

Report on asset quality
of the cover pool and on outstanding covered bonds
as of September 30, 2022
Caisse Française de Financement Local
(Instruction n° 2022-I-04 of March 9 2022)

In compliance with Instruction No. 2022-I-04 of March 9, 2022, the report on asset quality aims at presenting information on:

- all of the assets comprising the cover pool of Caisse Française de Financement Local, excluding accrued interestthe outstanding *obligations foncières*
- the framework for managing interest rate, exchange, liquidity and credit risks.

As of September 30, 2022, Caisse Française de Financement Local's cover pool is made of:

- exposure on public sector entities amounting to EUR 53.6 billion of loans (of which cash deposits with Banque de France amounting to 0.9 billion) and EUR 4.6 billion of bonds, and
- exposure on credit institutions (bonds and deposits) amounting to EUR 0.5 billion.

The detail of the cover pool is presented in the table below:

EUR thousands, as of 9/30/2022	Total of assets	Assets held outside the cover pool	Assets of the cover pool
Exposures on public sector			
- Loans (except cash deposits with Banque de France)	53,054,879	369,181	52,685,698
- cash deposits with Banque de France	916,301	-	916,301
- Bonds	4,633,868	39,545	4,594,323
Other exposures: Exposures to credit institutions Bonds, exposures and deposits	491,620	-	491,620
Collective impairment	- 18,806		- 18,806
TOTAL	59,077,862	408,726	58,669,136

As a *société de crédit foncier*, Caisse Française de Financement Local can access the refinancing possibilities offered by the Banque de France to banks. Within the framework of the management of its cover pool and its cash, Caisse Française de Financement Local can thus remove some assets from its cover pool and pledge them to the central bank to obtain funding from tenders organized by the Banque de France. Caisse Française de Financement Local did not use this possibility over the course of the last three years (with the exception of operational access tests, regularly implemented) and no asset has been pledged to the Banque de France as of September 30, 2022.

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 *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 also comply with the covered bond directive and the CRR/CRD IV regulation.

1. MORTGAGE LOANS

Caisse Française de Financement Local has no guaranteed nor mortgage loans in its cover pool.

2. EXPOSURE 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 as of 9/30/2022	Direct Exposure		Indirect Exposure		Total	Of which past due ⁽¹⁾
	Loans	Bonds	Loans	Bonds		
France						
Central governments :						
- export refinancing	-	-	5,671,406	-	5,671,406	-
- others	20,035	-	44	230,000	250,079	-
Central banks						
- cash deposits with Banque de France ⁽²⁾	916,301	-	-	-	916,301	-
Regional and local authorities						
- Regions	2,586,359	65,009	7,065	-	2,658,433	-
- Departments	7,160,878	-	343,873	-	7,504,751	-
- Municipalities	14,484,743	12,788	604,447	-	15,101,978	2,394
- Overseas Territories	97,239	-	3,868	-	101,108	-
- Groups of municipalities ⁽³⁾	13,698,457	53,816	108,250	-	13,860,523	489
Public sector entities :						
- health	6,083,561	-	-	-	6,083,561	0
- others	1,145,728	149,991	239	-	1,295,958	120
Sub total	46,193,302	281,604	6,739,192	230,000	53,444,098	3,004
Austria						
Regional and local authorities						
- Länder	160,830	-	-	-	160,830	-
Sub total	160,830	-	-	-	160,830	-
Belgium						
Regional and local authorities						
- Regions	392	-	25,454	-	25,846	-
Sub total	392	-	25,454	-	25,846	-
Canada						
Regional and local authorities						
- Municipalities step 1 credit rating	100,287	-	34,485	-	134,772	-
Sub total	100,287	-	34,485	-	134,772	-
Spain						
Central governments	-	180,000	-	-	180,000	-
Regional and local authorities						
- Regions	-	50,000	-	-	50,000	-
- Municipalities	62,677	-	-	-	62,677	-
Sub total	62,677	230,000	-	-	292,677	-
United States						
Regional and local authorities						
- Federated States step 1 credit rating	-	107,943	-	-	107,943	-
Sub total	-	107,943	-	-	107,943	-

EUR thousands as of 9/30/2022	Direct Exposure		Indirect Exposure		Total	Of which past due ⁽¹⁾
	Loans	Bonds	Loans	Bonds		
Italy						
Central governments	-	1,149,699	-	-	1,149,699	-
Regional and local authorities						
- Regions	-	1,455,377	-	-	1,455,377	-
- Provinces	-	405,975	-	-	405,975	-
- Municipalities	3,311	700,672	-	-	703,983	-
- Groups of municipalities	-	8,052	-	-	8,052	-
Sub total	3,311	3,719,776	-	-	3,723,086	-
Japan						
Regional and local authorities						
- Municipalities step 2 credit rating	-	25,000	-	-	25,000	-
Sub total	-	25,000	-	-	25,000	-
Portugal						
Regional and local authorities						
- Municipalities	4,873	-	-	-	4,873	-
- Groups of municipalities	430	-	-	-	430	-
Sub total	5,302	-	-	-	5,302	-
Sweden						
Regional and local authorities						
- Municipalities	18,490	-	-	-	18,490	-
Sub total	18,490	-	-	-	18,490	-
Switzerland						
Regional and local authorities						
- Cantons step 1 credit rating	65,253	-	60,350	-	125,603	-
- Municipalities step 1 credit rating	132,674	-	-	-	132,674	-
Sub total	197,927	-	60,350	-	258,277	-
GENERAL SUB TOTAL	46,742,518	4,364,323	6,859,482	230,000	58,196,322	3,004
Collective impairment					-18,806	
GENERAL TOTAL					58,177,516	

(1) Caisse Française de Financement Local publishes annual and semi-annual accounts. Consequently, data relating to nonperforming and litigious loans, and specific impairments as of September 30, 2022, are not disclosed in the table below. Nevertheless, nonperforming and litigious loans and specific impairments are under regular monitoring and lead to some adjustments of exposures presented in this table

(2) Caisse Française de Financement Local's Banque de France account as of September 30, 2022

(3) Of which EUR 12,249 thousand on operations linked to partnership agreements.

2.2 RATINGS

Caisse Française de Financement Local has exposure on public entities in Canada, United States, Japan and Switzerland that require a minimal rating from an external rating agency recognized by the Autorité de contrôle prudentiel et de résolution (ACPR).

2.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 9/30/2022

Residual maturity		
Maturity date in years	Number of deals⁽¹⁾	Total outstanding
0	1,886	1,054,773
1	2,240	579,159
2	2,150	663,894
3	4,090	1,015,188
4	2,403	1,629,290
5	2,389	2,751,805
6	2,840	2,217,437
7	2,344	2,663,955
8	2,789	3,078,781
9	1,674	2,494,374
10	1,534	2,634,590
11	1,603	3,587,410
12	1,807	4,530,812
13	1,826	4,504,950
14	1,633	4,341,627
15	1,102	2,782,863
16	1,002	2,554,004
17	1,072	2,557,217
18	812	3,216,800
19	838	3,035,663
20	314	1,133,737
21	248	594,458
22	259	509,232
23	197	531,288
24	251	882,625
25	143	1,265,571
26	79	254,263
27	109	377,508
28	62	428,560
29	55	182,281
30	38	283,618
31	36	77,077
32	11	64,179
33	31	78,556
34	14	12,271
35	13	35,495
36	8	31,985
37	2	8,871
38	2	20,351
39	1	6,388
	39,907	58,672,905
TRANSLATION ADJUSTMENTS		-476,583
Non allocated collective impairment		-18,806
TOTAL		58,177,516

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

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

2.4 EARLY REPAYMENTS

EUR thousands, as of 9/30/2022

COUNTRY	Early repayments during the year 2022	Rate of early repayments
France		
Central governments and central banks	-	-
Regional and local authorities		
- Regions	222,847	8.30%
- Departments	2,500	0.03%
- Municipalities	6,587	0.04%
- Overseas Territories	-	-
- Groups of municipalities	12,642	0.09%
Public sector entities :		
- health	24,019	0.41%
- others	609	0.05%
Sub total	269,204	0.50%
Italy		
Central governments	-	-
Regional and local authorities		
- Regions	190,000	11.78%
- Provinces	-	-
- Municipalities	-	-
- Groups of municipalities	-	-
Sub total	190,000	4.83%
GLOBAL exposure on public sector	459,204	0.78%

The rate of early repayments for the first nine months of 2022 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 outstanding).

In 2021, the rate of early repayments for this entire year was 0.19% for a total amount of repayments of EUR 112 million.

3. OTHER EXPOSURE: EXPOSURE ON CREDIT INSTITUTIONS

3.1. BREAKDOWN BY COUNTERPART

EUR thousands, as of 9/30/2022	Country	Amount
Step 1 credit rating		
Covered Bonds		
	France	90,928
	Other countries	393,200
Other Bank bonds		
	France	-
	Other countries	-
Loans to SFIL	France	-
Bank accounts' balances	France and other countries	680
Step 2 credit rating		
Covered Bonds		
	France	-
	Other countries	-
Other Bank bonds		
	France	-
	Other countries	-
Bank accounts' balances	France and other countries	6,812
Step 3 credit rating		
Bank bonds (Maturity < 100 days)		
	France	-
	Other countries	-
Bank accounts' balances	France and other countries	-
TOTAL		491,620

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

Derivative instruments included in the cover pool are recognized off-balance sheet and therefore do not appear in the table of exposures to credit institutions on the asset side of the balance sheet.

Bank bonds are presented after specific impairments and are off premium / discount. As of September 30, 2022, specific impairments on bank bonds, calculated according to French accounting standards to take into account the difference with the market value, were registered for a total amount of EUR 3.8 million.

No non-performing or litigious loans are enumerated among these exposures.

3.2 RATINGS

In order to be eligible to the cover pool, exposure on credit institutions should benefit from ratings corresponding to a step 1 or step 2 credit rating, or, when their maturity is less than 100 days and when they are in the form of short-term deposits used to meet the cover pool liquidity buffer requirement, a step 3 credit rating.

Volume limits are applicable to these exposures depending on their rating. However, assets that contribute to the minimum level of over-collateralization of 105% are not subject to these limits.

As of September 30, 2022, all these conditions are completed.

3.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 9/30/2022

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals ⁽¹⁾	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	8	7,492	107,309	94,090	-	-	208,891
1	2	-	-	-	50,000	-	50,000
2	3	-	-	-	136,629	-	136,629
3	1	-	-	-	46,100	-	46,100
4	1	-	-	-	50,000	-	50,000
Total	15	7,492	107,309	94,090	282,729	-	491,620

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

Balances of bank current accounts are presented as a unique matured deal with a maturity of less than 3 months.

3.4 EARLY REPAYMENTS

No early repayment occurred neither during the first three quarters of 2022, nor during the whole year 2021.

3.5 AMOUNT OF SECURITIES, SUMS AND VALUES RECEIVED AS COLLATERAL FOR HEDGING TRANSACTIONS

The amount received as collateral for hedging transactions consists solely of cash and is fungible with the rest of the company's cash. The debt for restitution of the cash collateral received as of September 30, 2022 amounts to EUR 45.9 million.

4. List of international securities identification numbers (ISIN)

ISIN code / Internal Code	ISIN code / Internal Code	ISIN code / Internal Code	ISIN code / Internal Code	ISIN code / Internal Code	ISIN code / Internal Code	ISIN code / Internal Code
AU0000DXAH80	FR0013029220	FR00140033E4	RCB 142	RCB 2013-12	RCB 2014-42	RCB 2019-2
CH0111862063	FR0013081049	FR00140049N1	RCB 143	RCB 2013-13	RCB 2014-43	RCB 2019-3
FR0000486581	FR0013088432	FR0014005MV4	RCB 144	RCB 2013-14	RCB 2014-44	RCB 2019-4
FR0010089839	FR0013108248	FR0014005N34	RCB 145	RCB 2013-15	RCB 2014-45	RCB 2019-5
FR0010093336	FR0013119070	FR0014005YZ0	RCB 146	RCB 2013-16	RCB 2014-46	RCB 202
FR0010114371	FR0013150257	FR0014007PX9	RCB 147	RCB 2013-17	RCB 2014-5	RCB 2020-1
FR0010134577	FR0013184181	FR0014007PY7	RCB 149	RCB 2013-18	RCB 2014-6	RCB 2022-1
FR0010160911	FR0013198223	FR0014008C18	RCB 15	RCB 2013-19	RCB 2014-7	RCB 2022-2
FR0010163394	FR0013202850	FR0014008E65	RCB 150	RCB 2013-2	RCB 2014-8	RCB 203
FR0010212977	FR0013203619	FR0014009OM1	RCB 151	RCB 2013-20	RCB 2014-9	RCB 204
FR0010245738	FR0013204609	FR0014009QA1	RCB 152	RCB 2013-21	RCB 2015-1	RCB 205
FR0010261529	FR0013219631	FR001400ACQ1	RCB 153	RCB 2013-22	RCB 2015-10	RCB 206
FR0010279109	FR0013221389	FR001400AJT0	RCB 154	RCB 2013-23	RCB 2015-11	RCB 208
FR0010289322	FR0013230703	FR001400BAQ3	RCB 155	RCB 2013-24	RCB 2015-12	RCB 21
FR0010289397	FR0013234952	RCB 1	RCB 156	RCB 2013-25	RCB 2015-13	RCB 22
FR0010306456	FR0013255858	RCB 10	RCB 157	RCB 2013-26	RCB 2015-14	RCB 24
FR0010306498	FR0013255866	RCB 100	RCB 158	RCB 2013-27	RCB 2015-15	RCB 25
FR0010306506	FR0013256872	RCB 101	RCB 159	RCB 2013-3	RCB 2015-16	RCB 26
FR0010306514	FR0013267259	RCB 102	RCB 16	RCB 2013-4	RCB 2015-17	RCB 27
FR0010306522	FR0013267374	RCB 103	RCB 160	RCB 2013-5	RCB 2015-18	RCB 28
FR0010306548	FR0013267754	RCB 104	RCB 162	RCB 2013-6	RCB 2015-19	RCB 29
FR0010318410	FR0013284072	RCB 105	RCB 163	RCB 2013-7	RCB 2015-2	RCB 30
FR0010322792	FR0013293578	RCB 106	RCB 165	RCB 2013-8	RCB 2015-3	RCB 35
FR0010443630	FR0013310018	RCB 107	RCB 166	RCB 2013-9	RCB 2015-4	RCB 39
FR0010504761	FR0013310026	RCB 108	RCB 167	RCB 2014-1	RCB 2015-5	RCB 4
FR0010526376	FR0013311495	RCB 109	RCB 168	RCB 2014-10	RCB 2015-6	RCB 40
FR0010594374	FR0013319399	RCB 11	RCB 169	RCB 2014-11	RCB 2015-7	RCB 44
FR0010614644	FR0013330156	RCB 110	RCB 170	RCB 2014-12	RCB 2015-8A	RCB 45
FR0010631762	FR0013330693	RCB 111	RCB 171	RCB 2014-13	RCB 2015-8B	RCB 5
FR0010766923	FR0013345485	RCB 112	RCB 172	RCB 2014-14	RCB 2015-9	RCB 50
FR0010775486	FR0013347085	RCB 113	RCB 173	RCB 2014-15	RCB 2016-1	RCB 51
FR0010781591	FR0013347143	RCB 116	RCB 174	RCB 2014-16	RCB 2016-2	RCB 6
FR0010840108	FR0013348919	RCB 117	RCB 175	RCB 2014-17	RCB 2016-3	RCB 69
FR0010923920	FR0013351848	RCB 118	RCB 176	RCB 2014-18	RCB 2016-4	RCB 7
FR0010925073	FR0013352499	RCB 119	RCB 177	RCB 2014-19	RCB 2016-5	RCB 72
FR0010963959	FR0013385788	RCB 12	RCB 178	RCB 2014-2	RCB 2016-6	RCB 76
FR0011006907	FR0013387362	RCB 120	RCB 179	RCB 2014-20	RCB 2016-7	RCB 78
FR0011072826	FR0013396355	RCB 121	RCB 181	RCB 2014-21	RCB 2016-8	RCB 79
FR0011546886	FR0013396363	RCB 122	RCB 182	RCB 2014-22	RCB 2017-1	RCB 80
FR0011547744	FR0013397205	RCB 123	RCB 183	RCB 2014-23	RCB 2017-10	RCB 90
FR0011548791	FR0013397361	RCB 124	RCB 184	RCB 2014-24	RCB 2017-11	RCB 97
FR0011548866	FR0013397676	RCB 125	RCB 185	RCB 2014-25	RCB 2017-12	RCB 98
FR0011549997	FR0013397767	RCB 126	RCB 187	RCB 2014-26	RCB 2017-13	
FR0011580588	FR0013400538	RCB 127	RCB 188	RCB 2014-27	RCB 2017-14	
FR0011686401	FR0013403433	RCB 128	RCB 189	RCB 2014-28	RCB 2017-15	
FR0011701044	FR0013403516	RCB 129	RCB 19	RCB 2014-29	RCB 2017-2	
FR0011737956	FR0013405560	RCB 13	RCB 190	RCB 2014-3	RCB 2017-3	
FR0011907963	FR0013436623	RCB 130	RCB 191	RCB 2014-30	RCB 2017-4	
FR0011916220	FR0013456589	RCB 131	RCB 192	RCB 2014-31	RCB 2017-5	
FR0012169910	FR0013459757	RCB 132	RCB 193	RCB 2014-32	RCB 2017-6	
FR0012467942	FR0013479052	RCB 133	RCB 194	RCB 2014-33	RCB 2017-7	
FR0012568228	FR0013482189	RCB 134	RCB 195	RCB 2014-34	RCB 2017-8	
FR0012572725	FR0013511615	RCB 135	RCB 196	RCB 2014-35	RCB 2017-9	
FR0012686111	FR0013519568	RCB 136	RCB 197	RCB 2014-36	RCB 2018-1	
FR0012686145	FR0013535820	RCB 137	RCB 199	RCB 2014-37	RCB 2018-2	
FR0012688208	FR00140006K7	RCB 138	RCB 20	RCB 2014-38	RCB 2018-3	
FR0012722973	FR0014000N39	RCB 139	RCB 200	RCB 2014-39	RCB 2018-4	
FR0012939882	FR0014001GV5	RCB 14	RCB 2013-1	RCB 2014-4	RCB 2018-5	
FR0012968451	FR0014001ZD3	RCB 140	RCB 2013-10	RCB 2014-40	RCB 2018-6	
FR0013019510	FR00140024W5	RCB 141	RCB 2013-11	RCB 2014-41	RCB 2019-1	

The table above presents the list of International Securities Identification Numbers (ISIN) for all issues of *obligations foncières* to which an ISIN code has been assigned, and the contract number for private placements made in the form of registered covered bonds (RCB).

5. EXPOSURE TO MARKET, CREDIT AND LIQUIDITY RISKS

5.1 INTEREST RATE RISK

- Hedging policy :

Caisse Française de Financement Local has defined an appetite for fixed interest rate risk of EUR 80 million.

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

- micro-hedging of interest rate risk on balance sheet items denominated in a currency other than the euro or indexed to a complex interest 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 of interest rate risk for 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 hedged. Debt contracted by Caisse Française de Financement Local with its shareholder to finance over-collateralization is borrowed either directly with a €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 analyzed and managed through the monitoring of fixed rate, index and fixing gaps:

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 gap	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	For a given index tenor: difference between floating rate balance sheet and off-balance sheet assets and liabilities, by fixing.

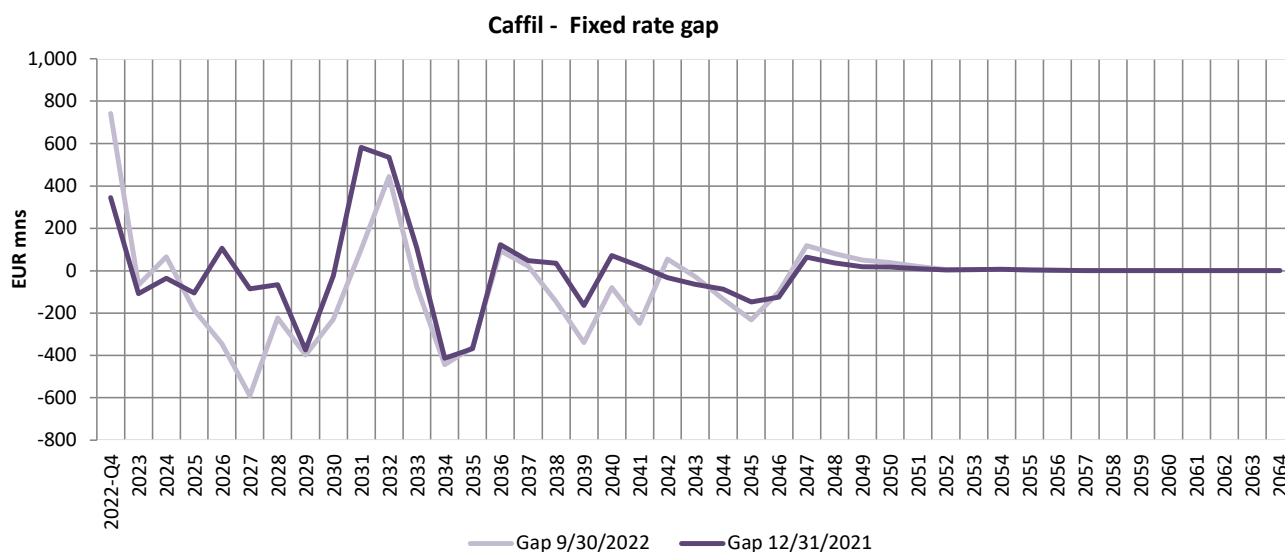
Assets portfolios for which the strategy is to be entirely hedged are not sensitive to interest rates changes and thus are not integrated in the calculation of the global sensitivity of Caisse Française de Financement Local's balance sheet.

- Measurement of interest rate position :

The interest rate position is measured by modeling a fixed rate gap based on the flow of balance sheet and off-balance sheet transactions at fixed rates. It is calculated for each time interval as being equal to the difference between the average outstanding fixed rate assets and the average outstanding fixed rate liabilities. To be noted:

- the current fixing of adjustable rate transactions is included in the fixed rate gap,
- the investment of equity, represented by internal contracts, is included in the fixed rate gap,
- premiums and discounts related to derivatives, which are amortized in the accounts, are also included in the fixed rate gap

Caisse Française de Financement Local's interest rate position as of September 30, 2022 is as follows:



- Sensitivity of the rate position:

In order to manage the interest rate risk, Caisse Française de Financement Local implements a risk management system which is mainly based on the risk indicator in economic value (sensitivity of the net present value (NPV)): the measurement of this risk will be the maximum loss observed in net present value (NPV) according to eight different scenarios of rate changes. These eight scenarios correspond to the six scenarios used for calculating the regulatory "outlier" ratio, to which are added two additional internal scenarios based on historical variations in rates.

Sensitivity (EUR millions)	12/31/2021 (pro forma)	9/30/2022
Regulatory "outlier" scenario of a 200bp rate increase	-15.6	7.6
Regulatory "outlier" scenario of a 200 bp rate decrease with application of a floor	15.1	-32.2
"Outlier" regulatory scenario of a increase in short-term rates	-8.3	-12.6
"Outlier" regulatory scenario of a decrease in short-term rates with application of a floor	3.0	9.8
Regulatory "outlier" scenario of flattening the rate curve with application of a floor	-4.2	-17.1
Regulatory "outlier" scenario of steepening of the rate curve with application of a floor	-1.9	17.0
Internal rate curve flattening scenario	-24.6	-7.0
Internal rate curve steepening scenario	-12.1	21.5

The two internal scenarios combine both a rate hike risk and a slope risk (flattening and steepening). These scenarios were defined based on historical rates. They are likely to be adjusted each year depending on the economic situation and the expected change in interest rates.

5.2 EXCHANGE RATE RISK

Caisse Française de Financement Local's foreign exchange risk management policy is to incur no foreign exchange risk.

It enters into swaps against the euro for the assets and issues denominated in foreign currencies, on initial recognition at the latest and until their final maturity, thereby ensuring that these balance sheet items' principal and interest are hedged.

As an exception to this policy, foreign exchange positions, limited in terms of time and volume, are accepted for operational reasons, particularly in the context of the refinancing of export credits. This corresponds to the following situations:

- operational cost of hedging swaps too high in relation to the risk to be hedged (low amount of drawdowns entered on the balance sheet, non-standard index to be hedged, etc.)
- impossibility of perfectly micro-hedging off-balance sheet drawdowns, the amount and timing of which are, by definition, unknown
- payment of a commission in a currency other than the euro.

The risk resulting from these foreign exchange positions is monitored using the total net foreign exchange position in each currency, calculated on all receivables, payables and off-balance sheet commitments. Net positions are subject to a very low foreign exchange limit.

5.3 MARKET RISK

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 equity, the value of which can fluctuate;
- cross-currency and basic swaps hedging the export refinancing activity in currency, the changes in value of which may impact earnings or equity depending on the IFRS hedging method used
- 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 French GAAP, this also concerns "placement" securities, the losses in value at closing date of which are provisioned.

5.4 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.

Caisse Française de Financement Local has its own resources and can therefore:

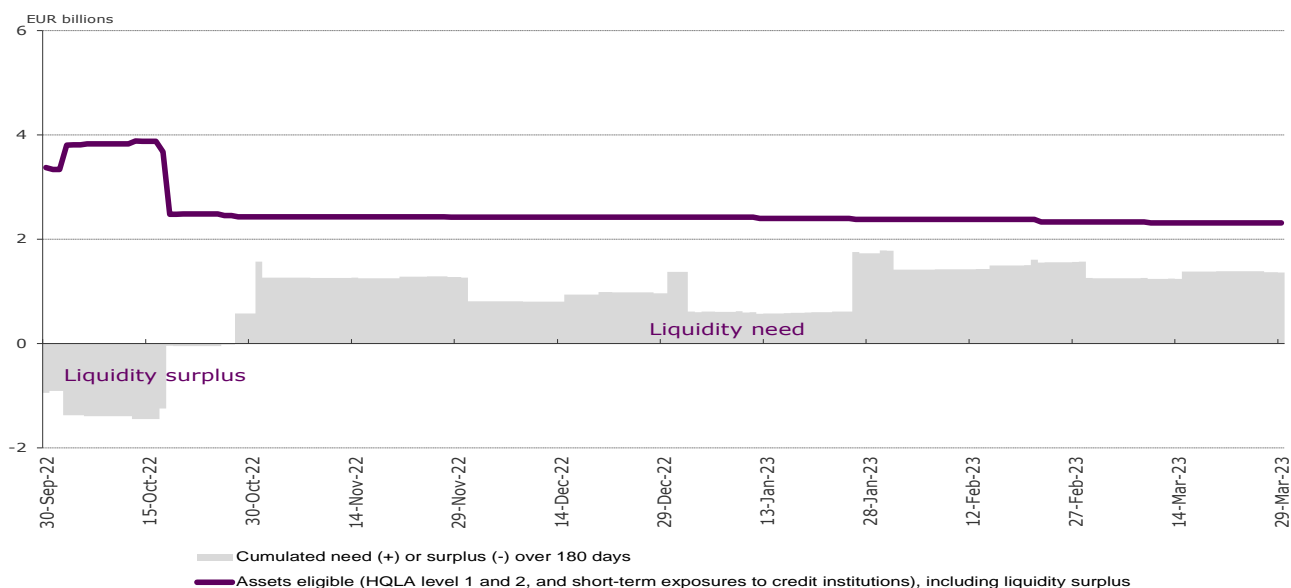
- either use the excess cash available. As of September 30, 2022, they amount to EUR 943.8 million;
- either assign, obtain reimbursement or give as a guarantee to the Banque de France, to obtain financing during calls for tenders, the following assets:
 - Exposures to credit institutions. As of September 30, 2022, these amount to EUR 487.9 million.
 - High quality liquid securities (level 1, 2A or 2B), excluding bank securities. As of September 30, 2022, these amount to EUR 2,574.1 million.

Caisse Française de Financement Local also has other assets which are directly eligible for refinancing from the Banque de France. As of September 30, 2022, these amount to EUR 35,312.8 million, before haircut.

As of September 30, 2022, Caisse Française de Financement Local thus had approximately EUR 39,318.6 million (excluding the impact of any provisions and hedging swaps) 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 firstly by high quality liquid assets (level 1, 2A or 2B) and, secondly, by short-term exposures on credit institutions benefiting from the best or the second best step of credit quality, or the third best credit quality step for short-term deposits. Unsecured receivables deemed to be in default, in accordance with Article 178 of Regulation (EU) No. 575/2013 of June 26, 2013, cannot participate in covering cash requirements.

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, taking into account cash flows from hedging derivatives. As of September 30, 2022, the liquidity situation at 180 days shows a cash surplus over the first month (with a maximum of EUR 1.5 billion) and a cash requirement over the last five months with a maximum requirement of EUR 1.8 billion at the end of January 2023. Over the period, liquidity needs are covered at all times by available liquid assets (see chart below). In addition, specific management measures (for example, the completion of a new bond issue or the use of central bank financing) may be taken to cover the needs.



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

The projection of the cash balance at 180 days is calculated on the basis of the contractual schedule of interest flows and nominal amounts of the assets and liabilities present in the balance sheet of Caisse Française de Financement Local at September 30, 2022. Furthermore, this projection takes into account flows related to certain operations but beginning after the closing date.

Caisse Française de Financement Local does not hold any financial assets that include maturity extension triggers. It has not issued any *obligations foncières* that include maturity extension triggers. Certain *obligations foncières* include call options that can only be exercised by Caisse Française de Financement Local.

The assumptions used for the calculation are as follows:

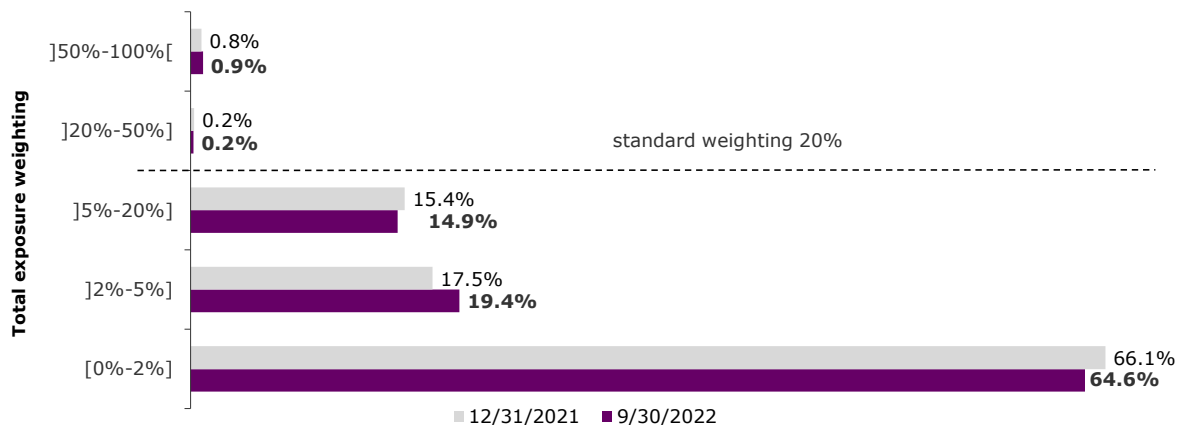
- No voluntary early repayment on commercial loans in accordance with the assumptions used in ALM management, nor exercise of options on securities held by Caisse Française de Financement Local. From a liquidity point of view, this is therefore the worst case scenario.
- Modelling of liabilities with an early repayment clause in hand with Caisse Française de Financement Local: case-by-case analysis of options exercisable over 180 days. It should be noted that there are no liabilities on Caisse Française de Financement Local's balance sheet that include an early repayment clause in the hands of the investor.
- Cash guarantees received from counterparties for hedging derivatives (cash collateral) are presented on the basis of future cash flows and by projecting the market value of the underlying transactions at unchanged market conditions. In concrete terms, for each framework agreement, a projection of the valuation of the swaps is made taking into account the flows of interest and capital remaining to be received and paid until the maturity of the swaps. From this valuation is deducted the amount of cash collateral received previously which will be reimbursed by Caisse Française de Financement Local. These reimbursements enter into the cash outflows of the 180-day needs forecast.
- Projection of variable rate interest flows based on the last known fixing for the first payment of interest and the projected rate for the following flows.
- Estimate of the non-performance of assets based on the highest variation in the amount of outstanding payments over a period of 180 days observed over the period December 31, 2011 – September 30, 2022 (currently EUR 34.9 million positioned on the first day).

5.5 CREDIT RISK

- Breakdown of the total of assets according to risk weightings

The quality of Caisse Française de Financement Local's portfolio can be illustrated by the risk weighting assigned to each of its 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.

Risk Weighting of Caisse Française de Financement Local's portfolio as of September 30, 2022:



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

- 84.0% of the portfolio has a risk weighting of 5% or less;
- 1.1% of the portfolio has a weighting greater than 20%.

The average risk weighting of assets is 4.8% versus 20% for European local government entities according to the Basel standard method.

- Bank counterparty risk

Caisse Française de Financement Local holds two types of exposure to banks:

- Exposures on credit institution in the amount of EUR 0.5 billion;
- 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). Caisse Française de Financement Local's derivatives are not subject to the clearing obligation nor the payment of initial margin. These interest rate and currency swaps all benefit from the same legal privilege as *obligations foncières*. For this reason, Caisse Française de Financement Local does not pay its derivative counterparties any collateral (or variation margin), whereas they have to pay Caisse Française de Financement Local except for some which benefit from the agencies highest short-term rating. At the end of June 2022, a new derivatives agreement was concluded with SFIL to which is attached only the derivatives that cover the few assets that will be excluded from the cover pool from July 8, 2022 as part of the implementation of the covered bonds directive. Since these derivatives will not benefit from the privilege of the law, the agreement provides for the possibility of exchanging collateral in both directions.

All derivative exposures as of September 30, 2022 are listed below.

EUR billions	Total of notional amounts	% of total notional amounts	Mark to Market		Collateral received	Collateral paid
			-	+		
SFIL cover pool	15.2	16.9%	(2.0)	-	-	-
SFIL outside cover pool	0.3	0.3%	(0.1)	-	-	0.1
Other counterparties	74.6	82.8%	(1.6)	0.0	(0.0)	-
Total	90.2	100.0%	(3.7)	0.0	(0.0)	(0.1)

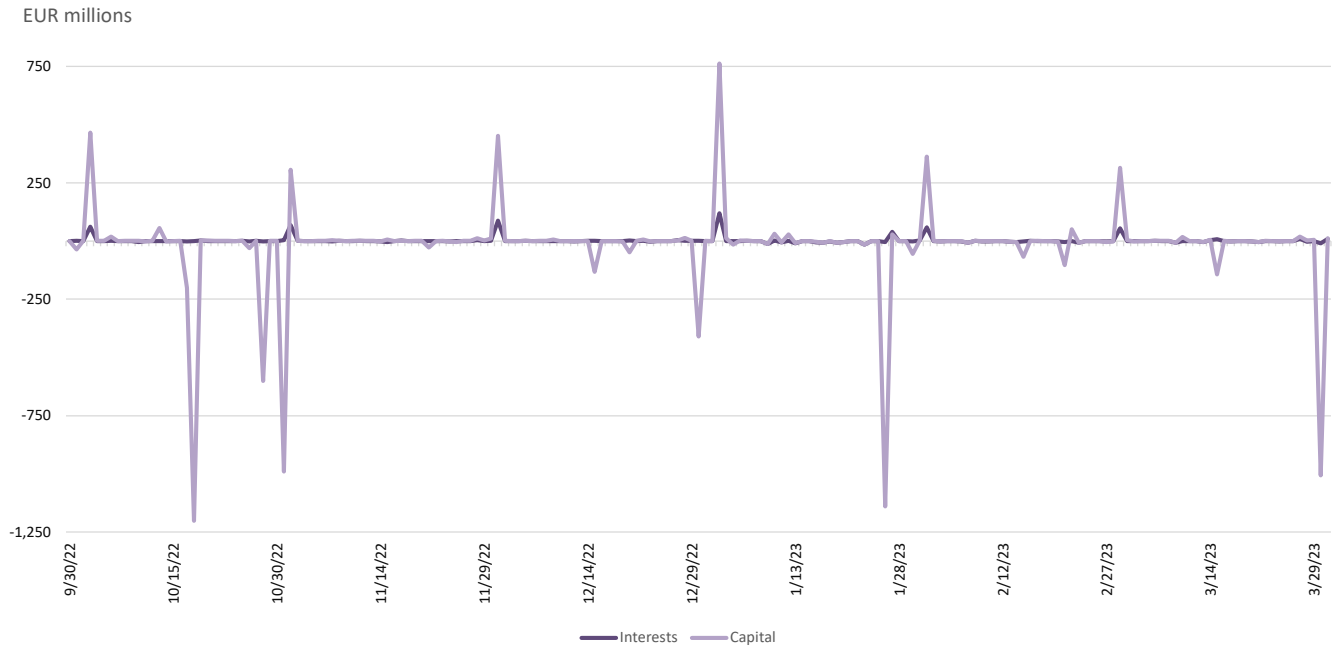
As of September 30, 2022, Caisse Française de Financement Local was exposed (positive fair value of swaps) to six bank counterparties, all of these paid cash collateral totalling EUR 0.00 billion, offsetting the total exposure.

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 55% of notional amounts.

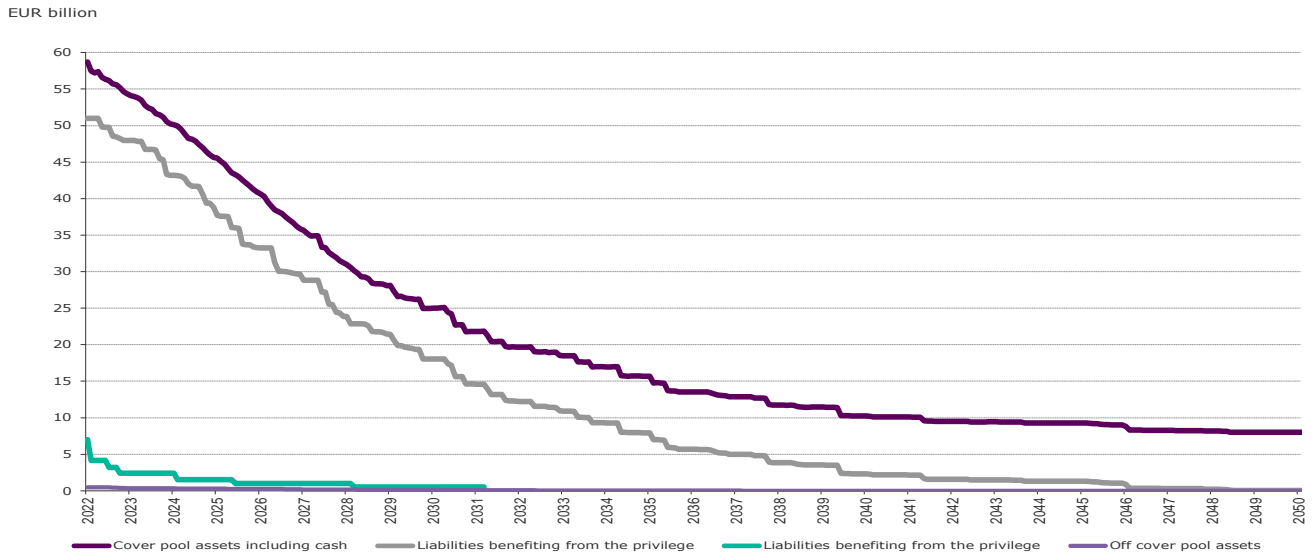
6. Coverage of liquidity needs

Information on the 180-day cash requirement and the hedging methods are presented in paragraph 5.4).

The graph below shows the distinction between capital flows and interest flows which constitute the 180-day liquidity requirement:



7. Maturity structure



Caisse Française de Financement Local does not hold any financial assets that include maturity extension triggers. It has not issued any *obligations foncières* that include maturity extension triggers. Certain *obligations foncières* include call options that can only be exercised by Caisse Française de Financement Local.

8. Level of coverage of privileged resources

The certified regulatory coverage ratio, corresponding to the situation as of June 30, 2022, amounts to 114.2%.