

Caisse Française de Financement Local

Issuer View • 20 January 2023

Author: Melanie Kiene

Caisse Française de Financement Local (CAFFIL) was formed in 2013 following the purchase of Dexia Municipal Agency (Dexia MA) by the newly established public sector credit institute Société de Financement Local (SFIL; banking licence since Q1 2013). In the wake of this, Dexia MA was renamed as CAFFIL and operates today as an accredited Société de Crédit Foncier (SCF). In the past, SFIL was owned by the French government (75%) as well as Caisse des Dépôts (20%) and La Banque Postale (5%), but has been practically wholly owned (99.99%) by Caisse des Dépôts since September 2020. The French government continues to hold a single share and has the right to elect a board member without voting rights. CAFFIL remains a 100% subsidiary of SFIL and its sphere of activities has not changed. The task of CAFFIL is to refinance the loans to French regions, departments, municipalities and public hospitals granted by La Banque Postal as well as export loans with unconditional and irrevocable guarantees on the part of the French state. In order to fulfil this role at all times, SFIL has provided both a statement of support and a declaration that it will provide funding. CAFFIL issues obligations foncières (covered bonds), as well as other covered debt instruments backed solely by a public sector cover pool (local authority loans). The funding loan is guaranteed by the French government. CAFFIL is planning between EUR 5 and EUR 7 billion in covered bond issues for 2023. Since 2019, the funding has also been supplemented by ESG formats (green and social bonds). Caffil was awarded an ESG score of C+ and "Prime" status by ISS.

Ratings (SFIL)

	Rating	Outlook
Fitch	-	-
Moody's	Aa2	Stable
S&P	AA	Negative

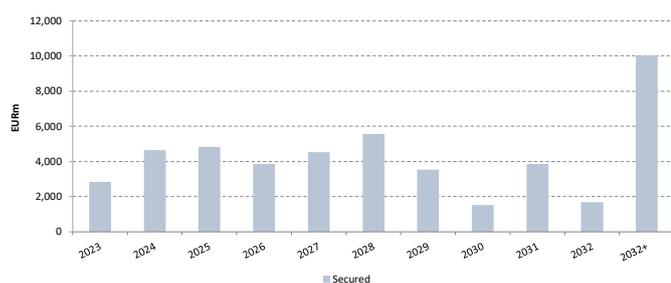
Homepage

www.caissefrancaisedefinancementlocal.fr

Balance Sheet

(EURm)	2020Y	2021Y	2022H1
Net Loans to Customers	50,366	49,522	48,761
Total Securities	16,430	12,549	8,577
Total Deposits	-	-	-
Tier 1 Common Capital	-	-	-
Total Assets	72,461	71,154	64,267
Total Risk-weighted Assets	4,672	3,777	-

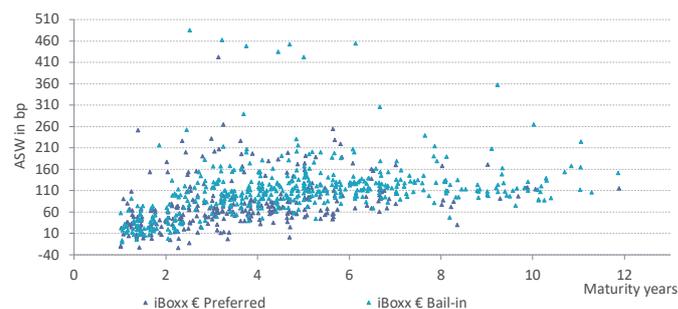
Redemption Profile



Income Statement

(EURm)	2020Y	2021Y	2022H1
Net Interest Income	126	152	79
Net Fee & Commission Inc.	16	1	-2
Net Trading Income	20	54	16
Operating Expense	104	104	54
Credit Commit. Impairment	-9	-4	-5
Pre-tax Profit	59	102	70

Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022H1	2020Y	2021Y	2022H1	
Net Interest Margin	0.18	0.21	0.23	Liquidity Coverage Ratio	176.00	771.00	261.00
ROAE	2.98	3.94	7.09	IFRS Tier 1 Leverage Ratio	-	-	-
Cost-to-Income	64.20	50.73	57.45	NPL/ Loans at Amortised Cost	0.98	0.57	0.55
Core Tier 1 Ratio	-	-	-	Reserves/Loans at Amort. Cost	0.06	0.05	0.04

As of: 20.01.2023; 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 structure

Risks / Weaknesses

- Profitability
- Leverage

Covered Bonds

Autor: Melanie Kiene, CIIA // Stefan Rahaus

Public cover pool comprises EUR 58.7 billion

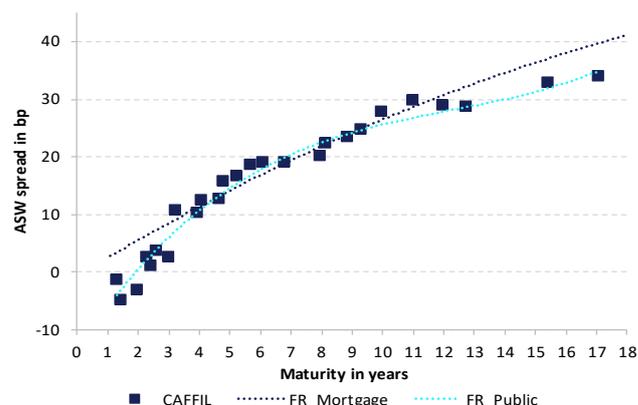
As at the reporting date of 30 September 2022, the issuer CAFFIL had an outstanding volume of public sector covered bonds in accordance with French legislation (Obligations Foncières) in the amount of EUR 51.0bn and a cover pool of EUR 58.7bn against these bonds. The overcollateralisation ratio is accordingly stated at 15.0%, while the statutory minimum overcollateralisation is 5% and the voluntary OC is 10%. Currently, the institute has 42 outstanding EUR benchmarks with an outstanding volume of EUR 38.7bn, each of which has a hard bullet structure.

Programme data

30 September 2022	Public Sector
Covered bonds outstanding	EUR 51,037m
Cover pool volume	EUR 58,688m
Current OC (nominal / legal)	15.0% / 5.0%
Type	99.2% Public Sector
Main country	91,7% France
Main regions	23,4% Île-de-France / 11,1% Auvergne-Rhône-Alpes
Number of loans / exposures	39,658
Average loan size (Resid. / Comm.)	EUR 1,446,207
Fixed interest (Cover Pool / CBs)	72.3% / 94.5%
WAL (Cover Pool / CBs)	7.05y / 7.15
NPL	0.02%
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 58.2bn, resulting in a share of substitute assets of only 0.8%. Moreover, 92.0% of the public primary cover assets are composed of loans, while the remaining 8.0% 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 (21.8%). Sovereigns account for 12.6%, while 12.9% are allocated to the category other. In terms of geographical distribution, the largest share is in France (91.7%). The next largest shares are in Italy (6.5%), Switzerland and Spain (each with 0.5%). With a share of 23.4%, 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 (11.1%) and Hauts-de-France (9.0%). While 94.5% of the outstanding covered bonds have a fixed coupon, the share of fixed-interest cover assets is 72.3%. The granularity of the cover pool is characterised by a total of 39,658 public exposures, which have an average exposure size of EUR 1.45 million. The ten largest exposures account for a share of 19.1%.

Rating and regulatory treatment

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

Annex

Contacts at NORD/LB

Markets Strategy & Floor Research



Dr Frederik Kunze

Covered Bonds/Banks

+49 172 354 8977

frederik.kunze@nordlb.de



Melanie Kiene

Covered Bonds/Banks

+49 172 169 2633

melanie.kiene@nordlb.de



Stefan Rahaus

Covered Bonds/Banks

+49 172 6086 438

stefan.rahaus@nordlb.de



Dr Norman Rudschuck

SSA/Public Issuers

+49 152 090 24094

norman.rudschuck@nordlb.de



Jan-Phillipp Hensing

SSA/Public Issuers

+49 172 425 2877

jan-phillipp.hensing@nordlb.de

Sales

Institutional Sales	+49 511 9818-9440
Sales Sparkassen & Regionalbanken	+49 511 9818-9400
Sales MM/FX	+49 511 9818-9460
Sales Europe	+352 452211-515

Origination & Syndicate

Origination FI	+49 511 9818-6600
Origination Corporates	+49 511 361-2911

Treasury

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Liquidity Management	+49 511 9818-9620 +49 511 9818-9650

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Time of going to press: Friday, 20 January 2023 (08:56)