



CAFFIL Activity Report

For the period from January 1st to September 30, 2021

This free translation of the activity report Q3 2021 published in French is provided solely for the convenience of English-speaking readers.

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

1.1 Nature and activity 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, known as *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 French 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 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 French 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 French 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 known as *obligations foncières* and contract other covered bonds 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 is a *société anonyme à directoire et conseil de surveillance* (French joint-stock corporation with an Executive Board and a Supervisory Board), governed by the provisions of articles L.210-1 *et seq.* of the French Commercial Code. Its activity is governed by articles L.511-1 *et seq.* (credit institutions) and L.513-2 *et seq.* (*sociétés de crédit foncier*) of the French Monetary and Financial Code.

Caisse Française de Financement Local and its parent company SFIL are key elements in the financing of local authorities and public hospitals in France. This organization, introduced by the French State in 2013, is based on a commercial activity developed by La Banque Postale whose refinancing is ensured by Caisse Française de Financement Local (cf. 1.3.1.).

In addition, since 2015, the French State has entrusted SFIL and Caisse Française de Financement Local with a second mission, which 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 authorities and public hospitals to benefit from optimal financing conditions through a high rating and irrefragable risk management.

1.2 Form and shareholding structure of the Company

1.2.1 Legal structure and name of the Company

The Company was created on December 29, 1998, for a period of 99 years. It was authorized to operate as a *société de crédit foncier* by the Comité des Établissements de Crédit et des Entreprises d'Investissement (now a part of ACPR) at its meeting on July 23, 1999. The authorization became definitive as of October 1, 1999.

On January 31, 2013, the Company took the name Caisse Française de Financement Local, replacing Dexia Municipal Agency, upon the sale of its sole shareholder, Société de Financement Local (renamed SFIL in June 2015), to the French State, Caisse des Dépôts group and La Banque Postale.

Caisse Française de Financement Local's registered office is located at 1-3, rue du Passeur de Boulogne in Issy-les-Moulineaux (92130), France.

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1.2.2 Company shareholders

As of September 30, 2021, Caisse Française de Financement Local was wholly-owned by SFIL.

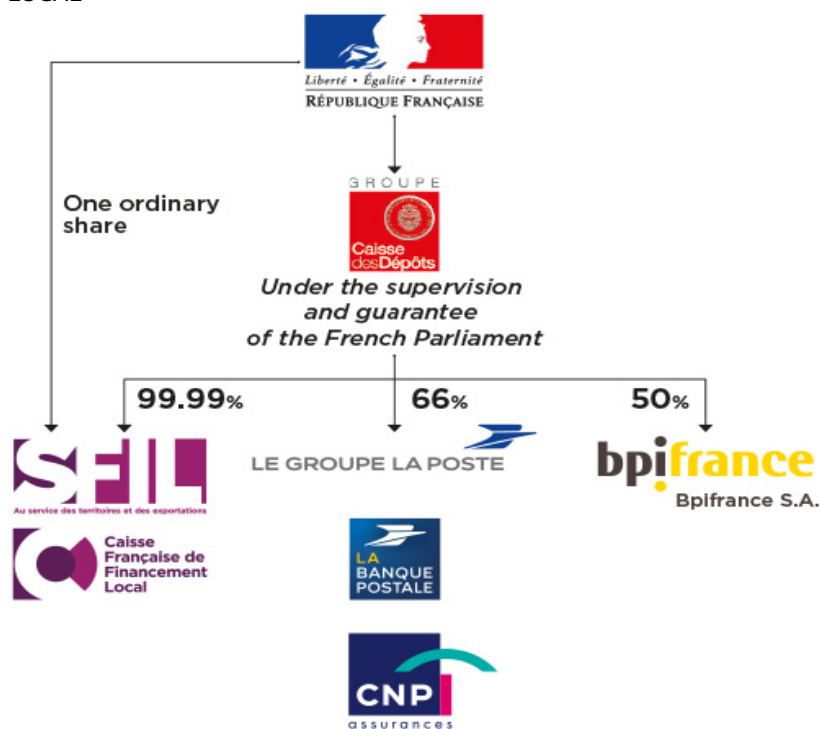
SFIL is a credit institution approved by the ACPR. Since September 30, 2020, its shareholder is the Caisse des Dépôts (CDC) (99.99% holding). The French State retained one ordinary share. SFIL's shareholders thus remain firmly anchored in the public sphere, thus reflecting the missions the French State assigned it.

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.

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

THE OWNERSHIP STRUCTURE OF SFIL AND ITS SOLE SUBSIDIARY, CAISSE FRANÇAISE DE FINANCEMENT LOCAL



1.3 Caisse Française de Financement Local's 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, and renewed in 2020 up to the end of 2026, 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 offer 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. These loans are refinanced by the SFIL Group's green issues.



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 of supporting 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 investment 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.

These 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 in Caisse Française de Financement Local's portfolio 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 prepared by one or more banks of the banking syndicate granting buyer credit covered by export credit insurance granted by the French State (hereinafter referred to as the "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).

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 French 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.

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



* Or, pure and unconditional guarantee for the aviation sector. ** In the case of credit insurance at 95%.

1.3.2.2 The specific case of exports of civil aircraft and helicopters

Financing of export contracts for civil aircraft and helicopters benefits from a so-called “pure and unconditional” guarantee (GPI) aimed at unconditionally and fully guaranteeing at 100% the non-repayment of the loan by the debtor. This guarantee is managed by Bpifrance Assurance Export in the name, on behalf of and under the control of the French State.

For these transactions, no enhanced guarantee has been put in place to cover the refinancing loan of SFIL by Caisse Française de Financement Local. Indeed, SFIL transfers to Caisse Française de Financement Local, with the agreement of Bpifrance Assurance Export, full ownership of the benefit of the unconditional guarantee at 100% from which the export credit benefits (GPI), under a financial guarantee contract provided for in the refinancing loan agreement.

1.3.2.3 French State export guarantees

Since the end of 2016, these guarantees have been managed by Bpifrance Assurance Export, in the name, on behalf of, 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 the guarantee are taken by the French Minister of the Economy and Finance after examination by Bpifrance Assurance Export and opinion of the Commission for Guarantees and Foreign Trade Credit; Bpifrance Assurance Export manages public guarantees in strict compliance with the international 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 Caisse Française de Financement Local financing 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 51.2 billion at September 30, 2021.

1.3.4 Servicing and financing provided by SFIL

The role of SFIL primarily involves the following:

- 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 French 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. This agreement and its SLA are regularly updated by the parties;

- provision of 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 finance these needs under loan agreements signed with its reference shareholder, Caisse des Dépôts, and its partner, La Banque Postale. The refinancing initially provided *via* these agreements has gradually been completely replaced by the financing obtained by SFIL on the financial markets since 2016. Nevertheless, shareholder refinancing is still available particularly in the case of liquidity requirements generated under a situation of stress.

In addition to the commitments made by Caisse des Dépôts as SFIL's reference shareholder, a new statement of support for Caisse Française de Financement Local was signed by SFIL on November 5, 2020.

SFIL also supplies services for the business of lending to French public sector entities engaged by La Banque Postale (LBP) and its LBP/CDC joint venture, 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.

1.3.5 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 the management of these assets for their national clientele. These assets are managed in a run-off mode. As of September 30, 2021, there were agreements with the following entities: 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, 2021, Caisse Française de Financement Local's issuance program was rated by three international rating agencies: Moody's, Standard & Poor's (S&P) and DBRS Morningstar.

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 DBRS Morningstar and one notch below it by Moody's. 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.

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).

The ratings at September 30, 2021 are presented in section 2.4. of this report.

2. Highlights of 2021

2.1 Health crisis due to the Covid-19 pandemic

Within the context of this crisis, Caisse Française de Financement Local continues its two missions of financing the local public sector and refinancing large export credits. It continues to show its resilience capacity notably in terms of solvency and liquidity, thanks to the public development bank model of its parent company, SFIL. SFIL, otherwise, has been able to adapt its organization and IT systems in order to enable all its services for Caisse Française de Financement Local to continue normally. Caisse Française de Financement Local is also able to monitor and manage all of its risks, notably those related to market volatility and the economic situation of its customers.

The financial impacts of this crisis remain very limited for Caisse Française de Financement Local, which confirms excellent market access conditions during the first nine months of 2021 as well as the persistence of a very low risk profile and solid financial results.

2.2. The covered bonds market

At the end of September 2021, the volume of issuance on the primary market of covered bonds in euros amounted to EUR 78 billion, down slightly compared to 2020 over the same period (EUR 84 billion). At the same time, more than EUR 110 billion were repaid resulting in a very negative net supply (EUR -32 billion). The gross supply is still dominated by French and German issuers, which respectively represent 25% and 18% of the volume of issues carried out at the end of September. The share of Canadian issuers, who take advantage of the attractive market conditions in Euro, however increased to 13%.

In the third quarter of 2021, the supply on the primary market for covered bonds in euros stood at EUR 29.6 billion. It shows a strong increase of 130% compared to the third quarter of 2020 (EUR 12.9 billion). The month of September was particularly active with many issuers seizing the opportunity of favorable market conditions to carry out their issuance projects in a particularly buoyant covered primary market context (very negative net supply and still active support of the Eurosystem as part of its program to purchase assets dedicated to Covered Bonds).

2.3. Harmonization of the legal framework 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 has been transposed into French national law to take effect on July 8, 2022 at the same time as the new version of the Article 129 of the CRR and the new legislative and regulatory *corpus* of texts in relation with *the société de crédit foncier*.

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.

2.4. Sound financial ratings

The financial ratings of *obligations foncières* of Caisse Française de Financement Local remained unchanged during the first nine months of year 2021.

As of September 30, 2021, its financial ratings were as follows: AAA at Moody's, AA+ at S&P and AAA at DBRS Morningstar. The outlooks associated with each of these ratings remained stable.

2.5. 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.

Commercial activity relating to the financing of the local public sector (carried out in partnership with La Banque Postale) was not as well-supported during the first nine months of 2021 as in the first nine months of 2020,

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 28.3 billion, including EUR 3.8 billion over the first nine months of 2021, i.e. in line with the volume acquired in the first nine months of 2020 (EUR 3.7 billion).

2.6. Refinancing of large export credits

As part of its second mission, Caisse Française de Financement Local grants loans to SFIL to refinance the large export credits it issues. These loans are unconditionally and irrevocably guaranteed in full by the French government. This

activity anchors Caisse Française de Financement Local in the public sphere without changing the risk profile of its cover pool.

Since the middle of 2015, date of the start of this mission, whose renewal until 2027 was approved by the European Commission in 2020, Caisse Française de Financement Local has granted a total of EUR 10.4 billion in refinancing loans to SFIL.

During the first nine months of the year 2021, four new refinancing operations were signed by Caisse Française de Financement Local in the French aeronautics, infrastructure, aerospace and defense sectors for a total amount of EUR 2.1 billion. After the overall Covid-19 health crisis-related slowdown in the pace of negotiation of major export contracts in 2020, the year 2021 confirms a pronounced recovery in activity as witnessed the high number of requests for projects under negotiation. Thus, the currently valid refinancing offers amount to EUR 0.2 billion as of September 31, 2021.

Moreover, SFIL has maintained and extended in 2021 the liquidity support on export credits for cruise lines, introduced in the spring of 2020 as part of the approach developed jointly by the European credit insurance agencies and the lending banks. This liquidity support totaled nearly USD 200 million.

As of September 30, 2021, the outstanding amount of these loans on Caisse Française de Financement Local's balance sheet was EUR 4.4 billion. As a reminder, the payment of loans used to refinance large export credits is spread out over several years.

2.7. Issuance of covered bonds

In the third quarter of 2021, Caisse Française de Financement Local took advantage of investor demand to increase the outstanding amount of:

- its October 2035 line via a contribution in July of EUR 150 million, bringing its outstanding amount to EUR 900 million;
- its February 2036 line via an additional contribution in August of EUR 150 million, bringing its outstanding amount to EUR 900 million.

Caisse Française de Financement Local was also present on the benchmark primary market in euros at the end of September (transaction settled on October 1) with a double-tranche transaction for a total amount of EUR 1.25 billion over a maturity of 8 years (EUR 750 million) and 25 years (EUR 500 million). This 25-year operation, the first for a French Covered Bond issuer, and the longest ever carried out by the Caisse Française de financement Local since its creation, provided the long-term liquidity necessary for the development of the Caisse des Dépôts group's (*La Banque Postale and la Banque des Territoires*) commercial offer for the public sector in France.

In total over the year 2021, Caisse Française de Financement Local carried out EUR 5.8 billion in issues, with an average life of 12.1 years.

2.8. 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 2021, the SFIL Group continued to develop its CSR commitment according to the three pillars of its strategy; by conducting sustainable public policy missions, the roll-out of internal policies and the commitment of its employees. Its CSR report for year 2020 (available in French and English on the SFIL website (www.sfil.fr)) has also been published.

3. Change in cover pool and debts

EUR billions	12/31/2020	9/30/2021	Change 2021 / 2020
value after currency swaps			
Cover pool	58.5	58.8	0.6%
Loans	49.7	51.3	3.2%
Securities	7.0	6.1	(12.3)%
Cash deposit in central bank	1.8	1.4	(22.3)%
Assets removed from the cover pool	(0.0)	(0.0)	ns
Privileged debt	51.1	51.6	1.1%
Obligations foncières ⁽¹⁾	50.5	51.2	1.4%
Cash collateral received	0.6	0.4	(38.2)%
Non-privileged debt	6.6	6.5	(1.5)%
SFIL	6.6	6.5	(1.5)%
Equity IFRS (excluding unrealized gains and losses)	1.4	1.4	(1.3)%

(1) Including registered covered bonds

The size of Caisse Française de Financement Local's cover pool increased by EUR 0.3 billion in 2021, *i.e.* approximately +0.6%. As of September 30, 2021, the cover pool excluding interest accrued not yet due amounted to EUR 58.8 billion.

Caisse Française de Financement Local's cover pool is composed of loans and debt securities financing the 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 temporary cash surplus 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 1.4 billion as at September 30, 2021, versus EUR 1.8 billion as at December 31, 2020. The cash surplus invested in securities was a total of EUR 1.4 billion as at September 30, 2021 versus EUR 2.0 billion as at December 31, 2020.

As of September 30, 2021, 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 51.6 billion, an increase of 1.1% in comparison with December 31, 2020.

As of September 30, 2021, the debt contracted with its parent company was EUR 6.5 billion. It does not benefit from the legal privilege and 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 2021

The net change in the cover pool during 2021 corresponds to an increase in assets in the amount of EUR 0.3 billion. This change is explained by the following items:

EUR billions	9 months 2021
1- Acquisition of loans from La Banque Postale	3,8
Loans to the French public sector (vanilla loans in euros)	3,8
2- Loans disbursements to refinance export credit	1,0
Loan disbursements to SFIL to refinance export credit guaranteed by the French State	1,0
3- Reduction of loan sensitivity	0,1
Sensitive structured loans eliminated	(0,1)
Refinancing loans (vanilla loans in euros)	0,1
New loans (vanilla loans in euros)	0,1
4- Amortization of portfolio of loans and securities	(3,5)
5- Early reimbursements	(0,1)
6- Changes in treasury	(1,0)
Net change in securities investments	(0,6)
Net change in Banque de France cash deposit	(0,4)
Net change in the cover pool	0,3

In 2021, Caisse Française de Financement Local acquired a total of EUR 3.8 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 during 2021 amounted to EUR 1.0 billion. These loans benefit from an irrevocable and unconditional 100% guarantee by the French State.

In application of the policy to reduce loan sensitivity in effect since the beginning of 2013, the sensitivity reduction operations conducted by SFIL during the first nine months of 2021 were very limited and resulted in EUR 0.1 billion in new fixed rate loan payments.

The natural amortization of the portfolio of loans and securities was EUR 3.5 billion in 2021 over the first nine months of the year, and early reimbursements were EUR 0.1 billion.

Free cash flow decreased by EUR 1.0 billion. It is deposited at the Banque de France, invested in bank bonds classified as replacement assets or in European public sector securities.

There were no divestments during 2021.

4.2 Outstandings at September 30, 2021

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).

EUR billions	12/31/2020	9/30/2021
Loans and bonds to the public sector	55.2	56.6
<i>of which local public sector business line</i>	51.1	51.6
<i>of which large export credits refinancing business line ⁽¹⁾</i>	3.6	4.4
<i>of which treasury investment in public sector bonds ⁽³⁾</i>	0.5	0.6
Banque de France cash deposit ⁽³⁾	1.8	1.4
Replacement assets ⁽³⁾	1.5	0.8
COVER POOL	58.5	58.8
<i>of which liquid assets and assets eligible for refinancing by the Banque de France before haircut, excluding cash deposited with a bank or the Banque de France ⁽⁴⁾</i>	40.2	41.3
Financing commitments granted to refinance large export credits ⁽¹⁾⁽²⁾	4.7	6.0
Financing commitments granted to other public sector loans	0.1	0.0
FINANCING COMMITMENTS GRANTED	4.8	6.0

(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 2020 and 2021, commitments granted represented concluded contracts in drawing phase and hard offers from CAFFIL to SFIL valid on September 30, 2021

(3) The total amount of excess treasury decreased from EUR 3.8 billion at the end of 2020 to EUR 2.8 billion at the end of September 2021.

(4) Liquid assets correspond to bank exposures classified as replacement assets amounting to EUR 0.8 billion and other high quality liquid assets (level 1, 2A and 2B) amounting to EUR 3.1 billion. In addition, other assets eligible for refinancing by the Banque de France before haircut, excluding cash deposited with a bank or the Banque de France, totaled EUR 37.4 billion

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 – see section 4.2.2). They are mentioned with a ⁽³⁾ in the table above.

The amount of liquid assets and assets eligible for refinancing by the Banque de France, excluding cash deposited with a bank or the Banque de France, represents EUR 41.3 billion, i.e. 70.3% of the Caisse Française de Financement Local's cover pool.

The amount of financing commitments given came to EUR 6.0 billion as of September 30, 2021. These are almost all loans signed but not yet paid, granted to SFIL as part of the refinancing of large export credits (as a reminder, these loans benefit from an unconditional and irrevocable guarantee from the French State).

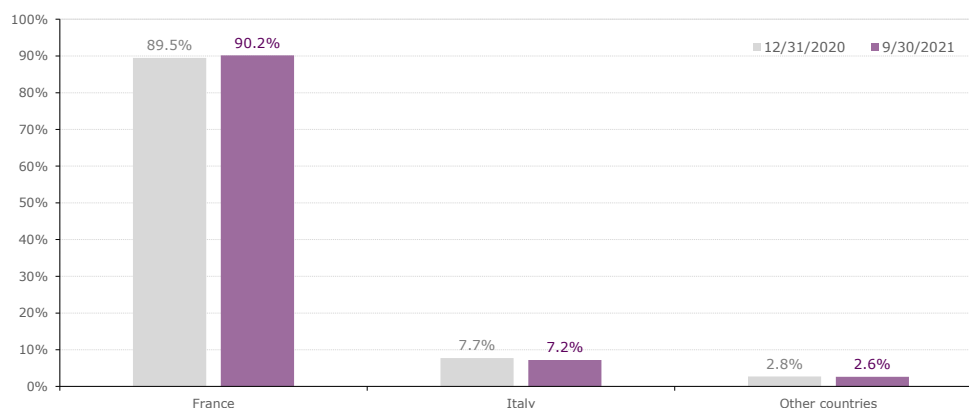
4.2.1 Public sector loans and bonds (excluding replacement assets and treasury placed with the Banque de France)

4.2.1.1 Geographic breakdown

As of September 30, 2021, French public sector loans made up the majority (90.2 %) of the cover pool, a portion that will increase in the future. They include loans acquired from La Banque Postale since 2013 (EUR 22.1 billion of outstanding principal as of the end of September 2021), representing 39% of the Group's public sector loans and securities and 48% of its loans to the French local public sector. The State-guaranteed loans granted to SFIL for the refinancing of large export credits (EUR 4.4 billion on the balance sheet) represent approximately 7.8% of its public sector loans and bonds.

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

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



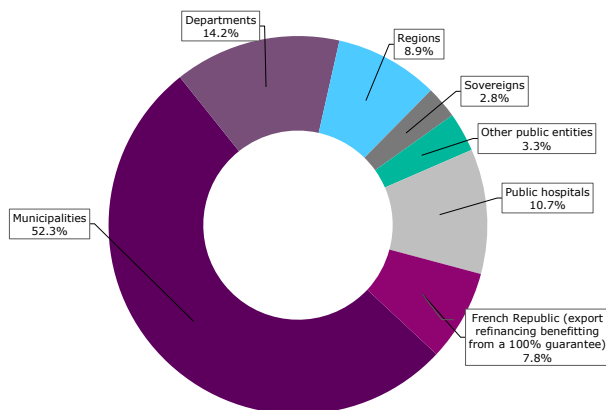
As of September 30, 2021, Italian assets represented the largest portion of non-French assets in run-off mode, with a total volume of EUR 4.1 billion, or 7.2% of public sector loans and bonds. These assets are granular exposures (near 150 counterparties consisting mainly of regional and municipal authorities) distributed throughout Italy.

Exposures to other countries as of September 30, 2021, are broken down by country in the “Breakdown of cover pool” section, which is at the end of this report.

4.2.1.2 Breakdown by type of counterparty

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

- 75% exposures on municipalities, departments or regions;
- 6% sovereign exposures or commitments on other public sector entities;
- 11% exposures on public hospitals;
- 8% 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, 2021, replacement assets represented 1.6% 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). 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 can grant loans to SFIL to invest its surplus cash. These loans are also included in the replacement assets.

Replacement assets	Country	12/31/2020	9/30/2021
EUR millions			
Step 1 credit rating			
Covered bonds			
	France	338	182
	Other countries	676	604
Other bank bonds			
	France	148	12
	Other countries	287	-
Loans to parent company, SFIL			
	France	-	-
Step 2 credit rating			
Bank bonds (maturity < 100 days)			
	France	-	-
	Other countries	-	-
Bank accounts balances			
	France and Other countries	4	5
TOTAL		1,453	803

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 financial 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 are classified as structured loans. The Gissler charter, the code of conduct adopted by banking institutions and local government entities (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 them 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 Share of structured loans in the cover pool

EUR billions	Outstanding				Number of customers ⁽¹⁾		
	12/31/2020	9/30/2021	Change	% cover pool	12/31/2020	9/30/2021	Change
French public sector loans	45.2	46.0	+0.8	78.3%	13,517	13,195	-322
<i>Vanilla loans</i>	42.0	43.1	+1.1	73.4%	12,266	12,023	-243
Structured loans	3.2	2.9	-0.3	4.9%	1,251	1,172	-79

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

During the first nine months of the year 2021, outstanding loans to the French local public sector increased by EUR 0.8 billion. Structured loans on Caisse Française de Financement Local's balance sheet amounted to EUR 2.9 billion, representing 4.9% of the cover pool.

4.2.4.3 Sensitive loans and reduction in loan sensitivity

The most structured loans according to the Gissler classification (categories 3E, 4E and 5E as well as "not in the charter" loans) may be classified as "sensitive". As of September 30, 2021, they now represent only EUR 0.6 billion (1.0% of the cover pool) compared with EUR 8.5 billion on SFIL's inception at the end of 2012, *i.e.* a decrease of almost 93%. The number of customers holding sensitive loans fell over the same period from 879 to 141.

The scope of sensitive structured loans is therefore extremely limited and the associated risk is no longer material for Caisse Française de Financement Local.

EUR billions	Outstanding			Number of customers ⁽¹⁾		
	12/31/2020	9/30/2021	Change % cover pool	12/31/2020	9/30/2021	Change
of which sensitive loans not in the charter	0.3	0.2	-0.1 0.4%	39	34	-5
of which sensitive loans (3E/4E/5E)	0.4	0.4	-0.0 0.6%	113	107	-6
Subtotal sensitive loans:	0.7	0.6	-0.1 1.0%	152	141	-11

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

5. Debt benefiting from the legal privilege

As of September 30, 2021, 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 cash collateral received from counterparties in derivative transactions.

EUR billions	12/31/2020	9/30/2021
Cash collateral received	0,6	0,4
<i>Obligations foncières</i> and registered covered bonds	50,5	51,2
Total	51,1	51,6

5.1 Changes in cash collateral

Cash collateral received by Caisse Française de Financement Local decreases compared with the situation as of December 31, 2020. Its amount stood at EUR 0.4 billion as of September 30, 2021.

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.

In support of this diversification and consistent with the implementation of the SFIL Group's social and environmental policy, Caisse Française de Financement Local is also regularly active in the "Social"- and "Green"-themed bond market, as demonstrated by its third social issue in April 2021.

5.2.1 New issues in 2021

As of September 30, 2021, Caisse Française de Financement Local generated an issue volume of EUR 5.8 billion *via* benchmark public issues, operations to supplement existing stocks (tap) and private placements.

Caisse Française de Financement Local thus raised money in the public primary market five times, in the total amount of EUR 5.25 billion:

- two issues with a maturity of 10 years in January 2021 in the amount of EUR 1.5 billion and in June 2021 in the amount of EUR 1 billion;
- issue with a maturity of 15 years in February 2021 in the amount of EUR 750 million;
- A "social" thematic issue with a maturity of 8 years in April 2021 in the amount of EUR 750 million.

A double tranche issue in September 2021 (settled on October 1) for a total amount of EUR 1.25 billion, composed of an 8-year issue for EUR 750 million and a 25-year issue for EUR 500 millions. Caisse Française de Financement Local also provided additional liquidity on one of its reference issues *via* one tap for an amount of EUR 0.55 billion.

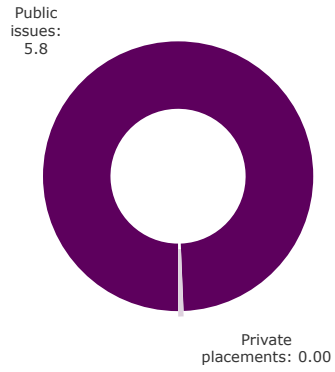
In addition to these public transactions, Caisse Française de Financement Local responded to the specific request from an investor in the private placements segment, in EMTN format.

The weighted average life of the whole financing raised as at September 30, 2021 was 12.1 years.

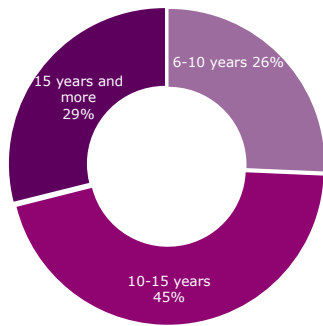
The breakdown of new issues by public/private format and maturity is presented below, as well as the breakdown of benchmark public issues by investor category and geographic zone:

2021 ISSUES BY FORMAT

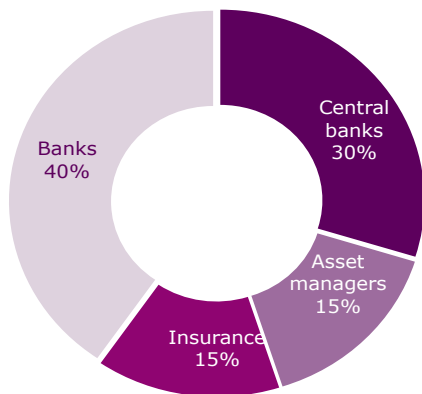
EUR billions



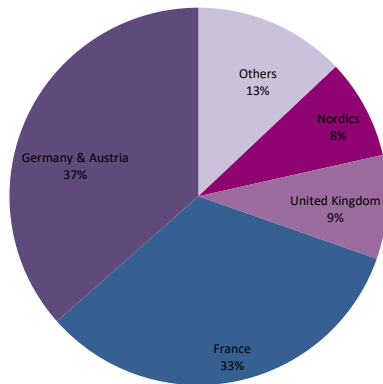
2021 ISSUES BY MATURITY (%)



BREAKDOWN OF 2021 BENCHMARK PUBLIC ISSUES BY INVESTOR CATEGORY (%)



BREAKDOWN OF 2021 BENCHMARK PUBLIC ISSUES BY GEOGRAPHIC ZONE (%)



5.2.2 Outstandings at end September 2021

The outstanding amount of *obligations foncières* and registered covered bonds totaled EUR 51.2 billion in swapped value as of September 30, 2021. This includes new issues of *obligations foncières* for EUR 4.6 billion and the amortization of issues maturing in 2021 for EUR 3.9 billion. Furthermore, limited purchases of own *obligations foncières* were completed during the year.

EUR billions, value after currency swaps	T4 2020	Q3 2021
BEGINNING OF THE PERIOD	49,8	50,5
Issues	5,5	5,8
Issues settled after September 30		(1,2)
Amortizations	(4,8)	(3,9)
Buyback	(0,0)	(0,0)
END OF THE PERIOD	50,5	51,2

As of September 30, 2021, issues can be broken down by currency as follows:

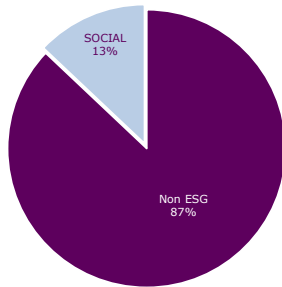


5.2.3 Social and green issues

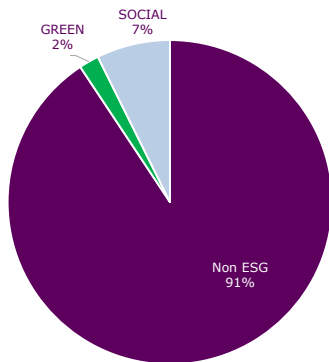
As part of SFIL Group’s CSR commitment, the Caisse Française de Financement Local carries out “social” and “green” theme issues. After the success of its first social issue for EUR 1 billion with a 8-year maturity and first green issue for EUR 750 million with a 10-year maturity in 2019, Caisse Française de Financement Local carried out a second social issue in April 2020 for EUR 1 billion with a 5-year maturity, dedicated to financing French hospitals. Caisse Française de Financement Local carried out as well a third social issue in April 2021 for EUR 750 million with a 8-year maturity. Market observers unanimously recognized them as successful and they were notably very largely oversubscribed, demonstrating investors’ strong interest in this new type of responsible investment.

The share of thematic bonds in the 2021 issues and in the amount outstanding as of September 30, 2021, among the public issues in euro is presented below:

2021 ISSUES IN EUROS



OUTSTANDING AT END OF SEPTEMBER 2021 IN EUROS

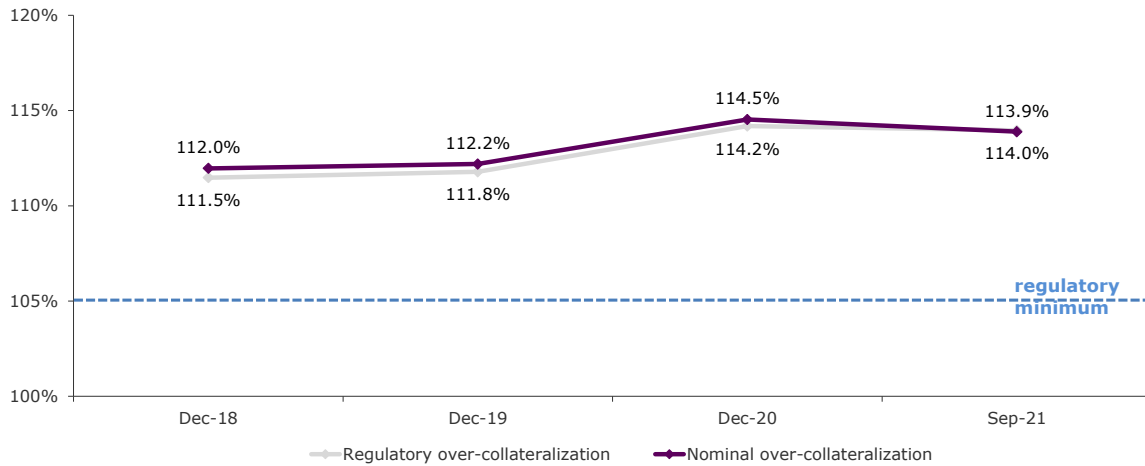


In addition, SFIL carried out a green bond issue for an amount of EUR 500 million. The funds obtained from this issue have been loaned to Caisse Française de Financement Local, with the obligation to use them to finance green loans that it purchases from La Banque Postale, which markets them. This loan does not benefit from the privilege of the *société de crédit foncier*.

6. Coverage 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.

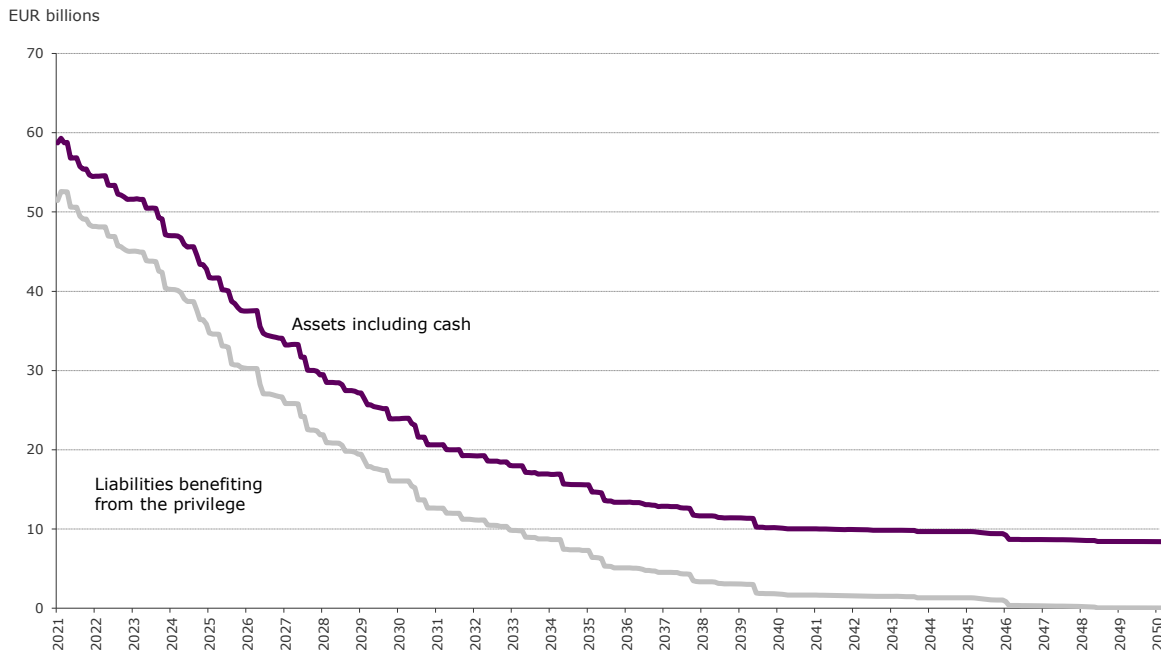


Regulatory over-collateralization may differ from nominal over-collateralization. It is calculated on the basis of the rules determined by the Autorité de Contrôle Prudentiel et de Résolution (ACPR). In particular, these rules require different weighting levels according to the assets. The assets in 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 legal privilege. The following graph presents the curves as of September 30, 2021.

Amortization of assets and liabilities as of September 30, 2021



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

7. Non-privileged debt

The asset surplus compared to *obligations foncières* and registered covered bonds (over-collateralization) 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. As of September 30, 2021, the funds borrowed from SFIL within the framework of the financing agreement were made up of different loans with maturities that could run from one day to ten years with a Euribor, Eonia or €str index.

Temporary financing may also be obtained from the Banque de France. These funds do not benefit from the legal 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	12/31/2020	9/30/2021
SFIL	6,6	6,5
Banque de France	-	-
TOTAL	6,6	6,5

8. Management of Caisse Française de Financement Local's main risks

8.1 Credit Risk

8.1.1 Definition

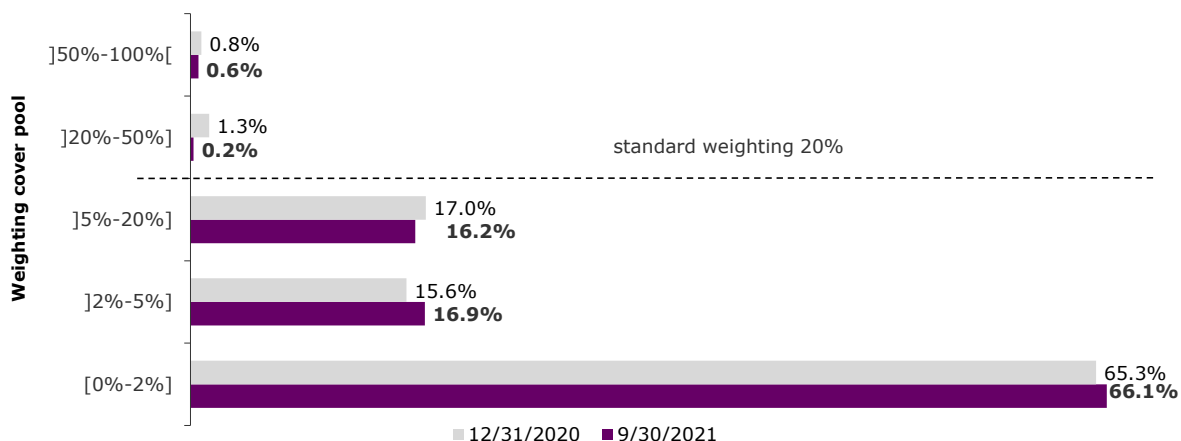
Credit risk represents the potential loss Caisse Française de Financement Local could suffer due to the deterioration of a counterparty's solvency.

8.1.2 Breakdown of cover pool exposures according to risk weightings

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, 2021 (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, 2021



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

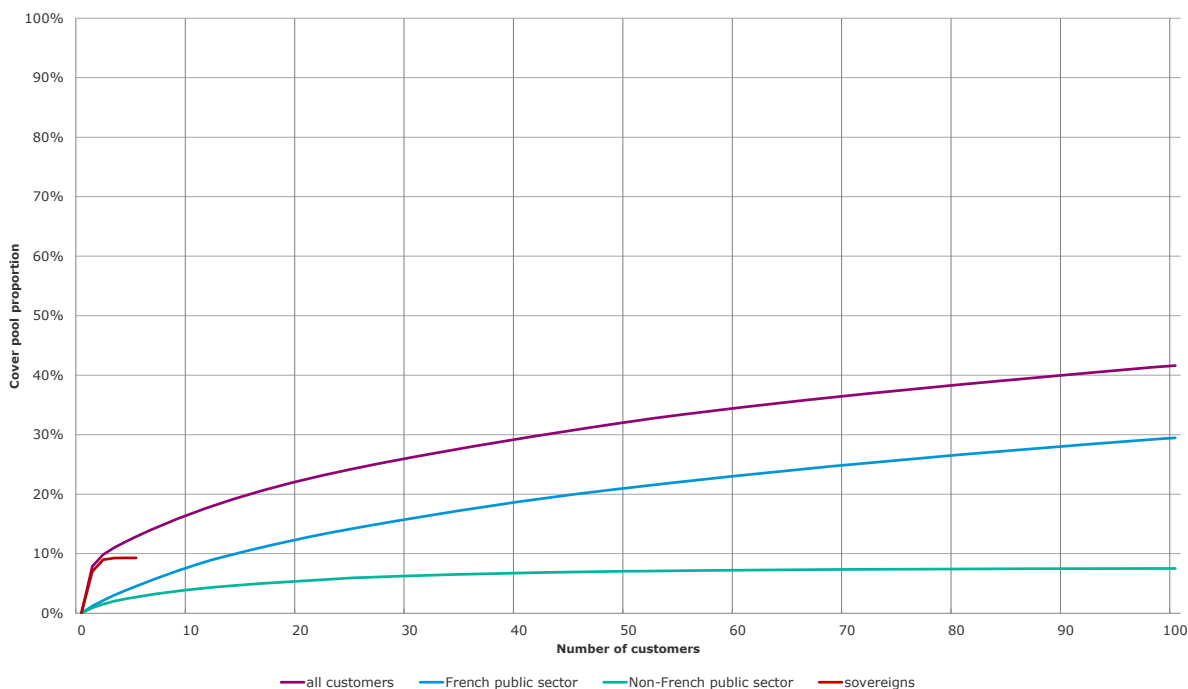
- 83.0% of the portfolio has a risk weighting of 5% or less;
- 0.8% of the portfolio has a weighting greater than 20%.

The average risk weighting of the cover pool assets is 4.6%, versus 20% for European local government entities according to the Basel standard method. They were 5.4% at the end of the previous year.

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 is a capital loss risk management tool.

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, 2021, the 20 largest exposures (excluding replacement assets and cash deposits in the Banque de France), all categories combined, represented 22.3% of the cover pool. The largest exposure, the French State, represented 7.9% of the cover pool and the 20th exposure, 0.4%.

8.1.4 Arrears, non-performing loans, litigious loans, provisions September 30, 2021

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 2021 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 2021, 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 0.8 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). Over the last few years, Caisse Française de Financement Local amended these contracts to take into account recent EMIR regulatory changes (signing of variation margin amendments) and the Brexit. 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. Caisse Française de Financement Local's derivatives are not subject to the clearing obligation nor the payment of initial margin.

All derivative exposures as of September 30, 2021, are listed below:

EUR billions	Notional amounts	Mark to Market		Collateral received	Number of counterparties
		-	+		
SFIL	15,4	(1,4)	-	-	1
Other counterparties	73,1	(1,7)	0,4	0,4	24
Total	88,5	(3,1)	0,4	0,4	25

As of September 30, 2021, Caisse Française de Financement Local was exposed (positive fair value of swaps) to six bank counterparties, all of these paid cash collateral totaling EUR 0.4 billion, offsetting the total exposure. The swaps negotiated with external counterparties represented 83% of outstanding swaps and those signed with SFIL 17%. The swaps signed with the five largest counterparties represented a total of 53% of notional amounts.

8.2 Climate risks

In line with its CSR strategy and Caisse des Dépôts's commitment to the success of the ecological and energy transition, the SFIL Group in 2020 initiated a comprehensive climate risk assessment process on the financial impact of environmental risks and climate change-related risks on the creditworthiness of its borrowers. An initial roadmap was adopted, which led to the development of an initial mapping of physical and transitional risks for the entire customer portfolio, an initial analysis of the acute physical risks of local authorities, a study of transitional risks for French local authorities, as well as the completion of an internal stress test and participation in the pilot exercise on climate risks conducted by the ACPR. A climate risk committee has been set up. A report on climate risks is presented each quarter to the Supervisory Board of Caisse Française de Financement Local as part of the quarterly risk review. A second roadmap was adopted in April 2021 intended to establish a partnership with I4CE (Institute for Climate Economics), finalizing the study on acute physical risks of the local public sector, individual climate risk rating for local authorities, mapping and monitoring the portfolio based on climate ratings, defining CSR criteria for treasury investments, and integrating climate risks with risk appetite and different risk policies. As part of its lending risk policy, the Caisse Française de Financement Local already applies the following principles: the exclusion of certain activities from its financing and the positive consideration of green loan production targets.

8.3 Market risk

Market risk is defined as the potential risk of loss (through the 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 risk and result 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 risks.

Certain positions or activities in the banking portfolio of Caisse Française de Financement Local, even if they do not carry any market risk in the regulatory sense of the term, are nevertheless sensitive to the volatility of market parameters and pose a risk to the accounting result or on equity; they are monitored for non-regulatory market risks.

This concerns mainly the following,

- ✓ under IFRS:
 - the assets recorded at fair value through profit or loss or through other comprehensive income, the value of which can fluctuate;
 - cross-currency and basic swaps hedging the export refinancing activity in currency, the changes in value of which pass directly through net 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 through income pursuant to IFRS.

In the first nine months of 2021, these usual elements of accounting volatility had only a very small impact on net banking income.

- ✓ In French accounting standards : "placement" securities, the estimated losses in value at closing date of which are provisioned.

8.4 Asset-Liability Management (ALM) Risk

8.4.1 Liquidity risk

8.4.1.1 Definition and liquidity risk management

Liquidity risk is defined as the risk that the institution may not be able to meet its liquidity commitments on a timely basis and at a reasonable cost. 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 three main types of liquidity need:

- financing of the assets that cover the *obligations foncières* it issues;
- repayment of debts when they fall due
- 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:

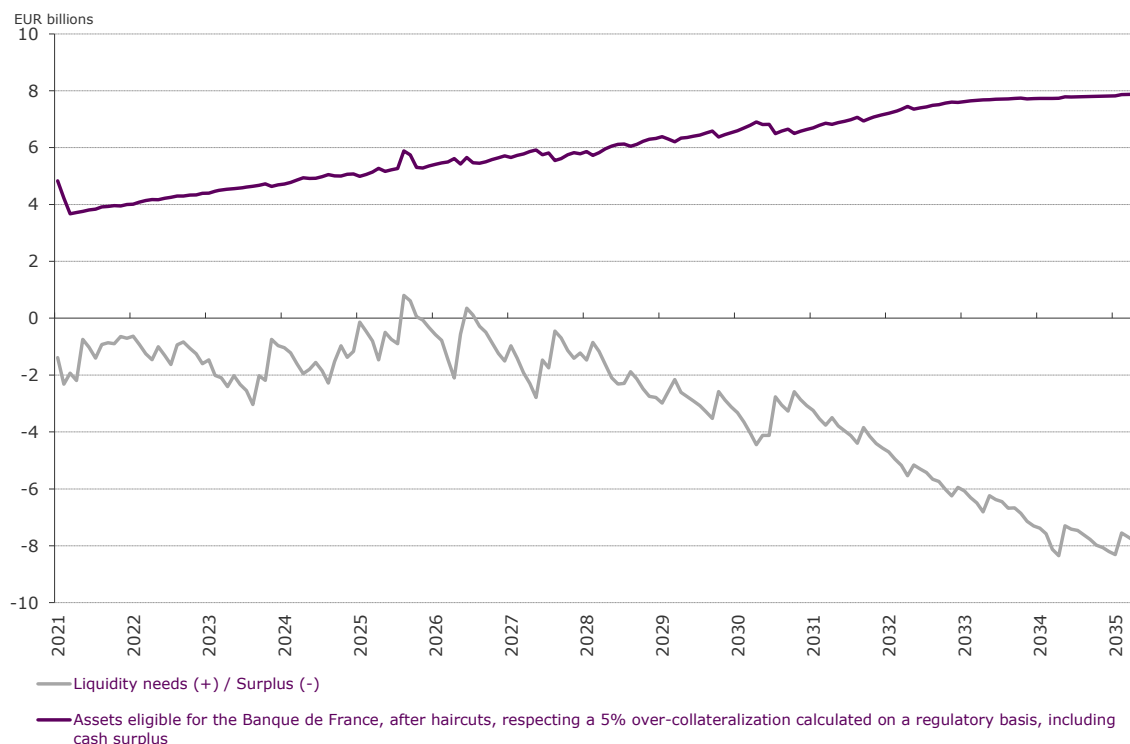
- debt benefiting from the legal privilege, *i.e. obligations foncières*, registered covered bonds and the cash collateral received by Caisse Française de Financement Local;
- refinancing arising from the financing agreement entered into with SFIL to cover the financing requirements related to Caisse Française de Financement Local's over-collateralization. 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. The Caisse Française de Financement Local can easily access the central bank refinancing in its own name, if necessary, to 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 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:



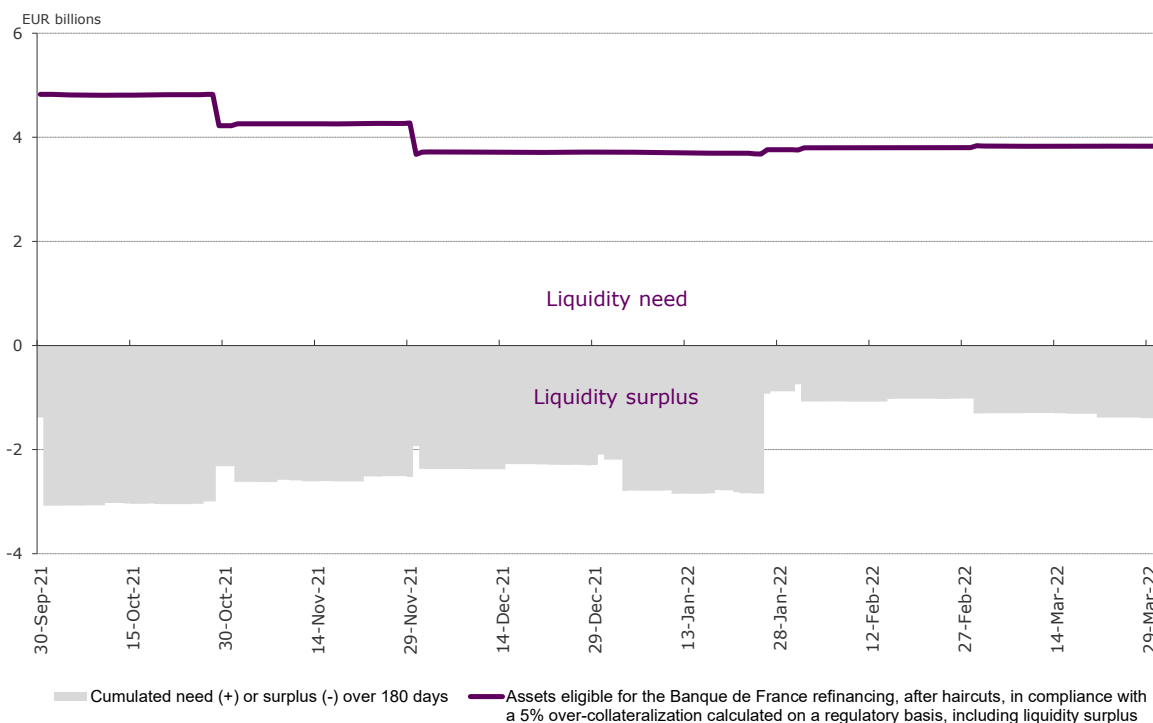
Caisse Française de Financement Local has its own autonomous resources that enable it to cover its temporary liquidity needs, even in the event of the default of its parent company, since any legal proceedings engaged for the bankruptcy

or liquidation of its parent company cannot be extended to Caisse Française de Financement Local (article L.513-20 of the French 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 forecast repayments of cash collateral received, after deduction of received assets repayments. This forecast is published quarterly in the asset quality report, and is shown below. As of September 30, 2021, forecast cash situation at 180 days presented an excess cash over the whole period with a maximum of EUR 3.1 billion in October.



• **the regulatory liquidity indicators applicable to credit institutions, in particular Regulation 575/2013 of the European Parliament and Council of June 26, 2013, concerning:**

- the LCR ratio (Liquidity Coverage Ratio): on September 30, 2021, Caisse Française de Financement Local's LCR ratio was 522%;
- 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: on September 30, 2021 Caisse Française de Financement Local's NSFR was 116%.

• **the internal liquidity indicators: Eur**

- the dynamic financing requirement over a one-year period, as well as the issuance conditions of Caisse Française de Financement Local;
- 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 one-year survival horizon in stressed conditions;
- management of the maturities of privileged liabilities;
- the difference in duration between assets and liabilities benefiting from the legal privilege (limited to three years): this is published every quarter and came to -0.07 year as of September 30, 2021 (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 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 foreign currency (USD or GBP).

8.4.1.2 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 1.12.2.3.3.), 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 generally 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	9/30/2020	12/31/2020	3/31/2020	6/30/2021	9/30/2021
Cover pool	7.20	7.06	7.10	7.10	7.07
Privileged liabilities	6.70	6.95	7.13	7.20	7.13
Gap in asset-liability duration	0.23	0.11	-0.04	-0.11	-0.07
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)	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Cover pool	7.19	7.05	7.25	7.26	6,90
Privileged liabilities	6.97	6.95	7.29	7.35	6,98
Gap in asset-liability weighted average life	0.22	0.10	-0.04	-0.10	-0,08
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 average life gap between the cover pool and privileged liabilities. Caisse Française de Financement Local respects this limit.

8.4.2 Interest rate risk

8.4.2.1 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 as well as a risk related to any options:

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 the case of 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 items linked to the same index tenor.
Option risk	Results from the application of floors at 0 on adjustable rates of local public sector receivables.

8.4.2.2 Hedging Strategy

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. 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 to 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 index, basis and fixing respectively), calculated statically:

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	Gaps resulting from matching two index gaps. There are therefore as many basis gaps as there are index pairs.
Fixing gap	For a given index tenor: difference between floating rate balance sheet and off-balance sheet assets and liabilities, by fixing.

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

Translation of the rate curve	EUR 25 million limit
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

Measurement of directional risk

The quarter-end sensitivity measurements are presented below:

DIRECTIONAL RISK

Total sensitivity

EUR millions	Limit	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Sensitivity	(25)/25	(1,0)	(6,8)	(10,1)	(5,3)	(3,3)

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	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Short term	(15)/15	(5,3)	(9,5)	(4,4)	(5,8)	(3,0)
Medium term	(10)/10	(6,1)	3,1	(6,5)	1,0	4,9
Long term	(10)/10	5,1	(2,5)	0,7	(1,4)	(6,5)
Very long term	(9)/9	5,3	2,2	0,1	0,9	1,3

RISK OF SLOPE BETWEEN TWO CLOSE POINTS ON THE RATE CURVE

Sum of sensitivities in absolute value

EUR millions	Limit	9/30/2020	12/31/2020	3/31/2021	6/30/2021	9/30/2021
Short term	30	12,6	10,9	12,4	7,7	13,3
Medium term	30	13,9	22,3	21,4	24,5	23,1
Long term	30	3,7	11,3	16,7	26,0	10,6
Very long term	30	8,2	8,8	8,3	5,7	15,0

8.4.3 Foreign exchange risk

8.4.3.1 Definition

The foreign exchange risk is defined as the risk of recorded or unrealized earnings volatility, 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.

8.4.3.2 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 export credits denominated in foreign currency may cause a very limited temporary foreign exchange risk during their drawing phase in case of a shift between effective drawing dates and those initially scheduled and hedged. 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 USD and GBP, in which a marginal position is tolerated for operational reasons.

8.5 Other risks

8.5.1 Operational risk (excluded risk of non-compliance)

SFIL group defines operational risk as the risk of loss arising from an inadequacy or failure in the processes, personnel and 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 group has opted for the standard approach of calculating its regulatory capital for operational risk.

SFIL group has set up an organisation, procedures and a management tool to monitor and control its operational risks. SFIL group'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 the year 2021, SFIL group maintain a crisis unit to manage the operational risks related to the Covid-19 pandemic with a meeting frequency adapted to the evolution of the situation and three 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 the risks 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 very low impacts.

8.5.2 Risk of non-compliance

Non-compliance risk is defined in French regulations as the risk of legal, administrative or disciplinary sanction, significant financial loss or damage to reputation resulting from failure to respect the provisions directly applicable to banking and financial activities, irrespective of whether they are legislative or regulatory, national or European and irrespective of whether it concerns professional and ethical standards or instructions from accountable officers or the executive body taken pursuant to guidelines from the supervisory body.

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

Regulatory non-compliance risks						Risks in terms of financial security		
Ethics and prevention of conflicts of interest	Integrity of markets	Protection of the interests of customers	Fight against corruption	Protection of personal data	Tax transparency	Customer knowledge (KYC)	AML/TF	Sanctions, asset freezes and embargoes

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

8.5.3 Legal and tax risks

8.5.3.1 Legal risk

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

Caisse Française de Financement Local's 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.

As regards litigation, relating to structured loans, at September 30, 2021, there were 5 borrowers who had brought lawsuits on structured loans, compared to 10 as of December 31, 2020 and 15 as of December 31, 2019, steadily decreasing since 2014 (210 lawsuits as of December 31, 2014). Since SFIL's creation, 218 borrowers have dropped their claims regarding these loans against the Group.

Since the entry into force on July 30, 2014 of the law on the securitization of structured loan contracts taken out by public legal entities, over 60 legal decisions, including 7 judgments from the Cour de Cassation, have dismissed claims by borrowers to invalidate the structured loans recorded on Caisse Française de Financement Local's balance sheet.

As of September 30, 2021, to the Caisse Française de Financement Local's knowledge, there were no other lawsuits or disputes between SFIL or Caisse Française de Financement Local and its borrowers that were considered significant.

8.5.3.2 Tax risk

There was no change during the first nine months of the year 2021 concerning the collection notice issued 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. Caisse Française de Financement Local paid the tax adjustment to the French administration and initiated a procedure aimed at dealing with the Irish and French double taxation of these results.

9. Outlook for 2021

In 2021, Caisse Française de Financement Local will be able to bring its large refinancing capacity to the new major French public finance hub formed around Caisse des Dépôts, of which it is now a part, as well as its parent company SFIL. The financial resilience which it has demonstrated since the start of the health crisis linked to the Covid-19 pandemic and the excellent conditions of access to financial markets from which it continues to benefit, should consolidate its two business lines, established leaders on their respective markets ; credit offer for the French local public sector and for large French export contracts.

Concerning the financing loans to French local public sector (local authorities and public hospitals), within the framework of the partnership established with La Banque Postale : Caisse Française de Financement Local will provide its support for the post-Covid-19 economic recovery, in the context of the French government's economic recovery plans to promote investments by local authorities, particularly for the ecological transition (thanks to its green loans) and through the development of a range of social loan and of the "*Segur de la Santé*" plan to promote investments by health institutions. Loan financing activity to the French local public sector should therefore be more sustained at the end of the year 2021 and in 2022. In addition, work is being carried out with the Banque des Territoires of the Caisse des Dépôts to use the financing capacities of the Caisse Française de Financement Local to refinance structural projects in the French local public sector.

Concerning the refinancing of large export credits guaranteed by the French State, supporting the French exporters : Caisse Française de Financement Local will provide as well its support to the post-Covid-19 economic recovery of the different French export credit sectors, especially for projects linked to sustainable development. The increase in activity seen in the first nine months is expected to continue through to the end of 2021 and in 2022 given the number of projects under review and their level of progress. 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, subject to obtaining the necessary authorizations from the European Commission.

To cover its financing requirements, in a favorable low interest rate environment, Caisse Française de Financement Local has completed its entire issuance program of covered bonds for 2021, i.e. 5.85 billion euros, a higher amount than in 2020, mainly through a number of benchmark obligations foncières issued in euros on the primary market with a long-dated average maturity adapted to the profile of the assets financed.

In 2021 and 2022, SFIL will continue as well its CSR actions, including the integration of climate risks into its methodological criteria of risk analysis, the integration of the European taxonomy in its activities and the issuance of bonds in the form of thematic "social" and/or "green" and/or "sustainable" issues. SFIL group will also continue to closely monitored the macroeconomic developments (impacts of the geopolitical environment, low interest rate and inflation), the regulatory developments (finalization of Basel III, the LCR regulations and the texts related to CSR) and developments in the Covid-19 pandemic (on its operations, its customers and its risks).

Finally, the Caisse Française de financement local will gradually operationalize the transposition texts into French law of the European directive on covered bonds of November 2019.

Breakdown of the cover pool as
of September 30, 2021

EUR millions	9/30/2021				12/31/2020	
	Direct exposure		Indirect exposure		Total	Total
COUNTRY	Loans	Bonds	Loans	Bonds		
France						
State:						
- export refinancing	-	-	4,396	-	4,396	3,588
- others	20	-	-	230	250	250
Banque de France	1,397	-	-	-	1,397	1,798
Regions	2,349	70	234	-	2,653	2,579
Departments	7,449	-	136	-	7,585	7,240
Municipalities	14,366	13	297	-	14,677	14,748
Groups of municipalities	13,464	62	76	-	13,602	13,087
Public sector entities:						
- health	6,033	8	-	-	6,041	5,997
- social housing	872	-	-	-	872	967
- others	736	150	-	-	886	931
Credit institutions	5	194	-	-	200	490
Subtotal	46,692	498	5,140	230	52,559	51,675
Germany						
Länder	-	275	-	-	275	275
Credit institutions	-	-	-	-	-	95
Subtotal	-	275	-	-	275	370
Austria						
Länder	-	-	167	-	167	173
Subtotal	-	-	167	-	167	173
Belgium						
Regions	1	-	2	-	3	5
Public sector entities	31	-	-	-	31	37
Credit institutions	-	60	-	-	60	121
Subtotal	32	60	2	-	94	163
Canada						
Municipalities	100	-	-	-	100	100
Public sector entities	34	-	-	-	34	35
Credit institutions	-	322	-	-	322	226
Subtotal	135	322	-	-	457	361
Denmark						
Credit institutions	-	-	-	-	-	5
Subtotal	-	-	-	-	-	5
Spain						
State	-	180	-	-	180	145
Regions	-	50	-	-	50	50
Municipalities	65	-	-	-	65	67
Subtotal	65	230	-	-	295	262

EUR millions	9/30/2021				12/31/2020
	Direct exposure		Indirect exposure		Total
COUNTRY	Loans	Bonds	Loans	Bonds	Total
United States					
Federated States	-	182	-	-	182
Subtotal	-	182	-	-	182
Finland					
Credit institutions	-	-	-	-	-
Subtotal	-	-	-	-	-
Italy					
State	-	1,153	-	-	1,153
Regions	-	1,683	-	-	1,683
Provinces	-	384	-	-	384
Municipalities	4	860	-	-	864
Subtotal	4	4,079	-	-	4,083
Japan					
Municipalities	-	25	-	-	25
Subtotal	-	25	-	-	25
Norway					
Credit institutions	-	137	-	-	137
Subtotal	-	137	-	-	137
Netherlands					
Credit institutions	-	-	-	-	-
Subtotal	-	-	-	-	-
Portugal					
State	-	-	-	-	-
Municipalities	5	-	-	-	5
Public sector entities	1	-	-	-	1
Subtotal	6	-	-	-	6
United Kingdom					
State	-	-	-	-	-
Subtotal	-	-	-	-	-
Sweden					
Municipalities	18	-	-	-	18
Credit institutions	-	85	-	-	85
Subtotal	18	85	-	-	103
Switzerland					
Cantons	65	-	-	-	65
Municipalities	230	-	-	-	230
Public sector entities	60	-	-	-	60
Subtotal	355	-	-	-	355
Supranational					
International organizations	11	-	-	-	11
Subtotal	11	-	-	-	11
TOTAL COVER POOL	47,319	5,893	5,309	230	58,751
					58,448

Loans and securities are excluding 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 sector provisions.