

Report on asset quality
as of March 31, 2021
Caisse Française de Financement Local
(Instruction n° 2011-I-07 of June 15, 2011)

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 March 31, 2021, Caisse Française de Financement Local's cover pool is made of EUR 52.2 billion of loans, EUR 5.5 billion of bonds and EUR 1.1 billion of replacement assets, that correspond to the following exposures:

EUR thousands, as of 3/31/2021	Total cover pool	Assets removed from the cover pool	Total Outstanding
Exposures on public sector	57,676,759	539	57,677,298
Asset-backed securities	-	-	-
Replacement assets	1,092,307	-	1,092,307
TOTAL	58,769,066	539	58,769,605

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 March 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

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

EUR thousands	Direct Exposure		Indirect Exposure			
COUNTRY	Loans	Bonds	Loans	Bonds	Total	Of which past due ⁽¹⁾
France						
State :						
- export refinancing	-	-	3,886,307	-	3,886,307	-
- others	20,000	-	84	230,000	250,084	-
Banque de France ⁽²⁾	754,872	-	-	-	754,872	-
Regions	2,338,131	75,007	237,286	-	2,650,424	12,744
Departments	7,554,788	-	141,615	-	7,696,403	47
Municipalities	14,701,354	13,884	277,713	-	14,992,951	18,094
Groups of municipalities ⁽³⁾	13,505,476	61,542	81,667	-	13,648,685	3,721
Public sector entities :						
- health	6,125,001	8,392	-	-	6,133,393	423
- social housing	945,890	-	-	-	945,890	1
- others	761,834	162,159	466	-	924,459	1,352
Sub total	46,707,346	320,984	4,625,138	230,000	51,883,468	36,382
Germany						
Länder	-	274,866	-	-	274,866	-
Sub total	-	274,866	-	-	274,866	-
Austria						
Länder	-	-	170,230	-	170,230	-
Sub total	-	-	170,230	-	170,230	-
Belgium						
Regions	1,166	-	4,000	-	5,166	-
Public sector entities	33,671	-	-	-	33,671	-
Sub total	34,837	-	4,000	-	38,837	-
Canada						
Municipalities	100,287	-	-	-	100,287	-
Public sector entities	34,485	-	-	-	34,485	-
Sub total	134,772	-	-	-	134,772	-
Spain						
State	-	165,000	-	-	165,000	-
Regions	-	50,000	-	-	50,000	-
Municipalities	66,758	-	-	-	66,758	-
Sub total	66,758	215,000	-	-	281,758	-
United States						
Federated States	-	210,761	-	-	210,761	-
Sub total	-	210,761	-	-	210,761	-

EUR thousands	Direct Exposure		Indirect Exposure			
COUNTRY	Loans	Bonds	Loans	Bonds	Total	Of which past due ⁽¹⁾
Italy						
State	-	1,152,521	-	-	1,152,521	-
Regions	-	1,789,329	-	-	1,789,329	-
Provinces	-	401,536	-	-	401,536	-
Municipalities	4,540	906,032	-	-	910,572	-
Sub total	4,540	4,249,418	-	-	4,253,958	-
Japan						
Municipalities	-	25,000	-	-	25,000	-
Sub total	-	25,000	-	-	25,000	-
Portugal						
State	-	-	-	-	-	-
Municipalities	7,587	-	-	-	7,587	-
Public sector entities	1,719	-	-	-	1,719	-
Sub total	9,306	-	-	-	9,306	-
United Kingdom						
State	-	-	-	-	-	-
Sub total	-	-	-	-	-	-
Sweden						
Municipalities	18,490	-	-	-	18,490	-
Sub total	18,490	-	-	-	18,490	-
Switzerland						
Cantons	65,253	-	6,453	-	71,706	-
Municipalities	230,252	-	-	-	230,252	-
Public sector entities	60,350	-	-	-	60,350	-
Sub total	355,855	-	6,453	-	362,308	-
Supranational						
International organizations	13,005	-	-	-	13,005	-
Sub total	13,005	-	-	-	13,005	-
TOTAL	47,344,909	5,296,029	4,805,821	230,000	57,676,759	36,382

(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 March 31, 2021, are not disclosed in the table below.

Nevertheless, non-performing and litigious loans and specific impairments are under regular monitoring and can lead to some adjustments of exposures presented in this table.

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

(3) Of which EUR 14,959 thousand on operations linked to partnership agreements.

2.2 RATINGS

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

2.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 3/31/2021

Residual maturity		
Maturity date in years	Number of deals ⁽¹⁾	Total outstanding
0	1,342	987,500
1	2,573	563,495
2	2,656	888,007
3	2,150	709,308
4	3,520	1,368,078
5	3,247	1,285,819
6	2,312	2,192,596
7	2,724	2,754,706
8	2,570	2,556,224
9	2,711	4,209,416
10	2,264	3,027,997
11	1,489	2,789,913
12	1,599	2,851,067
13	1,637	3,675,433
14	1,959	5,028,684
15	1,442	3,413,565
16	1,049	3,486,878
17	981	2,924,272
18	1,035	2,415,799
19	916	3,098,178
20	535	2,110,394
21	159	714,435
22	171	450,714
23	270	599,070
24	201	469,013
25	149	626,406
26	56	261,584
27	72	1,005,079
28	101	324,333
29	80	385,835
30	37	282,284
31	9	33,036
32	34	22,390
33	14	76,583
34	16	94,750
35	26	40,163
36	20	39,888
37	6	21,975
38	7	27,488
39	2	20,950
40	1	6,488
	42,142	57,839,793
TRANSLATION ADJUSTMENTS		-163,034
TOTAL		57,676,759

(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 3/31/2021

COUNTRY	Early repayments during the year 2021	Rate of early repayments
France		
State	-	-
Departments	17	0.00%
Municipalities	3,586	0.02%
Groups of municipalities	121	0.00%
Public sector entities :		
- health	-	-
- social housing	786	0.08%
- others	-	-
Sub total	4,510	0.01%
GLOBAL exposures on public sector	4,510	0.01%

The rate of early repayments at the end of at the end of the first quarter of the year 2021 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 annualised 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 March 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 3/31/2021		Country	Amount
Step 1 credit rating			
Covered Bonds			
		France	262,276
		Other countries	716,937
Other Bank bonds			
		France	12,196
		Other countries	94,849
Loans to SFIL			
		France	-
Step 2 credit rating			
Bank bonds (Maturity < 100 days)			
		France	-
		Other countries	-
Bank accounts' balances			
		France and other countries	6,049
TOTAL			1,092,307

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

Bank bonds are presented after specific impairments and are off premium / discount.

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

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

4.2 RATINGS

As of March 31, 2021, replacement assets were composed of bank bonds and, to a lesser extent, of bank accounts balances. These exposures should benefit from ratings corresponding to a step 1, or step 2 credit rating when the maturity is under 100 days.

4.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 3/31/2021							
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	191,266	110,549	-	-	-	301,815
1	16	-	-	262,329	98,300	-	360,629
2	7	-	-	-	202,863	-	202,863
3	5	-	-	-	188,900	-	188,900
4	1	-	-	-	38,100	-	38,100
Total	37	191,266	110,549	262,329	528,163	-	1,092,307

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

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

4.4 EARLY REPAYMENTS

No early repayment occurred neither during the first quarter of the year 2021 neither during the whole year 2020.

5. MANAGEMENT OF THE INTEREST RATE RISK

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

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

These hedges can be entered into either directly on the market by Caisse Française de Financement Local, or through SFIL, which in turn hedges its resulting position in the market.

Non-privileged debt is not concerned by these hedging operations. In fact, debt contracted by Caisse Française de Financement Local with its shareholder to finance over-collateralization is borrowed either directly with an Eonia or €str index and does not need to be swapped, or with a Euribor index and thus finances assets also indexed on Euribor. Short-term debt owed the Banque de France with a fixed rate (if any) is not hedged, but finances fixed rate assets.

These different kinds of interest rate risks are monitored, analyzed and managed through:

- the production of gaps (fixed rate, basis and fixing respectively), calculated statically:

The fixed rate gap	Difference between balance sheet and off-balance sheet assets and liabilities for fixed-rate transactions or transactions for which the rate has been set. It is calculated every month until balance sheet run-off.
Index gaps	Difference between balance sheet and off-balance sheet assets and liabilities for a given index tenor that has not yet been fixed. This gap is calculated every month until balance sheet run-off.
Basis gaps	Gap resulting from the matching of two index gaps. There are therefore as many basis gaps as there are index pairs.
Fixing gap	corresponds, for a given tenor index, to the difference between adjustable rate balance sheet and off-balance sheet assets and liabilities, by fixing date.

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

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

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

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

Directional risk

Total sensitivity

<i>EUR millions, end of quarter</i>	Limit	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Sensitivity	25.0	-1.9	-1.0	-6.8	-10.1

Risk of slope between two distant points on the rate curve

Sum of sensitivities

<i>EUR millions, end of quarter</i>	Limit	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Short term	15.0	-4.0	-5.3	-9.5	-4.4
Medium term	10.0	-6.6	-6.1	3.1	-6.5
Long term	10.0	4.1	5.1	-2.5	0.7
Very long term	9.0	4.6	5.3	2.2	0.1

Risk of slope between two close points on the rate curve

Sum of sensitivities in absolute value

<i>EUR millions, end of quarter</i>	Limit	6/30/2020	9/30/2020	12/31/2020	3/31/2021
Short term	30.0	9.0	12.6	10.9	12.4
Medium term	30.0	13.0	13.9	22.3	21.4
Long term	30.0	10.4	3.7	11.3	16.7
Very long term	30.0	7.6	8.2	8.8	8.3

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. 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 March 31, 2021, forecast cash needs at 180 days presented a maximum liquidity need of EUR 1.4 billion. Management measures were taken or will be taken to cover this liquidity needs. The movements observed correspond to cash flows from amortization of obligations foncières, cash collateral, non-privileged liabilities and assets.

