



**Report on asset quality
as of September 30, 2021**

Caisse Française de Financement Local
(Instruction n° 2011-I-07 of June 15, 2011)

C.I.B 14 388

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

As of September 30, 2021, Caisse Française de Financement Local's cover pool is made of EUR 52.6 billion of loans, EUR 5.3 billion of bonds and EUR 0.8 billion of replacement assets, that correspond to the following exposures:

EUR thousands, as of 9/30/2021	Total cover pool	Assets removed from the cover pool	Total Outstanding
Exposures on public sector	57,948,009	508	57,948,517
Asset-backed securities	-	-	-
Replacement assets	803,443	-	803,443
TOTAL	58,751,453	508	58,751,961

As a *société de crédit foncier*, Caisse Française de Financement Local can access the refinancing possibilities offered by the Banque de France to banks. Within the framework of the management of its cover pool and its cash, Caisse Française de Financement Local can thus remove some assets from its cover pool and pledge them to the central bank to obtain funding from tenders organized by the Banque de France. Caisse Française de Financement Local did not use this possibility over the course of the last three years (with the exception of operational access tests, regularly implemented) and no asset has been pledged to the Banque de France as of September 30, 2021.

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

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

1. MORTGAGE LOANS

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

2. EXPOSURES ON PUBLIC SECTOR

2.1 BREAKDOWN BY COUNTERPARTY

Direct exposures refer to exposures on public sector entities and indirect exposures to exposures fully guaranteed by public sector entities. Exposures in a foreign currency are converted into euro using the exchange rate of the hedging swap. Loans and bonds are presented after specific impairments and are off premium / discount.

EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which past due ⁽¹⁾
	Loans	Bonds	Loans	Bonds		
France						
State :						
- export refinancing	-	-	4,396,529	-	4,396,529	-
- others	20,000	-	64	230,000	250,064	-
Banque de France ⁽²⁾	1,396,830	-	-	-	1,396,830	-
Regions	2,349,349	70,008	233,657	-	2,653,014	4
Departments	7,449,416	-	135,922	-	7,585,338	10
Municipalities	14,366,269	13,336	297,317	-	14,676,922	13,307
Groups of municipalities ⁽³⁾	13,464,198	61,542	75,822	-	13,601,561	316
Public sector entities :						
- health	6,032,563	8,396	-	-	6,040,959	81
- social housing	872,174	-	-	-	872,174	14
- others	735,797	149,992	466	-	886,255	2,482
Sub total	46,686,595	303,274	5,139,777	230,000	52,359,646	16,214
Germany						
Länder	-	274,909	-	-	274,909	-
Sub total	-	274,909	-	-	274,909	-
Austria						
Länder	-	-	167,307	-	167,307	-
Sub total	-	-	167,307	-	167,307	-
Belgium						
Regions	708	-	2,000	-	2,708	-
Public sector entities	31,416	-	-	-	31,416	-
Sub total	32,124	-	2,000	-	34,124	-
Canada						
Municipalities	100,287	-	-	-	100,287	-
Public sector entities	34,485	-	-	-	34,485	-
Sub total	134,772	-	-	-	134,772	-
Spain						
State	-	180,000	-	-	180,000	-
Regions	-	50,000	-	-	50,000	-
Municipalities	65,443	-	-	-	65,443	-
Sub total	65,443	230,000	-	-	295,443	-
United States						
Federated States	-	181,761	-	-	181,761	-
Sub total	-	181,761	-	-	181,761	-

EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which past due ⁽¹⁾
	Loans	Bonds	Loans	Bonds		
COUNTRY						
Italy						
State	-	1,152,870	-	-	1,152,870	-
Regions	-	1,683,065	-	-	1,683,065	-
Provinces	-	383,556	-	-	383,556	-
Municipalities	3,959	859,988	-	-	863,947	-
Sub total	3,959	4,079,478	-	-	4,083,438	-
Japan						
Municipalities	-	25,000	-	-	25,000	-
Sub total	-	25,000	-	-	25,000	-
Portugal						
State	-	-	-	-	-	-
Municipalities	5,426	-	-	-	5,426	-
Public sector entities	1,289	-	-	-	1,289	-
Sub total	6,715	-	-	-	6,715	-
United Kingdom						
State	-	-	-	-	-	-
Sub total	-	-	-	-	-	-
Sweden						
Municipalities	18,490	-	-	-	18,490	-
Sub total	18,490	-	-	-	18,490	-
Switzerland						
Cantons	65,253	-	-	-	65,253	-
Municipalities	230,102	-	-	-	230,102	-
Public sector entities	60,350	-	-	-	60,350	-
Sub total	355,705	-	-	-	355,705	-
Supranational						
International organizations	10,700	-	-	-	10,700	-
Sub total	10,700	-	-	-	10,700	-
TOTAL	47,314,502	5,094,422	5,309,085	230,000	57,948,009	16,214

(1) Caisse Française de Financement Local publishes annual and semi-annual accounts. Consequently, data relating to nonperforming and litigious loans, and specific impairments as of September 30, 2021, are not disclosed in the table below. Nevertheless, non-performing and litigious loans and specific impairments are under regular monitoring and can lead to some adjustments of exposures presented in this table, and the specific impairments adjusted at the end of September have been deducted from the exposures presented in this same table.

(2) Caisse Française de Financement Local's Banque de France account as of September 30, 2021

(3) Of which EUR 14,071 thousand on operations linked to partnership agreements.

2.2 RATINGS

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

2.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 9/30/2021

Residual maturity		
Maturity date in years	Number of deals ⁽¹⁾	Total outstanding
0	1,975	1,581,229
1	2,597	593,829
2	2,303	912,777
3	2,239	882,077
4	4,311	1,293,469
5	2,434	1,801,650
6	2,279	2,311,327
7	2,898	2,582,632
8	2,403	3,624,442
9	2,858	3,394,672
10	1,611	2,633,671
11	1,540	2,775,820
12	1,608	3,431,611
13	1,825	4,620,486
14	1,836	4,498,540
15	1,184	3,347,603
16	1,007	2,704,820
17	1,008	2,719,235
18	1,070	2,624,394
19	805	3,299,363
20	330	1,331,696
21	151	476,304
22	246	585,922
23	259	528,289
24	195	546,646
25	90	445,919
26	74	945,721
27	82	388,831
28	110	386,806
29	59	426,603
30	16	70,094
31	13	27,188
32	36	78,238
33	11	65,106
34	31	79,918
35	14	12,475
36	13	36,402
37	8	32,542
38	2	9,043
39	2	20,751
40	1	6,455
	41,534	58,134,597
TRANSLATION ADJUSTMENTS		-186,588
TOTAL		57,948,009

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

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

2.4 EARLY REPAYMENTS

EUR thousands, as of 9/30/2021

COUNTRY	Early repayments during the year 2021	Rate of early repayments
France		
State	-	-
Regions	-	-
Departments	39,011	0.52%
Municipalities	17,571	0.12%
Groups of municipalities	6,395	0.05%
Public sector entities :		
- health	3,818	0.06%
- social housing	1,725	0.19%
- others	73	0.01%
Sub total	68,593	0.13%
GLOBAL exposures on public sector	68,593	0.12%

The rate of early repayments at the end of the third quarter corresponds to the volume of early repayments occurred over the year divided by the arithmetic average outstanding amount for the period (equal to the average amount of daily outstandings). This rate is not annualized as the early repayments are not foreseeable considering that the cover pool is composed of exposures on public sector.

In 2020, the rate of early repayments for this entire year was 0.08% for a total amount of repayments of EUR 47 million.

3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

3.1 BREAKDOWN BY COUNTERPART

As of September 30, 2021, Caisse Française de Financement Local did not hold any asset-backed securities or similar structures on its balance sheet.

3.2 RATINGS

Not applicable

3.3 BREAKDOWN BY MATURITY DATE

Not applicable

3.4 EARLY REPAYMENTS

Not applicable

4. REPLACEMENT ASSETS

4.1. BREAKDOWN BY COUNTERPART

EUR thousands, as of 9/30/2021	Country	Amount
Step 1 credit rating		
Covered Bonds		
	France	182,198
	Other countries	604,085
Other Bank bonds		
	France	12,199
	Other countries	-
Loans to SFIL		
	France	-
Step 2 credit rating		
Bank bonds (Maturity < 100 days)		
	France	-
	Other countries	-
Bank accounts' balances		
	France and other countries	4,961
TOTAL		803,443

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

Bank bonds are presented after specific impairments and are off premium / discount. As of September 30, 2021, no specific impairments was registered on bank bonds.

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

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

4.2 RATINGS

As of September 30, 2021, replacement assets were composed of bank bonds and, to a lesser extent, of bank accounts balances. These exposures should benefit from ratings corresponding to a step 1, or step 2 credit rating when the maturity is under 100 days.

4.3 BREAKDOWN BY MATURITY DATE

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	10	43,159	224,139	-	-	-	267,298
1	15	-	-	98,300	202,845	-	301,145
2	11	-	-	-	188,900	-	188,900
3	3	-	-	-	46,100	-	46,100
4	-	-	-	-	-	-	-
Total	39	43,160	224,139	98,300	437,845	-	803,443

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

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

4.4 EARLY REPAYMENTS

No early repayment occurred neither during the three firsts quarters of 2021, nor during the whole year 2020.

5. MANAGEMENT OF THE INTEREST RATE RISK

To limit its impact, Caisse Française de Financement Local implements an interest rate risk hedging strategy consisting of:

- micro-hedging balance sheet items denominated in a currency other than the euro or indexed to a complex rate structure. Certain euro-denominated vanilla transactions may also be micro-hedged if their notional value or duration could lead to a sensitivity limit being exceeded. Micro-hedging is carried out exclusively by swap;
- macro-hedging all transactions that are not micro-hedged. The transactions concerned are mainly (i) loans to the local public sector and (ii) issues of *obligations foncières* denominated in euros. This macro-hedging is obtained as far as possible by matching fixed-rate assets and liabilities via the termination of swaps and, for the rest, by setting up new swaps against Euribor or €Str;
- this fixed-rate risk management is supplemented by monitoring of the fixings of operations at adjustable rates in order to ensure that they do not lead to the short-term sensitivity limit being exceeded. Where appropriate, swaps against €Str may be entered into to hedge the fixing risk.

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, 2021, the sensitivity limits to interest rate risk are the following :

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

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

Directional risk

Total sensitivity

<i>EUR millions, end of quarter</i>	Limit	12/31/2020	3/31/2020	6/30/2021	9/30/2021
Sensitivity	25.0	-10.1	-5.3	-5.3	-3.3

Risk of slope between two distant points on the rate curve

Sum of sensitivities

<i>EUR millions, end of quarter</i>	Limit*	12/31/2020	3/31/2020	6/30/2021	9/30/2021
Short term	15.0	-4.4	-5.8	-5.8	-3.0
Medium term	10.0	-6.5	1.0	1.0	4.9
Long term	10.0	0.7	-1.4	-1.4	-6.5
Very long term	9.0	0.1	0.9	0.9	1.3

Risk of slope between two close points on the rate curve

Sum of sensitivities in absolute value

<i>EUR millions, end of quarter</i>	Limit*	12/31/2020	3/31/2020	6/30/2021	9/30/2021
Short term	30.0	12.4	7.7	7.7	13.3
Medium term	30.0	21.4	24.5	24.5	23.1
Long term	30.0	16.7	26.0	26.0	10.6
Very long term	30.0	8.3	5.7	5.7	15.0

6. MANAGEMENT OF THE LIQUIDITY RISK

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

Moreover, Caisse Française de Financement Local ensures that at any time, its cash needs over a period of 180 days are covered by replacement assets and assets eligible for refinancing by the Banque de France.

CAFFIL has its own resources and can therefore:

- either use the excess cash available. As of September 30, 2021, they amount to EUR 1,386.9 million (after deduction of an assumption of non-performance of the assets);
- either assign, obtain reimbursement or give as a guarantee to the Banque de France, to obtain financing during calls for tenders, the following assets:
 - Bank exposures, classified in replacement values. As of September 30, 2021, these amounted to EUR 798.5 million.
 - High quality liquid securities (level 1, 2A or 2B), excluding bank securities. As of September 30, 2021, these amount to EUR 3,051.6 million.
 - Other assets eligible for refinancing from the Banque de France. As of September 30, 2021, these amount to EUR 36,654.3 million.

As of September 30, 2021, Caisse Française de Financement Local thus had approximately EUR 41,891.3 million in liquid assets or assets eligible for refinancing by the Banque de France (including its cash deposited with the bank or the Banque de France). There are no legal obstacles likely to prevent the use of a part of these assets in compliance with Articles L. 513-12 and R. 513-8 of the Monetary and Financial Code.

Cash needs are defined as repayments of *obligations foncières* and registered covered bonds (RCB), of debts that do not benefit from the legal privilege and forecasts of repayment of the cash collateral received, after deduction of amortization cash flows from assets.

As of September 30, 2021, the 180-day liquidity position is in excess over the entire period and did not present any liquidity need. The movements observed correspond to cash flows from amortization of *obligations foncières*, cash collateral, non-privileged liabilities and assets.

