



**Report on asset quality  
as of June 30, 2022**

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 June 30, 2022, Caisse Française de Financement Local's cover pool is made of exposure on public sector entities amounting to EUR 54.1 billion of loans (of which cash deposits with Banque de France amounting to EUR 1.1 billion) and EUR 4.8 billion of bonds, and exposure on credit institutions (bank bonds) amounting to EUR 0.6 billion, which is detailed in the table below:

EUR thousands, as of 6/30/2022	<b>Total cover pool</b>	<b>Assets removed from the cover pool</b>	<b>Total Outstanding</b>
Exposures on public sector	58,906,736	2,975	58,909,711
Asset-backed securities	-	-	-
Replacement assets	577,158	-	577,158
<b>TOTAL</b>	<b>59,483,894</b>	<b>2,975</b>	<b>59,486,869</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 June 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 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.

## 1. MORTGAGE LOANS

Caisse Française de Financement Local has no guaranteed nor 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, as of 6/30/2022	Direct Exposure		Indirect Exposure		Total	Of which non-performing loans	Of which past due	Of which specific impairment <sup>(1)</sup>
	Loans	Bonds	Loans	Bonds				
<b>France</b>								
State :								
- export refinancing	-	-	5,388,046	-	5,388,046	-	-	-
- others	20,481	-	64	230,000	250,545	-	-	-
Banque de France <sup>(2)</sup>	1,068,737	-	-	-	1,068,737	-	-	-
Regions	2,627,286	65,009	228,216	-	2,920,510	-	-	-
Departments	7,291,085	-	121,741	-	7,412,826	-	-	-
Municipalities	14,603,883	13,336	276,388	-	14,893,607	103,572	2,918	(95)
Groups of municipalities <sup>(3)</sup>	13,936,745	53,816	67,476	-	14,058,037	4,752	458	(11)
Public sector entities :								
- health	6,125,067	-	-	-	6,125,067	28,459	175	(129)
- social housing	802,191	-	-	-	802,191	677	-	-
- others	757,455	149,990	239	-	907,684	-	-	(10)
<b>Sub total</b>	<b>47,232,929</b>	<b>282,151</b>	<b>6,082,170</b>	<b>230,000</b>	<b>53,827,250</b>	<b>137,460</b>	<b>3,551</b>	<b>(245)</b>
<b>Austria</b>								
Länder	-	-	163,815	-	163,815	-	-	-
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>163,815</b>	<b>-</b>	<b>163,815</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Belgium</b>								
Regions	392	-	27,454	-	27,846	-	-	-
Public sector entities	-	-	-	-	-	-	-	-
<b>Sub total</b>	<b>392</b>	<b>-</b>	<b>27,454</b>	<b>-</b>	<b>27,846</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Canada</b>								
Municipalities	100,287	-	34,485	-	134,772	-	-	-
Public sector entities	-	-	-	-	-	-	-	-
<b>Sub total</b>	<b>100,287</b>	<b>-</b>	<b>34,485</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	64,319	-	-	-	64,319	-	1,642	-
<b>Sub total</b>	<b>64,319</b>	<b>230,000</b>	<b>-</b>	<b>-</b>	<b>294,319</b>	<b>-</b>	<b>1,642</b>	<b>-</b>
<b>United States</b>								
Federated States	-	147,488	-	-	147,488	-	-	-
<b>Sub total</b>	<b>-</b>	<b>147,488</b>	<b>-</b>	<b>-</b>	<b>147,488</b>	<b>-</b>	<b>-</b>	<b>-</b>

EUR thousands, as of 6/30/2022	Direct Exposure		Indirect Exposure		Total	Of which non-performing loans	Of which past due	Of which specific impairment <sup>(1)</sup>
	Loans	Bonds	Loans	Bonds				
<b>Italy</b>								
State	-	1,150,451	-	-	1,150,451	-	-	(17,494)
Regions	-	1,647,646	-	-	1,647,646	-	-	-
Provinces	-	411,280	-	-	411,280	-	-	-
Municipalities	3,311	714,188	-	-	717,499	-	-	-
Groups of municipalities	-	8,885	-	-	8,885	-	-	-
<b>Sub total</b>	<b>3,311</b>	<b>3,932,450</b>	-	-	<b>3,935,761</b>	-	-	<b>(17,494)</b>
<b>Japan</b>								
Municipalities	-	25,000	-	-	25,000	-	-	-
<b>Sub total</b>	-	<b>25,000</b>	-	-	<b>25,000</b>	-	-	-
<b>Portugal</b>								
Municipalities	4,873	-	-	-	4,873	-	-	-
Groups of municipalities	859	-	-	-	859	-	-	-
<b>Sub total</b>	<b>5,732</b>	-	-	-	<b>5,732</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	-	60,350	-	125,603	-	-	-
Municipalities	210,281	-	-	-	210,281	-	-	-
<b>Sub total</b>	<b>275,533</b>	-	<b>60,350</b>	-	<b>335,883</b>	-	-	-
<b>Supranational</b>								
International organizations	8,355	-	-	-	8,355	-	-	-
<b>Sub total</b>	<b>8,355</b>	-	-	-	<b>8,355</b>	-	-	-
<b>GENERAL SUB TOTAL</b>	<b>47,709,349</b>	<b>4,617,089</b>	<b>6,368,274</b>	<b>230,000</b>	<b>58,924,712</b>	<b>137,460</b>	<b>5,193</b>	<b>(17,739)</b>
<b>Collective impairment</b>					<b>(17,976)</b>			
<b>GENERAL TOTAL</b>	-	-	-	-	<b>58,906,736</b>	-	-	-

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

- specific impairment on non performing loans : EUR 235 thousand.
- provisions for unrealised losses on placement portfolio bonds : EUR 17,504 thousand

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

(3) Of which EUR 12,709 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 6/30/2022

<b>Residual maturity</b>		
<b>Maturity date in years</b>	<b>Number of deals<sup>(1)</sup></b>	<b>Total outstanding</b>
0	1,076	1,180,611
1	2,693	649,851
2	2,039	607,643
3	4,190	1,084,865
4	2,621	1,609,233
5	2,138	1,681,859
6	3,001	2,389,946
7	2,408	3,455,329
8	2,913	3,085,220
9	1,938	2,356,665
10	1,467	2,628,309
11	1,716	2,962,116
12	1,669	5,028,029
13	1,944	4,590,832
14	1,649	4,085,558
15	1,301	3,419,083
16	1,034	2,642,605
17	1,046	2,398,572
18	883	2,929,959
19	783	3,078,013
20	511	1,855,722
21	196	478,630
22	273	576,990
23	202	481,651
24	230	764,974
25	173	722,472
26	81	1,002,132
27	122	408,405
28	64	431,265
29	51	213,880
30	42	179,701
31	37	28,901
32	11	71,177
33	23	100,633
34	20	30,967
35	19	36,796
36	7	22,231
37	5	25,225
38	2	20,476
39	1	6,422
	40,579	59,322,948
<b>TRANSLATION ADJUSTMENTS</b>		-398,236
<b>Non allocated collective provisions</b>		-17,976
<b>TOTAL</b>		<b>58,906,736</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 6/30/2022

COUNTRY	Early repayments during the year 2022	Rate of early repayments
<b>France</b>		
State	-	-
Regions	2,324	0.09%
Departments	2,500	0.03%
Municipalities	4,425	0.03%
Groups of municipalities	1,311	0.01%
Public sector entities :		
- health	22,320	0.37%
- social housing	422	0.05%
- others	573	0.07%
<b>Sub total</b>	<b>33,876</b>	<b>0.06%</b>
<b>GLOBAL exposures on public sector</b>	<b>33,876</b>	<b>0.06%</b>

The rate of early repayments at the end of at the end of the first half of the year 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 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 2021, the rate of early repayments for this entire year was 0.19% for a total amount of repayments of EUR 112 million.

### 3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

#### 3.1 BREAKDOWN BY COUNTERPART

As of June 30, 2022, 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 6/30/2022	Country	Amount
<b>Step 1 credit rating</b>		
Covered Bonds		
	France	126,048
	Other countries	409,343
Other Bank bonds		
	France	-
	Other countries	-
Loans to SFIL	France	-
Receivables related to the management of forward financial instruments with the parent company, SFIL	France	36,910
<b>Step 2 credit rating</b>		
Bank bonds (Maturity < 100 days)		
	France	-
	Other countries	-
Bank accounts' balances	France and other countries	4,857
<b>TOTAL</b>		<b>577,158</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. As of June 30, this item includes receivables related to the management of forward financial instruments, which correspond to cash collateral paid to SFIL.

Bank bonds are presented after specific impairments and are off premium / discount. As of June 30, 2022, 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 June 30, 2022, these conditions are completed.

### 4.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 6/30/2022

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals <sup>(1)</sup>	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	11	91,266	-	182,352	-	-	273,618
1	10	-	-	-	69,861	-	69,861
2	3	-	-	-	137,579	-	137,579
3	3	-	-	-	46,100	-	46,100
4	3	-	-	-	50,000	-	50,000
<b>Total</b>	<b>30</b>	<b>91,266</b>	<b>-</b>	<b>182,352</b>	<b>303,540</b>	<b>-</b>	<b>577,158</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 during the first semester of the year 2022, nor during the whole year 2021.

## 5. MANAGEMENT OF THE INTEREST RATE RISK

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 fixed rate, index and fixing gaps :

<b>Fixed rate gap</b>	The risk is monitored through the sensitivity of the net present value (NPV) by pillar to a change of 10 bp in rates
<b>Index gap</b>	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.
<b>Fixing gap</b>	For a given index tenor: difference between floating rate balance sheet and off-balance sheet assets and liabilities, by fixing date

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.

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)):

- Until December 31, 2021, Caisse Française de Financement Local's fixed rate risk appetite system consisted of a set of limits governing the overall and time-bucket sensitivities of the net present value (NPV). This framework took the form of 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 hedging). These indicators were calculated for four predefined time buckets (short-term, medium-term, long-term, very long-term) regulated by limits which were calibrated to avoid losing more than EUR 80 million with a 99% quantile calculated on a 10-year history

**Directional risk**

Total sensitivity

<i>EUR millions, end of quarter</i>	Limit	3/31/2021	6/30/2021	9/30/2021	12/31/2021
<b>Sensitivity</b>	<b>25.0</b>	<b>(10.1)</b>	<b>(5.3)</b>	<b>(3.3)</b>	<b>(8.0)</b>

**Risk of slope between two distant points on the rate curve**

Sum of sensitivities

<i>EUR millions, end of quarter</i>	Limit*	3/31/2021	6/30/2021	9/30/2021	12/31/2021
<b>Short term</b>	<b>15.0</b>	<b>(4.4)</b>	<b>(5.8)</b>	<b>(3.0)</b>	<b>(6.0)</b>
<b>Medium term</b>	<b>10.0</b>	<b>(6.5)</b>	<b>1.0</b>	<b>4.9</b>	<b>(1.7)</b>
<b>Long term</b>	<b>10.0</b>	<b>0.7</b>	<b>(1.4)</b>	<b>(6.5)</b>	<b>(0.4)</b>
<b>Very long term</b>	<b>9.0</b>	<b>0.1</b>	<b>0.9</b>	<b>1.3</b>	<b>0.0</b>

**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*	3/31/2021	6/30/2021	9/30/2021	12/31/2021
<b>Short term</b>	<b>30.0</b>	<b>12.4</b>	<b>7.7</b>	<b>13.3</b>	<b>12.7</b>
<b>Medium term</b>	<b>30.0</b>	<b>21.4</b>	<b>24.5</b>	<b>23.1</b>	<b>12.5</b>
<b>Long term</b>	<b>30.0</b>	<b>16.7</b>	<b>26.0</b>	<b>10.6</b>	<b>18.2</b>
<b>Very long term</b>	<b>30.0</b>	<b>8.3</b>	<b>5.7</b>	<b>15.0</b>	<b>13.0</b>

- Since January 1, 2022, Caisse Française de Financement Local has implemented a new methodology for managing interest rate risk: 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.

The maximum loss observed at the end of the quarter among the eight scenarios used is presented below:

<i>EUR millions</i>	Limit	12/31/2021 (proforma)	3/31/2022	6/30/2022
<b>Maximum loss observed in NPV</b>	(80)	(24.60)	(9.20)	(30.80)

## 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 June 30, 2022, they amount to EUR 1,094.1 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 535.4 million net of provisions.
  - High quality liquid securities (level 1, 2A or 2B), excluding bank securities. As of June 30, 2022, these amount to EUR 2,764.1 million.
  - Other assets eligible for refinancing from the Banque de France. As of June 30, 2022, these amount to EUR 35,652.4 million.

As of June 30, 2022, Caisse Française de Financement Local thus had approximately EUR 40,046 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 June 30, 2022, the 180-day liquidity position is in excess over the first two months (with a maximum of EUR 1.5 billion) and shows a liquidity need over the four last months with a maximum need of EUR 2.3 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.

