

Author: Dr Frederik Kunze

Ratings

		Outlook
Fitch	-	-
Moody's	-	-
S&P	-	-

Homepage

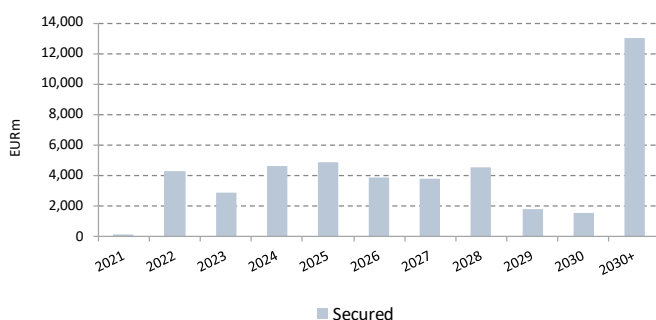
www.caissefrancaisedefinancementlocal.fr

Caisse Française de Financement Local (CAFFIL) emerged in 2013 from the purchase of Dexia Municipal Agency (Dexia MA) by the newly established public credit institution Société de Financement Local (SFIL; banking licence since Q1/2013). After the acquisition, Dexia MA was renamed CAFFIL and now operates as an accredited Société de Crédit Foncier (SCF). While in the past the French state (75%), Caisse des Dépôts (20%) and La Banque Postale (LBP; 5%) were among the owners of SFIL, since September 2020 it has been 99.99% owned by Caisse des Dépôts. The French state retained ownership of one share and continues to appoint a non-voting board member. CAFFIL remained SFIL's wholly-owned subsidiary and its remit remained unchanged. While La Banque Postale is responsible for lending to the French regions, départements, municipalities and public hospitals, CAFFIL's task is refinancing via the capital market by issuing covered bonds. In order to always be able to fulfil this task, SFIL has issued both a support and a funding declaration. CAFFIL issues Obligations Foncières (covered bonds) as well as other covered bonds exclusively from a public sector cover pool. Since 2015, the field of activity has been expanded to include the refinancing of export credits. Since 2019, LBP has also been marketing green loans, which are also refinanced by CAFFIL through green issues. CAFFIL placed its ESG benchmark debut in the social format in early 2019, which was followed by a green benchmark in November 2019.

Balance Sheet

(EURm)	2019Y	2020Y	2021H1
Net Loans to Customers	49,695	50,366	50,787
Total Securities	16,862	16,430	13,752
Total Deposits	-	-	-
Tier 1 Common Capital	-	-	-
Total Assets	70,233	72,461	69,271
Total Risk-weighted Assets	5,549	4,672	-

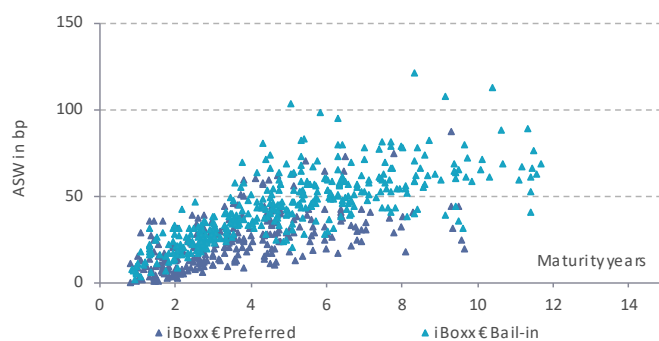
Redemption Profile



Income Statement

(EURm)	2019Y	2020Y	2021H1
Net Interest Income	119	126	69
Net Fee & Commission Inc,	-3	16	-1
Net Trading Income	38	20	25
Operating Expense	97	104	50
Credit Commit, Impairment	3	-9	-1
Pre-tax Profit	51	59	20

Senior Unsecured Bonds



Company Ratios

	2019Y	2020Y	2021H1		2019Y	2020Y	2021H1
Net Interest Margin	0.17	0.18	0.20	Liquidity Coverage Ratio	NM	176.00	647.00
ROAE	2.77	2.98	1.82	IFRS Tier 1 Leverage Ratio	-	-	-
Cost-to-Income	62.99	64.20	53.19	NPL/ Loans at Amortised Cost	2.14	0.98	0.68
Core Tier 1 Ratio	-	-	-	Reserves/Loans at Amort. Cost	0.08	0.06	0.06

As of: 21.09.2021; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Indirectly owned by the government
- Strategic unit within the group

Risks / Weaknesses

- Profitability
- Leverage

Covered Bonds

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Public cover pool comprises EUR 57.9 billion

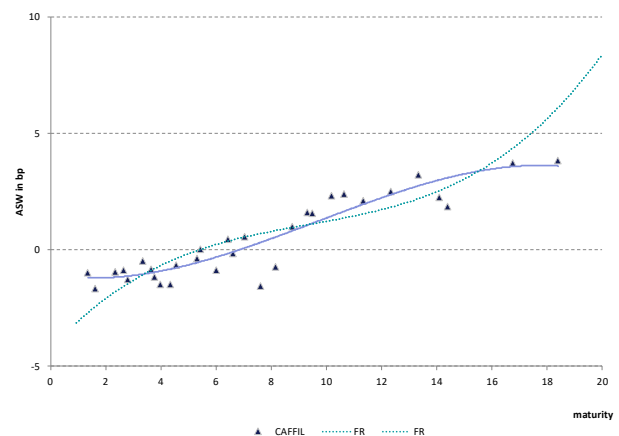
As at the reporting date of 30 June 2021, the issuer CAFFIL had an outstanding volume of public sector covered bonds in accordance with French legislation (Obligations Foncières) in the amount of EUR 50.9bn and a cover pool of EUR 57.9bn against these bonds. The overcollateralisation ratio is accordingly stated at 13.6%, while the statutory minimum overcollateralisation is 5%. Currently, the institute has 34 outstanding EUR benchmarks with an outstanding volume of EUR 37.9bn, each of which has a hard bullet structure.

Programme data

30 June 2021	Public
Covered bonds outstanding	EUR 50,943m
Cover pool volume	EUR 57,883m
Current OC (nominal / legal)	13.6% / 5.0%
Type	100% Public
Main country	90.1% France
Main region	21.5% Île-de-France
Number of public exposures	41,211
Average loan size	EUR 1,372,838
10 largest exposures	16.4%
NPL	0.44%
Fixed interest (Cover Pool / CBs)	72.0% / 92.0%
WAL (Cover Pool / CBs)	7.26y / 7.31y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AA+

Source: Issuer, Rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK) – France



The largest share of the cover assets is of French origin

CAFFIL's cover pool primarily consists of cover assets with a volume of EUR 56.9bn, resulting in a share of substitute assets of only 1.6%. Moreover, 90.6% of the public primary cover assets are composed of loans, while the remaining 9.4% account for by bond positions. With regard to the distribution among borrowers, the largest share is accounted for by the category local and municipal authorities (52.7%), followed by regional authorities and federal states (23.2%). Sovereigns account for 9.9%, while 14.2% are allocated to the category other. In terms of geographical distribution, the largest share is in France (90.1%). The next largest shares are in Italy (7.3%) and Switzerland (0.6%). With a share of 21.5%, the Île-de-France region is the region to which the most cover assets are assigned. This is followed by the regions Auvergne-Rhône-Alpes (11.4%) and Hauts-de-France (9.1%). While 92% of the outstanding covered bonds have a fixed coupon, the share of fixed-interest cover assets is 72%. The granularity of the cover pool is characterised by a total of 41,211 public exposures, which have an average exposure size of EUR 1.4 million. The ten largest exposures account for a share of 16.4%.

Rating and regulatory treatment

The outstanding covered bonds have an Aaa rating from Moody's and an AA+ rating from S&P, which means that they are treated with a risk weight of 10% in accordance with the CRR. In addition, we believe that benchmark transactions are suitable as Level 1 assets in the context of LCR management. Furthermore, the issuer's bonds are eligible for purchase under CBPP3 and are suitable as collateral in transactions with the ECB.

Appendix

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