

SECOND SUPPLEMENT DATED 6 DECEMBER 2021
TO THE BASE PROSPECTUS DATED 11 JUNE 2021



CAISSE FRANÇAISE DE FINANCEMENT LOCAL
(société de crédit foncier duly licensed as a French specialised credit institution)
Euro 75,000,000,000 Euro Medium Term Note Programme
for the issue of *Obligations Foncières*
Due from one month from the date of original issue

This second supplement (the “**Second Supplement**”) is supplemental to, and should be read in conjunction with, the base prospectus dated 11 June 2021 which was approved by the *Autorité des marchés financiers* (the “**AMF**”) under number No. 21-217 on 11 June 2021, as supplemented by the first supplement to the Base Prospectus dated 20 September 2021 which was approved by the AMF under number No. 21-409 on 20 September 2021 (together, the “**Base Prospectus**”), as prepared in relation to the €75,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) of Caisse Française de Financement Local (the “**Issuer**” or “**CAFFIL**”). The Base Prospectus as supplemented constitutes a base prospectus for the purpose of Article 8 of Regulation (EU) 2017/1129 of the European Parliament and of the Council dated 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended (the “**Prospectus Regulation**”).

Application has been made for approval of the Second Supplement to the AMF in its capacity as competent authority pursuant to the Prospectus Regulation. This Second Supplement has been prepared pursuant to Article 23 of the Prospectus Regulation for updating the section entitled “Risk Factors” of the Base Prospectus.

Save as disclosed in this Second Supplement, no significant new factor, material mistake or material inaccuracy has arisen or has been noted which may affect the assessment of the *Obligations Foncières* since the approval of the Base Prospectus.

Unless the context otherwise requires, terms defined in the Base Prospectus shall have the same meaning when used in this Second Supplement.

To the extent that there is any inconsistency between (a) any statement in this Second Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

In accordance with Article 23.2 (bis) of the Prospectus Regulation and to the extent applicable, investors who have already agreed to purchase or subscribe for *Obligations Foncières* to be issued under the Programme before this Second Supplement is published have the right to withdraw their acceptances within a time limit of minimum three (3) working days after publication of this Second Supplement. This right to withdraw shall expire by close of business on 9 December 2021, provided that the *Obligations Foncières* had not yet been delivered to the investors at the time when the significant new factor, material mistake or material inaccuracy arose or was noted. Investors may notify the Issuer should they wish to exercise the right of withdrawal.

Copies of this Second Supplement (a) may be obtained, free of charge, at the registered office of the Issuer (1-3, rue du Passeur de Boulogne 92130 Issy-les-Moulineaux, France) during normal business hours and (b) will be available on the website of the AMF (www.amf-france.org) and of the Issuer (www.caffil.fr) so long as any of the *Obligations Foncières* issued under the Programme are outstanding.

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RISK FACTORS

The section entitled “**Risk Factors**” on pages 19 to 49 of the Base Prospectus is amended as follows:

- The line entitled “*1.1 Risks arising from implementation of Basel III Risk-Weighted Asset Framework*” of the table indicating, for each risk factor, the likelihood of their occurrence and their negative impact on the Issuer and the Group of the section entitled “**I. RISK FACTORS RELATING TO THE ISSUER**” on page 19 of the Base Prospectus is deleted and replaced as follows:

	Likelihood	Impact
<i>1.1 Risks arising from implementation of Basel III Risk-Weighted Asset Framework</i>	<i>Likely</i>	<i>Moderate</i>

- The risk factor entitled “**1.1 Risk arising from implementation of Basel III Risk-Weighted Asset Framework**” of the section entitled “**I. RISK FACTORS RELATING TO THE ISSUER**” on pages 21 and 22 of the Base Prospectus is deleted and replaced as follows:

“The Issuer and the Group are subject to prudential regulations applicable to credit institutions and have to comply with the current capital requirements, prudential oversight and risk-management systems. As of 30 June 2021, Caisse Française de Financement Local's capital level is high (CET1 capital ratio: 32.5%).”

The revised framework published by the Basel Committee on Banking Supervision (the “**Basel Committee**”) (“**Basel III**”) was implemented under EU legislation through the “**CRD IV package**” which consists of the Capital Requirements Directive n° 2013/36/EU dated 26 June 2013, the Capital Requirements Regulation (EU) No 575/2013 dated 26 June 2013 and the relevant subsequent Delegated Regulations. A number of new requirements arising from the CRD IV package was implemented under French law through Law no. 2013-672 dated 26 July 2013 relating to the separation and regulation of banking activities. The implementation of the CRD IV package at the legislative level was finalized under French law by Ordinance n°2014-158 dated 20 February 2014 and subsequent implementing decrees and “*arrêtés*”.

The CRD IV package has been amended by Directive (EU) 2019/878 of the European Parliament and of the Council dated 20 May 2019 (the “**CRD V Directive**”) and Regulation (EU) 2019/876 of the European Parliament and of the Council dated 20 May 2019 (the “**CRR II Regulation**” and, together with the CRD V Directive, the “**CRD V package**”), which were published in the European Union's Official Journal on 7 June 2019.

They notably provide for:

- leverage ratio calculation rules tailored to the specific nature of public development banks;
- a weighting of the Net Stable Funding Ratio tailored to encumbered assets included in the covered bond issuer's cover pool.

The CRD V package came into force on 27 June 2019. The CRD V Directive has been implemented under French law by an ordinance n°2020-1635 dated 21 December 2020 and a decree n°2020-1637 dated 22 December 2020. Certain portions of the CRR II Regulation apply since 27 June 2019 (including those applicable to the new requirements for own funds and eligible liabilities) while others shall apply several years after the date of its entry into force.

In order to finalise Basel III reforms, the Basel Committee decided in December 2017 to introduce new revisions seeking to restore credibility in the calculation of risk-weighted assets ("**RWAs**") and improve the comparability of banks' capital ratios by:

- enhancing the robustness and risk sensitivity of the standardised approaches for credit risk, credit valuation adjustment ("**CVA**") risk and operational risk;
- constraining the use of the internal model approaches, by placing floors on certain inputs used to calculate capital requirements under the internal ratings-based approach ("**IRBA**") for credit risk and by removing the use of the internal model approaches for CVA risk and for operational risk: for instance, the input loss given default ("**LGD**") for "institutions" - including regional governments and local authorities ("**RGLA**") - was set at 45%; and
- introducing a progressive output floor on RWAs based on the Committee's revised Basel III standardised approaches.

Implementation dates and transitional arrangements related to the standards described above were supposed to occur in January 2023.

In order to implement at the European level the December 2017 Basel Committee decisions, on 27 October 2021 the European Commission published a proposal for a regulation amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor. This proposal provides for the creation of a specific IRBA category for exposures to RGLA and public sector entities ("**PSE**"), henceforth distinct from that dedicated to "institutions". It also provides for a minimum LGD level of 25% for this category, identical to that applicable to corporate exposures, but reduced compared to the December 2017 Basel Committee decision, which had set it at 45%. However, this proposal from the European Commission could potentially affect the current capital requirements of the Issuer.

This proposal must be discussed in the triologue with the European Parliament and Council, and will in any case not apply before 1st January 2025.

The magnitude of the impact of Basel III will depend on the particular asset structure of each bank and its precise impact on the Issuer cannot be quantified with certainty at this time: a number of elements will have to be discussed in this context, in particular the level of LGD finally applicable as well as the possibility of exempting development loans from the calculation of the output floor. The moderate qualification of the risk impact related to this future regulation is also linked to the possibility of treating SFIL Group's RGLA/PSE exposures according to the standard method.

In addition, the implementation of Basel III, the CRD V package, and any of their expected amendments could affect the risk weighting of the covered bonds in respect of certain investors to the extent that those investors are subject to the new guidelines resulting from the implementation of the CRD V package.”

- The first and second paragraphs of the risk factor entitled "**French insolvency laws**" of the section entitled "**II. RISKS RELATING TO THE OBLIGATIONS FONCIERES**" on pages 43 and 44 of the Base Prospectus are deleted and replaced as follows:

"The Issuer having its registered office in France, French insolvency laws apply to the Issuer. Under French insolvency law, in the context of the opening in France of a safeguard (*procédure de sauvegarde*), an accelerated safeguard (*procédure de sauvegarde accélérée*) or a judicial

reorganisation procedure (*procédure de redressement judiciaire*) with respect to the Issuer, the affected parties (*parties affectées*) (i.e. creditors, including the holders of *Obligations Foncières*) are grouped into distinct classes in order to adopt a restructuring plan. The administrator (*administrateur judiciaire*) splits, on the basis of verifiable objective criteria, the affected parties between classes comprising claims or interests with rights that reflect a sufficient commonality of interest, following certain conditions. As a minimum, the secured and unsecured receivables must be treated in distinct classes in order to adopt a restructuring plan.

The decision of each class is taken by a two-third (2/3rd) majority of the voting rights of the participating members, no quorum being required.

If the restructuring plan is not approved by all classes of affected parties, it can still be ratified by the court at the request of the Issuer or the receiver with the Issuer's consent and be imposed on dissenting classes through a cross-class cram down, under certain conditions."

**PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE SECOND
SUPPLEMENT**

I declare, to the best of my knowledge, that the information contained in this Second Supplement is in accordance with the facts and that this Second Supplement makes no omission likely to affect its import.

Caisse Française de Financement Local

1 à 3, rue du Passeur de Boulogne
92130 Issy-les-Moulineaux
France

Duly represented by:
Gilles Gallerne
Président du Directoire
Duly authorised
On 6 December 2021



This Second Supplement has been approved on 6 December 2021 by the AMF, in its capacity as competent authority under Regulation (EU) 2017/1129.

The AMF has approved this Second Supplement after having verified that the information it contains is complete, coherent and comprehensible within the meaning of Regulation (EU) 2017/1129.

This approval is not a favorable opinion on the Issuer described in this Second Supplement.

The Second Supplement has the following approval number: 21-519.