



Report on asset quality
as of March 31, 2014
Caisse Française de Financement Local
(Instruction n° 2011-I-07 of June 15, 2011)

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 March 31, 2014, Caisse Française de Financement Local's cover pool is made of EUR 48.6 billion of loans, EUR 8.8 billion of bonds and EUR 4.2 billion of replacement assets, that correspond to the following exposures :

EUR thousands, as of 03/31/2014	Amount	Assets temporarily removed from the cover pool	TOTAL
Exposures on public sector	57,510,730		57,510,730
Asset-backed securities	-		-
Replacement assets	4,197,424		4,197,424
TOTAL	61,708,154	-	61,708,154

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 March 31, 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)			141,960		141,960	301
Banque de France (3)	101,000				101,000	
Regions	1,721,768	119,095	287,248		2,128,111	19
Departments	6,002,962		292,069		6,295,031	17,269
Municipalities	15,572,326	101,780	709,192		16,383,298	36,156
Groups of municipalities (4)	9,202,615	107,015	230,679		9,540,309	30,739
Public sector entities :						
- health	6,132,172				6,132,172	3,583
- social housing	1,757,002				1,757,002	4
- others	965,119		8,272		973,391	334
Sub total	41,454,964	327,890	1,669,420	-	43,452,274	88,405
Germany						
Länder		508,194		342,500	850,694	
Sub total	-	508,194	-	342,500	850,694	-
Austria						
Länder	198,333				198,333	
Sub total	198,333	-	-	-	198,333	-
Belgium						
Regions	54,782		59,432		114,214	
Communities		50,000			50,000	
Public sector entities	71,664				71,664	
Sub total	126,446	50,000	59,432	-	235,878	-
Canada						
Provinces		22,371			22,371	
Municipalities	202,458				202,458	
Public sector entities	128,677				128,677	
Sub total	331,135	22,371	-	-	353,506	-
Spain						
Municipalities	266,898				266,898	
Regions		230,855			230,855	
Sub total	266,898	230,855	-	-	497,753	-
United States						
Federated States		252,556			252,556	
Sub total	-	252,556	-	-	252,556	-
Finland						
Municipalities	4,625				4,625	
Public sector entities	41,880				41,880	
Sub total	46,505	-	-	-	46,505	-

EUR thousands	Direct Exposure		Indirect Exposure		Global	Of which past due (1)
	Loans	Bonds	Loans	Bonds		
Country						
Italy						
State		581,864			581,864	
Regions		3,049,185			3,049,185	
Provinces		711,056			711,056	
Municipalities	11,661	2,314,818			2,326,479	
Sub total	11,661	6,656,923	-	-	6,668,584	-
Japon						
Municipalities		25,000			25,000	
Sub total	-	25,000	-	-	25,000	-
Portugal						
Municipalities	57,631				57,631	1
Public sector entities	7,734				7,734	
Sub total	65,365	-	-	-	65,365	1
United Kingdom						
State				536,782	536,782	
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	536,782	2,386,782	-
Sweden						
Municipalities	28,226		27,293		55,519	
Public sector entities	4,299				4,299	
Sub total	32,525	-	27,293	-	59,818	-
Switzerland						
Cantons	957,194		553,844		1,511,038	
Municipalities	774,960				774,960	
Public sector entities	90,525				90,525	
Sub total	1,822,679	-	553,844	-	2,376,523	-
Supranational						
International organizations	41,159				41,159	
Sub total	41,159	-	-	-	41,159	
TOTAL	44,397,670	8,073,789	4,159,989	879,282	57,510,730	88,406

(1) From 2014, Caisse Française de Financement Local publishes annual and semi-annual accounts. Also, as of March 31, 2014, non-performing and litigious loans, and specific impairments are not available. For the record, as of December 2013, non-performing and litigious loans amounted at EUR 249,198 thousand and specific impairments on loans and bonds are composed as followed:

- specific impairment on non performing loans : EUR 29,156 thousand. In addition to these impairments, Caisse Française de Financement Local made collective and sectorial impairments.
- provisions for unrealised losses on placement portfolio bonds : EUR 43,097 thousand

(2) Of which EUR 33,414 thousand on operations linked to partnership agreement (PPP)

(3) Caisse Française de Financement Local's Banque de France account as of March 31, 2014

(4) Of which EUR 26,035 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 or asset-backed securities, 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 03/31/2014

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	2,245	331,233	44,266	-	-	-	375,498
1	3,488	40,500	39,544	935,205	786,288	-	1,801,536
2	3,090	42,153	34,615	89,702	2,699,355	-	2,865,825
3	3,349	27,089	30,059	92,225	1,298,402	-	1,447,776
4	4,069	55,114	59,494	111,742	1,320,657	-	1,547,007
5	3,437	45,541	49,700	110,254	1,076,087	-	1,281,582
6	3,368	46,806	42,515	115,757	887,804	1,416,396	2,509,278
7	2,638	31,610	31,765	110,512	726,662	727,436	1,627,985
8	2,661	35,261	37,662	110,004	773,250	1,001,470	1,957,646
9	2,706	36,643	36,630	88,431	686,511	1,477,522	2,325,738
10	2,071	33,540	34,170	93,475	691,555	1,113,987	1,966,727
11	3,293	62,928	43,626	98,006	819,216	1,778,388	2,802,164
12	3,061	33,388	37,145	97,153	732,475	2,292,087	3,192,248
13	1,978	36,146	40,234	92,475	707,055	2,180,397	3,056,307
14	2,310	36,623	57,202	106,318	877,434	2,782,734	3,860,310
15	1,787	27,772	35,283	100,747	698,726	2,112,555	2,975,083
16	1,480	20,897	19,772	51,272	388,734	1,472,991	1,953,666
17	1,302	15,166	15,308	37,858	291,446	1,294,158	1,653,936
18	876	15,613	22,837	38,201	327,363	1,495,201	1,899,215
19	937	14,591	11,042	40,844	283,613	1,411,935	1,762,024
20	701	11,644	10,800	32,196	230,924	1,432,531	1,718,095
21	787	15,454	10,725	21,489	203,602	1,935,283	2,186,553
22	628	8,671	8,348	28,638	193,794	1,637,232	1,876,682
23	644	11,630	7,555	33,435	230,957	2,146,485	2,430,062
24	543	8,600	16,616	29,747	235,573	1,564,040	1,854,575
25	435	6,184	6,957	21,294	146,174	1,091,796	1,272,405
26	292	5,577	4,933	12,926	110,258	751,657	885,351
27	134	2,874	4,062	7,428	60,212	376,037	450,614
28	91	1,248	2,736	5,340	40,052	340,636	390,011
29	68	1,127	919	2,455	18,912	155,966	179,379
30	68	465	427	2,948	15,601	92,765	112,205
31	48	429	288	1,517	9,576	100,179	111,988
32	54	653	618	1,238	13,118	168,921	184,549
33	53	902	1,082	759	11,810	156,492	171,044
34	45	549	663	998	10,585	837,666	850,461
35	27	236	341	1,789	9,727	94,834	106,926
36	10	71	86	407	2,386	31,984	34,933
37	2	83	83	167	1,334	10,648	12,316
38	9	509	217	193	3,704	34,905	39,529
39	35	55	54	209	1,354	23,294	24,966
40	12	29	642	765	6,213	80,248	87,896
41	16	420	176	300	3,974	97,001	101,871
42	27	166	151	481	3,311	42,144	46,253
43	22	113	95	164	1,702	36,291	38,367
44	8	64	118	271	1,919	24,998	27,370
45	7	42	90	218	1,504	28,307	30,162
46	2	75	112	188	1,529	21,734	23,637
47	1	-	25	25	221	6,612	6,883
Total	54,915	1,066,484	801,788	2,727,763	17,642,659	35,877,940	58,116,633
TRANSLATION ADJUSTMENTS							- 605,903
GLOBAL							57,510,730

(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 03/31/2014

State	Early repayments during the year	Rate of early repayments
France		
Municipalities	8,504	0.20%
Group of municipalities	1,099	0.05%
Public sector entities :		
- health	39	0.00%
- social housing	607	0.14%
- others	524	0.21%
Sub total	10,773	0.12%
Italy		
Municipalities	3,346	0.58%
Sub total	3,346	0.58%
GLOBAL	14,119	0.15%

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
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3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

3.1 BREAKDOWN BY COUNTERPART

As of March 31, 2014, Caisse Française de Financement Local holds no 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 03/31/2014	Amount
Replacement assets	4,197,424
TOTAL	4,197,424

Replacement assets	Amount in EUR thousands
Step 1 credit rating	
Loan Société de Financement Local	4,186,244
Step 2 credit rating	
Bank account's balances	11,180
Other assets	-
TOTAL	4,197,424
PREMIUMS AND DISCOUNTS	-
GLOBAL	4,197,424

4.2 RATINGS

As of March 31, 2014, replacement assets are composed of a loan 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 03/31/2014

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	1	11,180	-	-	-	-	11,180
14	1	175,449	98,050	186,532	1,152,056	1,382,811	2,994,898
22	1	28,580	3,267	39,360	283,070	837,069	1,191,346
Total	3	215,209	101,317	225,892	1,435,126	2,219,880	4,197,424
PREMIUMS AND DISCOUNTS							-
GLOBAL							4,197,424

(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 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 hedged 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 customers). 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 re-fixing dates of reference indexes in the assets and the liabilities.

A residual gap remains after the first and second levels of hedging and is also monitored within strict limits.

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 at the end of the first quarter. This general sensitivity limit is unchanged to 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	2Q 2013	15.6	16.5	14.4	31.0
	3Q 2013	16.0	19.7	14.1	31.0
	4Q 2013	12.2	16.5	3.2	31.0
	1Q 2014	13.4	13.5	13.1	31.0
Monetary	2Q 2013	(0.1)	1.4	(1.1)	9.0
	3Q 2013	1.5	1.7	1.3	9.0
	4Q 2013	(0.3)	2.9	(4.7)	9.0
	1Q 2014	0.8	1.0	0.5	9.0
Total	2Q 2013	15.5	16.8	14.2	40.0
	3Q 2013	17.5	21.1	15.9	40.0
	4Q 2013	11.9	19.5	(1.5)	40.0
	1Q 2014	14.2	14.5	13.6	40.0

6. MANAGEMENT OF THE LIQUIDITY RISK

Cash needs over the next 180 days: 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, assets eligible for credit operations with the Banque de France, or by refinancing agreements signed with credit institutions with the best short-term credit rating.

At the end of March 2014, Caisse Française de Financement Local's cumulated need for cash mainly corresponded to reimbursement at the end of the first week of the cash collateral received (stress scenario), as shown in the following graph.

