



Caisse  
Française de  
Financement  
Local

Annual report on asset quality  
as of December 31, 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 December 31, 2021, Caisse Française de Financement Local's cover pool is made of exposure on public sector entities amounting to EUR 55.1 billion of loans (of which cash deposits with Banque de France amounting to EUR 3.8 billion) and EUR 5.2 billion of bonds, and exposure on credit institutions (bank bonds) amounting to EUR 0.8 billion, which is detailed in the table below:

EUR thousands, as of 12/31/2021	Total cover pool	Assets removed from the cover pool	Total Outstanding
Exposures on public sector	60,285,924	493	60,286,416
Asset-backed securities	-	-	-
Replacement assets	815,382	-	815,382
<b>TOTAL</b>	<b>61,101,306</b>	<b>493</b>	<b>61,101,799</b>

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 December 31, 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

In the table below, 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. The total amount of these exposures is presented net of collective impairment.

EUR thousands	Direct Exposure		Indirect Exposure			Total	Of which non-performing loans	Of which past due	Of which specific impairment <sup>(1)</sup>
	Country	Loans	Bonds	Loans	Bonds				
<b>France</b>									
State :									
- export refinancing	-	-	4,954,202	-	4,954,202	-	-	-	-
- others	19,909	-	64	230,000	249,973	-	-	-	-
Banque de France <sup>(2)</sup>	3,796,317	-	-	-	3,796,317	-	-	-	-
Regions	2,290,619	70,008	231,704	-	2,592,331	-	-	-	-
Departments	7,281,462	-	127,749	-	7,409,211	-	1	-	-
Municipalities	14,305,854	13,336	292,341	-	14,611,532	109,992	12,279	-9,077	-
Groups of municipalities <sup>(3)</sup>	13,376,388	54,451	73,426	-	13,504,265	10,682	172	-3	-
Public sector entities :	-	-	-	-	-	-	-	-	-
- health	5,983,190	-	-	-	5,983,190	32,366	214	-128	-
- social housing	842,084	-	-	-	842,084	-	-	-	-
- others	702,837	149,980	239	-	853,055	305	306	-86	-
<b>Sub total</b>	<b>48,598,661</b>	<b>287,774</b>	<b>5,679,724</b>	<b>230,000</b>	<b>54,796,160</b>	<b>153,345</b>	<b>12,971</b>	<b>-9,294</b>	
<b>Germany</b>									
Länder	-	274,929	-	-	274,929	-	-	(71)	-
<b>Sub total</b>	<b>-</b>	<b>274,929</b>	<b>-</b>	<b>-</b>	<b>274,929</b>	<b>-</b>	<b>-</b>	<b>(71)</b>	
<b>Austria</b>									
Länder	-	-	166,966	-	166,966	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>166,966</b>	<b>-</b>	<b>166,966</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Belgium</b>									
Regions	708	-	31,036	-	31,744	-	-	-	-
Public sector entities	2,380	-	-	-	2,380	-	-	-	-
<b>Sub total</b>	<b>3,088</b>	<b>-</b>	<b>31,036</b>	<b>-</b>	<b>34,124</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Canada</b>									
Municipalities	100,287	-	-	-	100,287	-	-	-	-
Public sector entities	34,485	-	-	-	34,485	-	-	-	-
<b>Sub total</b>	<b>134,772</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134,772</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Spain</b>									
State	-	180,000	-	-	180,000	-	-	-	-
Regions	-	50,000	-	-	50,000	-	-	-	-
Municipalities	64,127	-	-	-	64,127	-	-	-	-
<b>Sub total</b>	<b>64,127</b>	<b>230,000</b>	<b>-</b>	<b>-</b>	<b>294,127</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>United States</b>									
Federated States	-	181,761	-	-	181,761	-	-	-	-
<b>Sub total</b>	<b>-</b>	<b>181,761</b>	<b>-</b>	<b>-</b>	<b>181,761</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which non-performing loans	Of which past due	Of which specific impairment <sup>(1)</sup>
	Country	Loans	Bonds	Loans	Bonds			
<b>Italy</b>								
State	-	1,151,149	-	-	-	1,151,149	-	-
Regions	-	1,666,613	-	-	-	1,666,613	-	-
Provinces	-	427,770	-	-	-	427,770	-	-
Municipalities	3,369	759,092	-	-	-	762,461	-	-
Groups of municipalities	-	9,220	-	-	-	9,220	-	-
<b>Sub total</b>	<b>3,369</b>	<b>4,013,844</b>	-	-	-	<b>4,017,213</b>	-	<b>-16,796</b>
<b>Japan</b>								
Municipalities	-	25,000	-	-	-	25,000	-	-
<b>Sub total</b>	<b>-</b>	<b>25,000</b>	-	-	-	<b>25,000</b>	-	-
<b>Portugal</b>								
Municipalities	5,150	-	-	-	-	5,150	-	-
Groups of municipalities	1,289	-	-	-	-	1,289	-	-
Public sector entities	-	-	-	-	-	-	-	-
<b>Sub total</b>	<b>6,439</b>	-	-	-	-	<b>6,439</b>	-	-
<b>Sweden</b>								
Municipalities	18,490	-	-	-	-	18,490	-	-
<b>Sub total</b>	<b>18,490</b>	-	-	-	-	<b>18,490</b>	-	-
<b>Switzerland</b>								
Cantons	65,253	-	-	-	-	65,253	-	-
Municipalities	221,773	-	-	-	-	221,773	-	-
Public sector entities	60,350	-	-	-	-	60,350	-	-
<b>Sub total</b>	<b>347,376</b>	-	-	-	-	<b>347,376</b>	-	-
<b>Supranational</b>								
International organizations	10,700	-	-	-	-	10,700	-	-
<b>Sub total</b>	<b>10,700</b>	-	-	-	-	<b>10,700</b>	-	-
<b>GENERAL SUB TOTAL</b>	<b>49,187,022</b>	<b>5,013,309</b>	<b>5,877,726</b>	<b>230,000</b>	<b>60,308,056</b>	<b>153,345</b>	<b>12,971</b>	<b>(26,161)</b>
<b>Collective impairment</b>	-	-	-	-	-	(22,133)	-	-
<b>GENERAL TOTAL</b>	-	-	-	-	-	<b>60,285,924</b>	-	-

(1) Specific impairments on loans and bonds are composed as followed:

- specific impairment on non performing loans : EUR 9,274 thousand.
- provisions for unrealised losses on placement portfolio bonds : EUR 16,887 thousand

In addition to these impairments, Caisse Française de Financement Local makes collective impairment amounting to EUR 22,133 thousand.

(2) Caisse Française de Financement Local's Banque de France account as of December 31, 2021

(3) Of which EUR 13,621 thousand on operations linked to partnership agreements.

## 2.2 RATINGS

Caisse Française de Financement Local has no exposure on public entities 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 12/31/2021

Residual maturity		
Maturity date in years	Number of deals <sup>(1)</sup>	Total outstanding
0	2	4,205,401
1	2,557	596,206
2	2,178	575,932
3	2,435	1,006,979
4	4,105	1,145,915
5	2,428	1,943,866
6	2,446	2,345,383
7	2,750	2,446,988
8	2,479	3,716,275
9	2,714	3,253,862
10	1,546	2,516,497
11	1,577	2,902,878
12	1,587	3,610,037
13	1,921	4,841,853
14	1,731	4,352,753
15	1,313	3,474,474
16	948	2,600,241
17	1,049	2,639,255
18	1,012	2,809,368
19	794	3,082,855
20	361	1,281,639
21	170	504,794
22	253	582,181
23	232	463,410
24	208	657,276
25	127	411,127
26	62	943,610
27	95	416,940
28	102	422,733
29	52	351,777
30	26	84,120
31	28	22,461
32	19	67,647
33	17	101,378
34	27	43,821
35	17	28,009
36	8	24,068
37	8	32,575
38	2	16,063
39	1	9,126
40	1	6,455
	<b>41,446</b>	<b>60,538,227</b>
TRANSLATION ADJUSTMENTS		-230,170
Non allocated collective provisions		-22,133
<b>TOTAL</b>		<b>60,285,924</b>

(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 12/31/2021

COUNTRY	Early repayments during the year 2021	Rate of early repayments
<b>France</b>		
State	-	-
Regions	-	-
Departments	51,334	0.69%
Municipalities	21,775	0.15%
Groups of municipalities	14,783	0.11%
Public sector entities :		
- health	9,339	0.15%
- social housing	2,422	0.27%
- others	12,270	1.36%
<b>Sub total</b>	<b>111,923</b>	<b>0.21%</b>
<b>GLOBAL exposures on public sector</b>	<b>111,923</b>	<b>0.19%</b>

The rate of early repayments calculated at the end of the year 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 December 31, 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 12/31/2021	Country	Amount
<b>Step 1 credit rating</b>		
Covered Bonds		
	France	173,700
	Other countries	636,559
Other Bank bonds		
	France	-
	Other countries	-
Loans to SFIL		
	France	-
<b>Step 2 credit rating</b>		
Bank bonds (Maturity < 100 days)		
	France	-
	Other countries	-
Bank accounts' balances		
	France and other countries	5,123
<b>TOTAL</b>		<b>815,382</b>

Bank bonds correspond mainly to cash investments made of certificates of deposit or bonds issued by credit institutions. This section can also include bank accounts' balances in different currencies and loans that Caisse Française de Financement Local can grant loans to SFIL, its parent company, in order to invest its surplus cash.

Bank bonds are presented after specific impairments and are off premium / discount. As of December 31, 2021, no specific impairment was registered on bank bonds.

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

### 4.2 RATINGS

In order to be eligible to the cover pool, replacement assets should benefit from ratings corresponding to a step 1, or step 2 credit rating when the maturity is under 100 days. As of December 31, 2021, these conditions are completed.

### 4.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 12/31/2021		Term to maturity					
Residual maturity		Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Maturity date in years	Number of deals <sup>(1)</sup>						
0	13	229,268	48,800	49,500	-	-	327,568
2	15	-	-	-	252,873	-	252,873
3	3	-	-	-	138,841	-	138,841
4	3	-	-	-	46,100	-	46,100
5	3	-	-	-	50,000	-	50,000
<b>Total</b>	<b>37</b>	<b>229,268</b>	<b>48,800</b>	<b>49,500</b>	<b>487,814</b>	<b>-</b>	<b>815,382</b>

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

Balances of bank current accounts are presented as a unique matured deal (thus a residual maturity under 3 months).

### 4.4 EARLY REPAYMENTS

No early repayment occurred neither in 2021, nor in 2020.

## 5. MANAGEMENT OF THE INTEREST RATE RISK

In order to limit its impact, Caisse Française de Financement Local implements the following interest rate risk hedging strategy:

- 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 €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 €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 follow-up of gaps (fixed rate, basis and fixing respectively):

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.
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 EUR 80 million with a 99% quantile calculated on a 10-year history.

As at December 31, 2021, the sensitivity limits to interest rate risk are the following :

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

Assets Portfolios of which strategy is to be entirely hedged are not sensitive to interest rates changes and thus are not integrated in the Caisse Française de Financement Local's balance global sensitivity calculation.

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

#### Risque directionnel

Sensibilité globale

EUR millions, fin de trimestre	Limite	31/03/2021	30/06/2021	30/09/2021	31/12/2021
<b>Sensibilité</b>	<b>25.0</b>	<b>-10.1</b>	<b>-5.3</b>	<b>-3.3</b>	<b>-8.0</b>

#### Risque de pente entre deux points de maturité éloignée sur la courbe

Somme des sensibilités

EUR millions, fin de trimestre	Limite*	31/03/2021	30/06/2021	30/09/2021	31/12/2021
<b>Court terme</b>	<b>15.0</b>	<b>-4.4</b>	<b>-5.8</b>	<b>-3.0</b>	<b>-6.0</b>
<b>Moyen terme</b>	<b>10.0</b>	<b>-6.5</b>	<b>1.0</b>	<b>4.9</b>	<b>-1.7</b>
<b>Long terme</b>	<b>10.0</b>	<b>0.7</b>	<b>-1.4</b>	<b>-6.5</b>	<b>-0.4</b>
<b>Très long terme</b>	<b>9.0</b>	<b>0.1</b>	<b>0.9</b>	<b>1.3</b>	<b>0.0</b>

#### Risque de pente entre deux points de maturité proche

Somme des sensibilités en valeur absolue

EUR millions, fin de trimestre	Limite*	31/03/2021	30/06/2021	30/09/2021	31/12/2021
<b>Court terme</b>	<b>30.0</b>	<b>12.4</b>	<b>7.7</b>	<b>13.3</b>	<b>12.7</b>
<b>Moyen terme</b>	<b>30.0</b>	<b>21.4</b>	<b>24.5</b>	<b>23.1</b>	<b>12.5</b>
<b>Long terme</b>	<b>30.0</b>	<b>16.7</b>	<b>26.0</b>	<b>10.6</b>	<b>18.2</b>
<b>Très long terme</b>	<b>30.0</b>	<b>8.3</b>	<b>5.7</b>	<b>15.0</b>	<b>13.0</b>

## 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 December 31, 2021, they amount to EUR 3,821.3 million;
- 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 December 31, 2021, these amount to EUR 810.3 million.
  - High quality liquid securities (level 1, 2A or 2B), excluding bank securities. As of December 31, 2021, these amount to EUR 3,045.4 million.
  - Other assets eligible for refinancing from the Banque de France. As of December 31, 2021, these amount to EUR 33,463.4 million.

As of December 31, 2021, Caisse Française de Financement Local thus had approximately EUR 41,140.4 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.

Moreover, Caisse Française de Financement Local monitors that, at any time, its liquidity need over a 180-day period, calculated in a run-off situation, is covered by liquidity excess, replacement assets, high quality liquid assets or assets eligible to the refinancing by Banque de France.

Cash needs are defined as repayments of *obligations foncières* and registered covered bonds (RCB), of debts that do not benefit from the legal privilege and forecasts of repayment of the cash collateral received, after deduction of amortization cash flows from assets. As of December 31, 2021, the 180-day liquidity position is in excess over the first four months (with a maximum of EUR 4.4 billion) and shows a liquidity need over the two last months with a maximum need of EUR 1.1 billion by the end of June for which the required managing measures are taken or will be taken.

The movements observed correspond to cash flows from amortization of *obligations foncières*, cash collateral, non-privileged liabilities and assets.

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