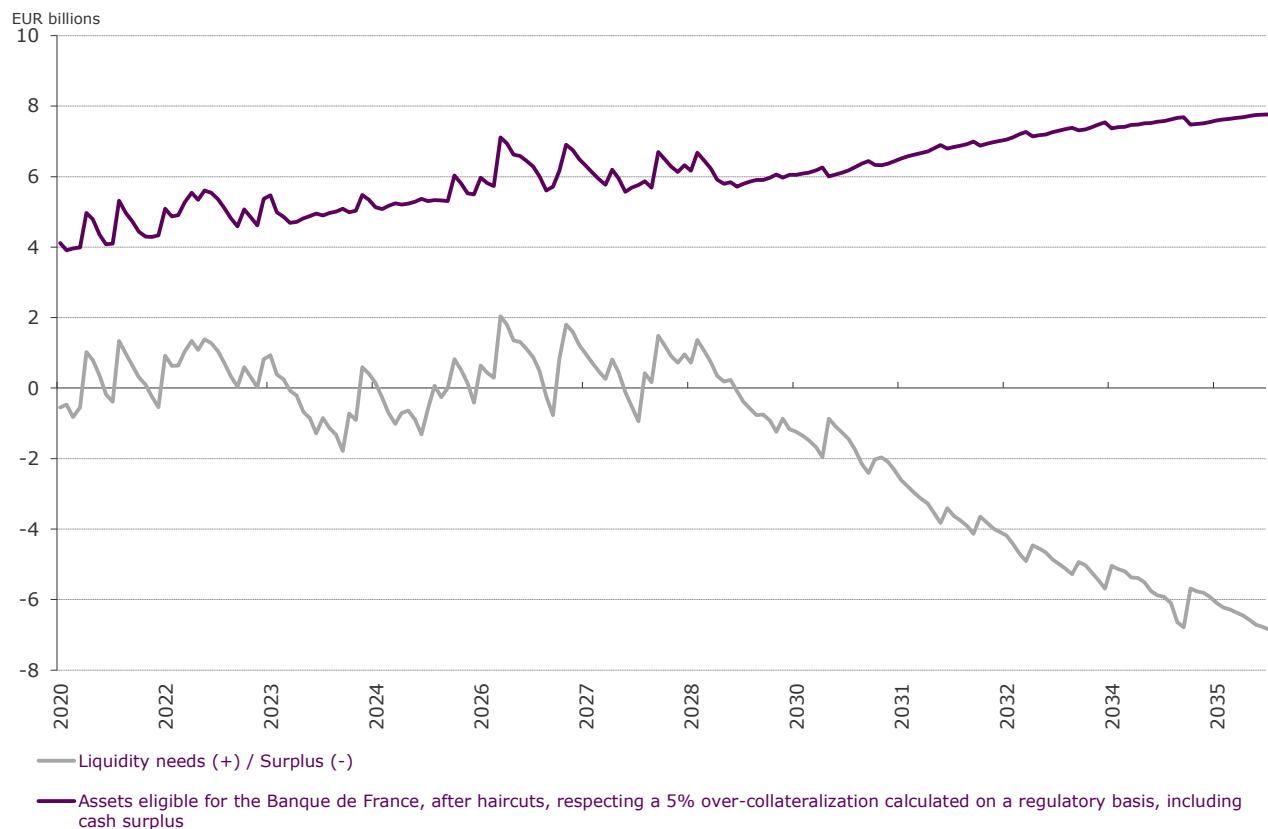
Local can also mobilize certain of these assets by using interbank financing in the form of repurchase agreements. If necessary, these transactions would easily cover its cash flow requirements. Within the framework of the COVID-19 health crisis, liquidity risk management was strengthened, by extending the short-term liquidity requirement steering horizon and more frequently updating these forecasts.

The impacts of the crisis on the Group's liquidity remain very limited. Specifically, the issue program of the first nine months of the year was carried out in line with the budget,

The measures decided by the European Central Bank on April 7 (reduction in the discounts applied to claims used as collateral) also enabled a EUR 5.4 billion increase in the amount of financing that can be mobilized from Eurosystem.

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:

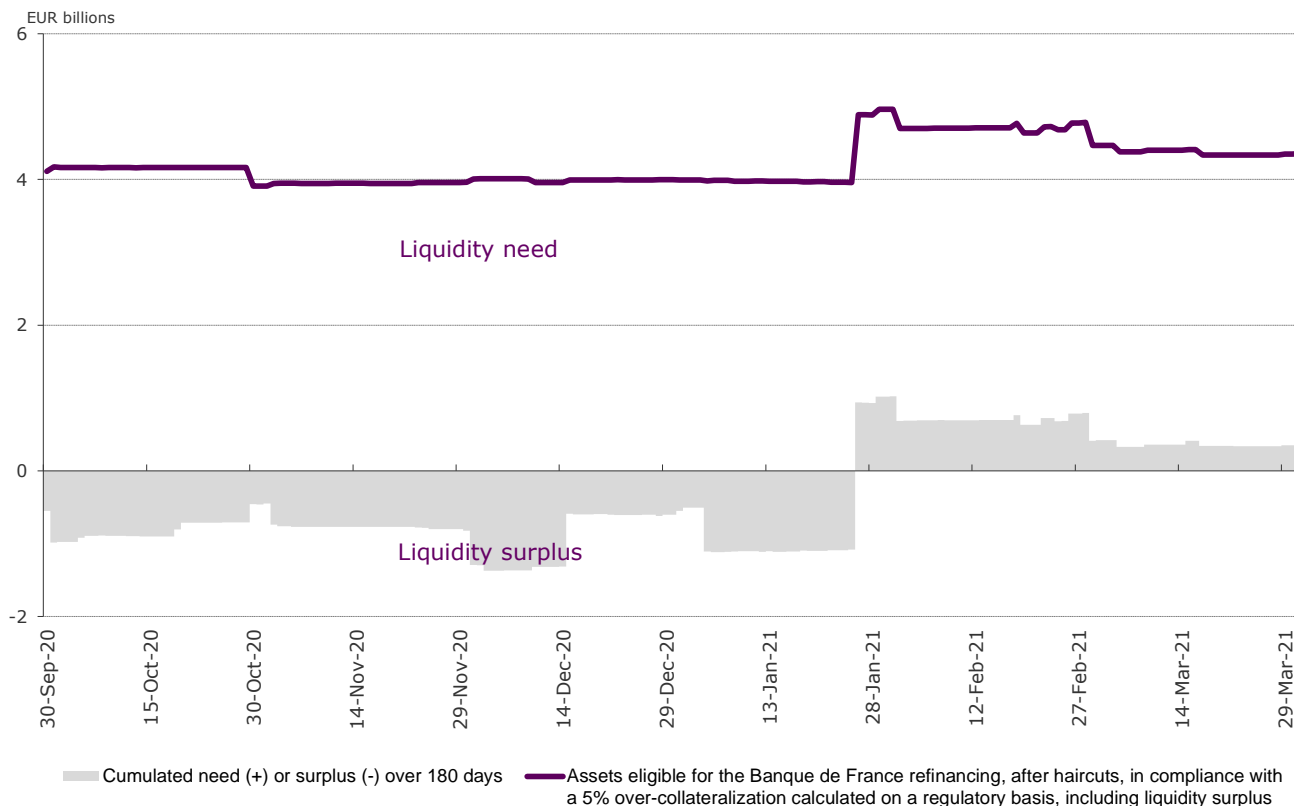


Caisse Française de Financement Local has its own autonomous resources that enable it to cover its temporary liquidity needs, even in the event of the default of its parent company, since any legal proceedings engaged for the bankruptcy or liquidation of its parent company cannot be extended to Caisse 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.

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 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): as of September 30, 2020, Caisse Française de Financement Local's LCR ratio is 696%,
  - 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 Caisse Française de Financement Local'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 0.23 year as of September 30, 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	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020
Cover pool	7.16	7.01	7.20	7.15	7.20
Privileged liabilities	6.98	6.71	6.84	6.83	6.97
<b>Gap in asset-liability duration</b>	<b>0.18</b>	<b>0.30</b>	<b>0.36</b>	<b>0.32</b>	<b>0.23</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)	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020
Cover pool	7.23	7.21	7.28	7.16	7.19
Privileged liabilities	7.05	6.89	6.92	6.85	6.97
<b>Gap in asset-liability weighted average life</b>	<b>0.18</b>	<b>0.32</b>	<b>0.36</b>	<b>0.31</b>	<b>0.22</b>
Weighted average life limit	1.5	1.5	1.5	1.5	1.5

### Regulatory limit

Current regulations impose a limit of one-and-a-half 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 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 :

<b>Translation of the rate curve</b>	Limit of EUR 25 million
<b>Sloping/rotation of the interest rate curve on distant points on the curve</b>	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
<b>Sloping/rotation of the interest rate curve inside a time bucket</b>	EUR 30 million limit on the absolute value of the sensitivities inside each time bucket

During the first nine months of 2020, the COVID-19 pandemic health crisis did not have a significant impact on interest rate risk, given the very cautious policy of the Caisse Française de Financement Local in this area and the reduced level of non-hedged positions.

#### Limiting directional risk:

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

#### Directional risk

Total sensitivity

EUR millions	Limit	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020
<b>Sensitivity</b>	<b>(25)/25</b>	3.2	(0.3)	(2.7)	(1.9)	<b>(1.0)</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*	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020
Short term	<b>(15)/15</b>	(0.1)	(5.5)	(6.0)	(4.0)	<b>(5.3)</b>
Medium term	<b>(10)/10</b>	(8.6)	(9.2)	(2.1)	(6.6)	<b>(6.1)</b>
Long term	<b>(10)/10</b>	5.7	8.4	1.6	4.1	<b>5.1</b>
Very long term	<b>(9)/9</b>	6.2	6.0	3.8	4.6	<b>5.3</b>

\* 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 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

EUR millions	Limit*	9/30/2019	12/31/2019	3/31/2020	6/30/2020	9/30/2020
Short term	30	5.9	10.8	17.3	9.0	12.6
Medium term	30	11.0	15.3	12.7	13.0	13.9
Long term	30	8.2	12.3	12.3	10.4	3.7
Very long term	30	10.5	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 EUR 30 million.

### 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.

During the first nine months of 2020, the COVID-19 pandemic health crisis did not have a significant impact on foreign exchange risk, given the very cautious policy of the Caisse Française de Financement Local in this area and the reduced level of non-hedged positions.

## 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.

During the first nine months of 2020, as part of the management of the operational risks related to the COVID-19 pandemic, the SFIL Group set up a crisis unit which met throughout the period with 3 main objectives: protecting the health of internal and external employees, maintaining operational capacity in order to ensure business continuity, notably the services carried out on behalf of the



Caisse Française de Financement Local and managing all increased risks during this period, including risk incurred by Caisse Française de financement Local, notably cyber risk and the risk of fraud.

Overall, few incidents were reported concerning the COVID-19 crisis and they generated low impacts.

## 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 September 30, 2020, there were 14 borrowers who had brought suit on structured loans, compared to 15 as at December 31, 2019, 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, 209 borrowers have dropped their claims regarding these loans against the Group.

As of September 30, 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

There was no change during the first nine months of the year concerning the collection notice issued at the end of 2018, for tax related to the inspection for 2012 and 2013, then extended for 2014 to 2016, 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. Caisse Française de Financement Local paid the tax adjustment due at the end of 2018 and kept in its accounts the provision set aside for the sums not yet paid, including those called in 2020.

## 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, notably, 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.

With regard to the local public sector, after a sustained activity during the first nine months of the year, an increase in the use of loans by local authorities is still expected to maintain their investment levels despite the decrease in their income due to the impacts of the

Covid-19 pandemic health crisis. This situation should increase the volume of loans to be financed by the Caisse Française de Financement Local as part of its partnership with La Banque Postale. In this context, the Caisse Française de Financement Local and its parent company, SFIL, will also provide their support for the post-COVID economic recovery, and in particular for the French economic recovery plans for local authorities, health institutions, notably through their green loans

With regard to the export credit market, the short-term effect of the Covid-19 pandemic health crisis has been an overall slowdown in the pace of contract negotiation of large commercial contracts. Nonetheless, for projects in the preliminary study phase, market demand for SFIL's system is very high compared to last year. Thus, export credit is expected to play its counter-cyclical role at medium term in supporting certain sectors such as civil aviation. Moreover, the increased attention paid to sustainable development issues and the French economic recovery plans should support export business in the areas of infrastructure and equipment. In this context, the Caisse Française de Financement Local and its parent company, SFIL, will provide their support to the post-Covid economic recovery for these various sectors. As part of its export refinancing mission, the Caisse Française de Financement Local also intends to be able to intervene in the credit refinancing system covered by the new guarantee for projects with a strategic interest for the French overseas economy. Once the necessary authorizations have been obtained from the European Commission, this extension could come into operation as of 2021.

In 2020, the SFIL Group will continue its CSR actions, with notably, at the end of 2020, the publication of the allocation and impact report on its first green issue launched in November 2019 and the integration of climatic risks in its methodological risks.

In terms of financing, the Caisse Française de Financement Local's showed its considerable ability to access the market in 2020. To cover its financing requirements, Caisse Française de Financement Local indeed already launched 5 bond issues, including one social bond dedicated to hospital financing and thus finalized its annual program of covered bonds with a long-dated average maturity, adapted to the profile of the assets financed.

From a macro-economic viewpoint, the SFIL Group will continue to attentively monitor the potential short to medium term impacts of the COVID-19 pandemic on the Caisse Française de Financement Local's current and forecast operations, on the financial situation of its counterparties (local authorities, hospitals, export credit counterparties, banks, partners) and on market conditions notably for covered bonds. The quality of SFIL's shareholding structure, its status as a public development bank, the resilience of its business model, the quality of CAFFIL's and SFIL's standings, the very rigorous risk management of the Caisse Française de Financement and its solid solvency ratio are all advantages within the current context.

## Breakdown of cover pool as of September 30, 2020

EUR millions	9/30/2020				12/31/2019	
	Direct exposure		Indirect exposure		Total	Total
COUNTRY	Loans	Bonds	Loans	Bonds		
<b>France</b>						
State:						
- export refinancing	-	-	3,375	-	3,375	2,588
- others	20	-	-	155	175	13
Banque de France	559	-	-	-	559	473
Regions	2,012	75	241	-	2,328	2,227
Departments	7,166	-	148	-	7,314	6,906
Municipalities	14,582	14	294	-	14,890	15,293
Groups of municipalities	12,982	69	90	-	13,141	12,325
Public sector entities:						
- health	6,022	8	-	-	6,030	6,093
- social housing	990	-	-	-	990	1,053
- others	784	154	1	-	939	861
Credit institutions	7	562	-	-	569	1,159
<b>Subtotal</b>	<b>45,124</b>	<b>882</b>	<b>4,149</b>	<b>155</b>	<b>50,310</b>	<b>48,991</b>
<b>Germany</b>						
Länder	-	275	-	-	275	275
Credit institutions	-	95	-	-	95	95
<b>Subtotal</b>	<b>-</b>	<b>370</b>	<b>-</b>	<b>-</b>	<b>370</b>	<b>370</b>
<b>Austria</b>						
Länder	-	-	173	-	173	178
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>173</b>	<b>-</b>	<b>173</b>	<b>178</b>
<b>Belgium</b>						
Regions	1	-	8	-	9	12
Public sector entities	38	-	-	-	38	43
Credit institutions	-	121	-	-	121	174
<b>Subtotal</b>	<b>39</b>	<b>121</b>	<b>8</b>	<b>-</b>	<b>168</b>	<b>229</b>
<b>Canada</b>						
Municipalities	100	-	-	-	100	100
Public sector entities	35	-	-	-	35	34
Credit institutions	-	226	-	-	226	225
<b>Subtotal</b>	<b>135</b>	<b>226</b>	<b>-</b>	<b>-</b>	<b>361</b>	<b>359</b>
<b>Denmark</b>						
Credit institutions	-	5	-	-	5	91
<b>Subtotal</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>91</b>
<b>Spain</b>						
State	-	40	-	-	40	25
Regions	-	50	-	-	50	50
Municipalities	68	-	-	-	68	69
<b>Subtotal</b>	<b>68</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>158</b>	<b>144</b>

EUR millions	9/30/2020				12/31/2019
	Direct exposure		Indirect exposure		Total
COUNTRY	Loans	Bonds	Loans	Bonds	Total
<b>United States</b>					
Federated States	-	209	-	-	209
<b>Subtotal</b>	-	<b>209</b>	-	-	<b>209</b>
<b>Finland</b>					
Credit institutions	-	96	-	-	96
<b>Subtotal</b>	-	<b>96</b>	-	-	<b>96</b>
<b>Italy</b>					
State	-	1,141	-	-	1,141
Regions	-	1,816	-	-	1,816
Provinces	-	419	-	-	419
Municipalities	5	958	-	-	963
<b>Subtotal</b>	<b>5</b>	<b>4,334</b>	-	-	<b>4,339</b>
<b>Japan</b>					
Municipalities	-	25	-	-	25
<b>Subtotal</b>	-	<b>25</b>	-	-	<b>25</b>
<b>Norway</b>					
Credit institutions	-	222	-	-	222
<b>Subtotal</b>	-	<b>222</b>	-	-	<b>222</b>
<b>Netherlands</b>					
Credit institutions	-	99	-	-	99
<b>Subtotal</b>	-	<b>99</b>	-	-	<b>99</b>
<b>Portugal</b>					
State	-	-	-	-	-
Municipalities	9	-	-	-	9
Public sector entities	2	-	-	-	2
<b>Subtotal</b>	<b>11</b>	-	-	-	<b>11</b>
<b>United Kingdom</b>					
State	-	-	-	16	16
Credit institutions	-	-	-	-	-
<b>Subtotal</b>	-	-	-	<b>16</b>	<b>16</b>
<b>Sweden</b>					
Municipalities	18	-	-	-	18
Credit institutions	-	132	-	-	132
<b>Subtotal</b>	<b>18</b>	<b>132</b>	-	-	<b>150</b>
<b>Switzerland</b>					
Cantons	65	-	6	-	71
Municipalities	241	-	-	-	241
Public sector entities	60	-	-	-	60
<b>Subtotal</b>	<b>366</b>	-	<b>6</b>	-	<b>372</b>
<b>Supranational</b>					
International organizations	15	-	-	-	15
<b>Subtotal</b>	<b>15</b>	-	-	-	<b>15</b>
<b>TOTAL COVER POOL</b>	<b>45,781</b>	<b>6,811</b>	<b>4,336</b>	<b>171</b>	<b>57,099</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.