



Report on asset quality
as of September 30, 2014
Caisse Française de Financement Local
(Instruction n° 2011-I-07 of June 15, 2011)

C.I.B 14 388

The report on cover pool quality, consistent with Instruction No. 2011-I-07, June 15, 2011, aims at presenting all of the assets comprising the cover pool of Caisse Française de Financement Local.

As of September 30, 2014, Caisse Française de Financement Local's cover pool is made of EUR 48.1 billion of loans, EUR 10.9 billion of bonds and EUR 4.0 billion of replacement assets, that correspond to the following exposures :

EUR thousands, as of 9/30/2014	Amount	Assets temporarily removed from the cover pool	TOTAL
Exposures on public sector	59,040,871		59,040,871
Asset-backed securities	-		-
Replacement assets	3,992,665		3,992,665
TOTAL	63,033,536	-	63,033,536

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 over-collateralization level, 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. As of September 30, 2014, no asset has been assigned by Caisse Française de Financement Local in guarantee to the Banque de France.

Since the sale, in 2013, of all the securitizations in the cover pool, the current and future obligations foncières issued by Caisse Française de Financement Local are in line with the new eligibility criteria for refinancing by the European Central Bank and are compliant with new regulations rules CRR / CRD IV.

1. MORTGAGE LOANS

Caisse Française de Financement Local has no mortgage loans.

2. EXPOSURES ON PUBLIC SECTOR

2.1 BREAKDOWN BY COUNTERPART

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 translated to the exchange rate of the hedging swap.

EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which past due (1)
	Loans	Bonds	Loans	Bonds		
France						
State (2)		2,119,944	162,428		2,282,372	257
Banque de France (3)	389,226				389,226	
Regions	1,668,609	114,095	285,128		2,067,832	1
Departments	6,077,454		318,372		6,395,826	19,020
Municipalities	15,334,567	101,232	679,348		16,115,147	53,661
Groups of municipalities (4)	9,059,689	107,015	162,743		9,329,447	38,527
Public sector entities :						
- health	6,076,811				6,076,811	2,674
- social housing	1,698,023				1,698,023	159
- others	944,318		6,469		950,787	560
Sub total	41,248,697	2,442,286	1,614,488	-	45,305,471	114,859
Germany						
Länder		509,612		342,500	852,112	
Sub total	-	509,612	-	342,500	852,112	-
Austria						
Länder	197,106				197,106	
Sub total	197,106	-	-	-	197,106	-
Belgium						
Regions	36,573		53,571		90,144	
Communities		50,000			50,000	
Public sector entities	70,114				70,114	
Sub total	106,687	50,000	53,571	-	210,258	-
Canada						
Provinces		22,371			22,371	
Municipalities	192,166				192,166	
Public sector entities	128,676				128,676	
Sub total	320,842	22,371	-	-	343,213	-
Spain						
Municipalities	260,216				260,216	
Regions		231,646			231,646	
Sub total	260,216	231,646	-	-	491,862	-
United States						
Federated States		252,943			252,943	
Sub total	-	252,943	-	-	252,943	-
Finland						
Municipalities	2,850				2,850	
Public sector entities	41,520				41,520	
Sub total	44,370	-	-	-	44,370	-

EUR thousands	Direct Exposure		Indirect Exposure		Global	Of which past due (1)
	Loans	Bonds	Loans	Bonds		
Country						
Italy						
State		580,930			580,930	
Regions		3,007,777			3,007,777	
Provinces		674,091			674,091	
Municipalities	11,209	2,256,895			2,268,104	
Sub total	11,209	6,519,693	-	-	6,530,902	-
Japon						
Municipalities		25,000			25,000	
Sub total	-	25,000	-	-	25,000	-
Portugal						
Municipalities	53,128				53,128	
Public sector entities	7,305				7,305	
Sub total	60,433	-	-	-	60,433	-
United Kingdom						
State				499,910	499,910	
County (5)			398,124		398,124	
District (5)			27,973		27,973	
Municipalities (5)			1,367,720		1,367,720	
Public sector entities (5)			56,183		56,183	
Sub total	-	-	1,850,000	499,910	2,349,910	-
Sweden						
Municipalities	22,898		21,885		44,783	
Sub total	22,898	-	21,885	-	44,783	-
Switzerland						
Cantons	950,947		480,251		1,431,198	
Municipalities	771,411				771,411	
Public sector entities	90,525				90,525	
Sub total	1,812,883	-	480,251	-	2,293,134	-
Supranational						
International organizations	39,374				39,374	
Sub total	39,374	-	-	-	39,374	-
TOTAL	44,124,715	10,053,551	4,020,195	842,410	59,040,871	114,859

(1) From 2014, Caisse Française de Financement Local publishes annual and semi-annual accounts. Also, as of September 30, 2014, non-performing and litigious loans, and specific impairments are not available. For the record, as of June 2014, non-performing and litigious loans amounted at EUR 386,349 thousand and specific impairments on loans and bonds are composed as followed:

- specific impairment on non performing loans : EUR 32,144 thousand. In addition to these impairments, Caisse Française de Financement Local makes collective and sectorial impairments.
- provisions for unrealised losses on placement portfolio bonds : EUR 43,122 thousand

(2) Of which EUR 54,205 thousand on operations linked to partnership agreement (PPP)

(3) Caisse Française de Financement Local's Banque de France account as of September 30, 2014

(4) Of which EUR 25,687 thousand on operations linked to partnership agreement (PPP)

(5) This concerns a loan granted to Dexia Credit Local for EUR 1,850 million guaranteed by United Kingdom's public entities

2.2 RATINGS

Caisse Française de Financement Local has no exposure (except replacement assets as described below) requiring 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 9/30/2014

Maturity date in years	Residual maturity		Term to maturity				TOTAL
	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	2,825	1,465,922	1,344,579	-	-	-	2,810,501
1	3,059	37,219	90,803	1,393,585	695,669	-	2,217,276
2	3,134	46,076	52,025	76,730	2,682,328	-	2,857,161
3	3,818	48,126	61,093	65,902	1,220,357	-	1,395,478
4	3,685	41,065	66,849	111,963	1,183,062	-	1,402,939
5	3,455	49,223	67,212	104,294	963,225	-	1,183,953
6	2,928	67,786	44,444	80,249	798,135	1,598,443	2,589,058
7	2,602	50,009	62,119	74,465	779,987	669,185	1,635,765
8	2,706	37,504	47,377	73,588	673,940	1,130,475	1,962,884
9	2,339	43,817	50,447	81,746	774,786	1,447,193	2,397,990
10	2,088	32,897	53,104	57,674	616,049	1,158,036	1,917,761
11	4,151	49,618	61,100	109,966	906,369	1,906,117	3,033,169
12	2,225	56,977	39,061	70,958	713,265	2,508,387	3,388,648
13	1,944	34,548	56,179	73,104	741,897	2,322,822	3,228,550
14	2,464	60,097	61,306	110,676	971,548	2,714,618	3,918,245
15	1,418	31,062	25,369	68,727	525,723	1,601,567	2,252,447
16	1,713	17,171	26,771	37,747	348,713	1,553,833	1,984,235
17	868	22,878	13,685	27,822	277,606	1,157,239	1,499,230
18	935	21,299	20,056	41,315	343,969	1,570,437	1,997,076
19	847	22,237	13,291	27,942	270,091	1,346,679	1,680,241
20	679	10,240	12,305	27,614	217,146	1,890,138	2,157,443
21	761	19,070	10,648	23,937	227,440	1,846,755	2,127,850
22	605	17,328	14,947	18,438	225,461	1,995,993	2,272,167
23	604	17,397	10,160	20,975	205,645	1,438,377	1,692,554
24	512	13,398	10,201	27,470	218,780	1,536,540	1,806,388
25	326	5,839	8,461	13,954	124,101	849,457	1,001,812
26	199	4,795	3,443	9,456	74,601	489,423	581,718
27	95	2,659	4,140	5,602	52,211	372,271	436,883
28	73	1,341	1,168	3,672	26,271	198,452	230,903
29	80	706	2,800	1,136	19,358	138,845	162,845
30	53	850	516	1,335	11,584	103,282	117,567
31	52	616	525	1,094	9,494	96,817	108,546
32	47	397	421	1,279	10,671	122,385	135,154
33	51	415	634	2,077	13,699	788,219	805,045
34	38	409	1,339	1,307	13,729	242,499	259,282
35	18	373	214	543	4,751	57,470	63,350
36	3	85	85	170	1,366	11,117	12,824
37	4	91	103	181	1,505	13,072	14,952
38	13	10	107	557	2,738	28,586	31,997
39	34	257	549	102	4,033	82,491	87,431
40	11	139	195	900	5,424	65,673	72,331
41	32	327	169	678	4,995	82,861	89,031
42	14	28	73	76	745	12,870	13,793
43	17	100	96	222	1,946	35,114	37,477
44	8	79	198	194	1,997	33,614	36,083
45	2	30	50	80	654	9,381	10,195
46	2	75	113	188	1,535	21,539	23,450
47	1	-	25	26	225	6,582	6,859
Total	53,538	2,332,587	2,340,554	2,851,717	16,968,826	35,254,853	59,748,537
TRANSLATION ADJUSTMENTS							- 707,666
GLOBAL							59,040,871

(1) Numbers of loans and bonds arrived at maturity during the period

The first period includes the balance of Banque de France account.

2.4 EARLY REPAYMENTS

EUR thousands, as of 9/30/2014

State	Early repayments during the year	Rate of early repayments
France		
Departments	51	0.00%
Municipalities	14,256	0.12%
Group of municipalities	7,732	0.11%
Public sector entities :		
- health	5,425	0.12%
- social housing	3,288	0.25%
- others	656	0.09%
Sub total	31,408	0.10%
Italy		
Provinces	14,646	2.80%
Municipalities	3,346	0.19%
Sub total	17,992	0.36%
GLOBAL exposures on public sector	49,400	0.11%

The annual rate of early repayments corresponds to the volume of early repayments occurred during 2014 divided by the average of daily outstanding amount.

As a reminder, the rate of early repayments in 2013 was 0.27% for EUR 126 millions of repayments.

1Q :	31
2Q :	26
3Q :	10
4Q :	59
	<hr/>
	126

3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

3.1 BREAKDOWN BY COUNTERPART

As of September 30, 2014, Caisse Française de Financement Local does not hold asset-backed securities and similar structures.

3.2 RATINGS

None.

3.3 BREAKDOWN BY MATURITY DATE

None.

3.4 EARLY REPAYMENTS

None.

4. REPLACEMENT ASSETS

4.1. BREAKDOWN BY COUNTERPART

EUR thousands, as of 9/30/2014	Amount
Replacement assets	3,992,665
TOTAL	3,992,665

Replacement assets	Amount in EUR thousands
Step 1 credit rating	
Loans Société de Financement Local	3,983,982
Step 2 credit rating	
Bank account's balances	8,683
Other assets	-
TOTAL	3,992,665
PREMIUMS AND DISCOUNTS	-
GLOBAL	3,992,665

4.2 RATINGS

As of September 30, 2014, replacement assets are composed of loans to Société de Financement Local, which is rated AA by Fitch, Aa2 by Moody's and AA by S&P, and bank account's balances, which rating correspond to a step 2 credit rating.

4.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 9/30/2014

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	1	8,683	-	-	-	-	8,683
13	1	91,105	127,438	151,328	1,135,607	1,319,005	2,824,483
21	1	8,494	30,866	33,075	287,767	799,297	1,159,499
Total	3	108,282	158,304	184,403	1,423,374	2,118,302	3,992,665
PREMIUMS AND DISCOUNTS							-
GLOBAL							3,992,665

(1) Numbers of deals arrived at maturity during the period

4.4 EARLY REPAYMENTS

There were no early repayments on the replacement assets during the first three quarter of 2014.

5. MANAGEMENT OF THE INTEREST RATE RISK

The management of the interest rate risk involves two steps.

- In the first stage, all the assets and the liabilities benefiting from the privilege which do not naturally have a floating rate are swapped against Euribor until maturity as soon as they are recorded on the balance sheet. A residual fixed rate gap remains on certain fixed rate assets that are hedged by macro-swaps (in particular, small loans to clients). This gap is monitored within very strict limits.
- In the second step, Euribor lending and borrowing flows are swapped against Eonia over a sliding period of two years in order to protect income from the basis risk generated by differences in Euribor periods (1, 3, 6 or 12 months) and from the fixing risk due to differences in refixing dates of reference indexes in the assets and the liabilities.

In addition, any debt contracted with its shareholder to finance over-collateralization is directly borrowed with a monetary index, and does not have to be swapped, or with an Euribor index and are fully parts of management of Euribor/Eonia macro-hedging . If such is the case, debt vis-à-vis the Banque de France, which is short-term and at a fixed rate, is not hedged, but finances assets that also have a fixed rate. The objective targeted by this interest rate risk management is to convert the assets and liabilities on the balance sheet into floating rates, so that they move together in a parallel manner following the trend in interest rates, while maintaining the margin unchanged.

The sensitivity limits for the fixed rate gap and the monetary gap mentioned above are defined as the change in the gaps' net present value (NPV) under the impact of a parallel 1% (100 basis points) shift in the yield curve. The aggregate of these two limits for the fixed rate gap and the monetary gap is set at 3% of equity, and this figure is reviewed every year. As of September 2014, this general sensitivity limit is EUR 40.0 million, including EUR 9.0 million for the monetary gap and EUR 31.0 million for the fixed rate gap. In practice, the real sensitivity is maintained significantly below this limit, as can be seen in the following table.

		Average	Maximum	Minimum	Limit
Fixed rate	4Q 2013	12.2	16.5	3.2	31.0
	1Q 2014	13.4	13.5	13.1	31.0
	2Q 2014	12.1	12.9	11.5	31.0
	3Q 2014	10.2	10.6	9.7	31.0
Monetary	4Q 2013	(0.3)	2.9	(4.7)	9.0
	1Q 2014	0.8	1.0	0.5	9.0
	2Q 2014	0.9	1.2	0.7	9.0
	3Q 2014	0.5	2.2	(0.6)	9.0
Total	4Q 2013	11.9	19.5	(1.5)	40.0
	1Q 2014	14.2	14.5	13.6	40.0
	2Q 2014	13.0	13.6	12.4	40.0
	3Q 2014	10.7	11.8	10.0	40.0

6. MANAGEMENT OF THE LIQUIDITY RISK

Caisse Française de Financement Local's management makes it possible to provide structural coverage for its liquidity needs up to the extinguishment of the privileged liabilities by assets eligible for refinancing by the Banque de France.

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 credit operations with the Banque de France. Cash needs are defined as repayments of *obligations foncières* and RCB, of debts that do not benefit from the legal privilege and forecasts of repayment of the cash collateral received, decreased by the amortization of assets.

At the end of September 2014, Caisse Française de Financement Local's cumulated liquidity forecast does not create a need for cash, but an excess over the whole period, as shown in the following graph.

