

Report on asset quality
as of December 31, 2013
Caisse Française de Financement Local
Local public sector assets – *Obligations foncières*
(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 December 31, 2013, Caisse Française de Financement Local's cover pool is made of EUR 50.3 billion of loans, EUR 9.0 billion of bonds and EUR 4.4 billion of replacement assets, that correspond to the following exposures :

EUR thousands, as of 12/31/2013	Amount	Assets temporarily removed from the cover pool	TOTAL
Exposures on public sector	59,349,813		59,349,813
Asset-backed securities	-		-
Replacement assets	4,381,201		4,381,201
TOTAL	63,731,014	-	63,731,014

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 December 31, 2013, no asset has been assigned by Caisse Française de Financement Local in guarantee to the Banque de France.

Caisse Française de Financement Local sold in the beginning of July 2013 all its internal securitizations to its parent, Société de Financement Local. All of the external securitization units were sold in April and May 2013.

Since the sale 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 non-performing loans	Of which past due	Of which specific impairment (1)
Country	Loans	Bonds	Loans	Bonds				
France								
State (2)			147,388		147,388	257	259	129
Banque de France (3)	1,471,000				1,471,000			
Regions	1,745,660	123,640	289,560		2,158,860		7	
Departments	5,855,251		300,987		6,156,238	19,216	17,205	19
Municipalities	15,790,106	101,780	733,500		16,625,386	112,460	33,645	5,839
Groups of municipalities (4)	9,254,474	107,649	239,401		9,601,524	65,285	25,291	4,517
Public sector entities :								
- health	6,168,329				6,168,329	51,698	1,398	2,209
- social housing	1,795,351				1,795,351		3	
- others	988,418		9,156		997,574	282	348	21
Sub total	43,068,589	333,069	1,719,992	-	45,121,650	249,198	78,156	12,734
Germany								
Länder		511,815		342,399	854,214			3,286
Sub total	-	511,815	-	342,399	854,214	-	-	3,286
Austria								
Länder	199,241				199,241			
Sub total	199,241	-	-	-	199,241	-	-	-
Belgium								
Regions	54,782		59,432		114,214			
Communities		50,000			50,000			
Public sector entities	74,116				74,116			
Sub total	128,898	50,000	59,432	-	238,330	-	-	-
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		229,310			229,310			3,043
Sub total	266,898	229,310	-	-	496,208	-	-	3,043
United States								
Federated States		252,943			252,943			
Sub total	-	252,943	-	-	252,943	-	-	-
Finland								
Municipalities	4,675				4,675			
Public sector entities	41,880				41,880			
Sub total	46,555	-	-	-	46,555	-	-	-

REPORT ON ASSET QUALITY
CAISSE FRANÇAISE DE FINANCEMENT LOCAL

EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which non-performing loans	Of which past due	Of which specific impairment (1)
	Loans	Bonds	Loans	Bonds				
Italy (5)								
State		579,799			579,799			36,471
Regions		3,050,851			3,050,851			
Provinces		717,038			717,038			
Municipalities	11,662	2,339,393			2,351,055			
Sub total	11,662	6,687,081	-	-	6,698,743	-	-	36,471
Japon								
Municipalities		25,000			25,000			
Sub total	-	25,000	-	-	25,000	-	-	-
Portugal								
Municipalities	58,392				58,392			
Public sector entities	8,164				8,164			
Sub total	66,556	-	-	-	66,556	-	-	-
United Kingdom								
State				554,815	554,815			
County (6)			398,124		398,124			
District (6)			27,973		27,973			
Municipalities (6)			1,367,720		1,367,720			
Public sector entities (6)			56,183		56,183			
Sub total	-	-	1,850,000	554,815	2,404,815	-	-	-
Sweden								
Municipalities	28,226		27,307		55,533			
Public sector entities	4,380				4,380			
Sub total	32,606	-	27,307	-	59,913	-	-	-
Switzerland								
Cantons	1,066,650		553,844		1,620,494			
Municipalities	778,220				778,220			
Public sector entities	90,525				90,525			
Sub total	1,935,395	-	553,844	-	2,489,239	-	-	-
Supranational								
International organizations	42,900				42,900			
Sub total	42,900	-	-	-	42,900	-	-	-
TOTAL	46,130,435	8,111,589	4,210,575	897,214	59,349,813	249,198	78,156	55,534

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

- specific impairment on non performing loans : EUR 12,734 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 42,801 thousand

(2) Of which EUR 32,374 thousand on operations linked to partnership agreement (PPP)

(3) Caisse Française de Financement Local's Banque de France account as of December 31, 2013

(4) Of which EUR 26,390 thousand on operations linked to partnership agreement (PPP)

(5) The increase of the Italian public sector exposure, during the year 2013, is due to the unwind of the securitizations DCC and the purchase by Caisse Française de Financement Local of the underlying Italian assets.

(6) 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 (ACP).

2.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 12/31/2013

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	2,847	1,495,830	162,622	-	-	-	1,658,452
1	3,631	51,655	40,316	175,226	1,139,873	-	1,407,071
2	3,255	47,469	38,964	74,876	1,254,426	-	1,415,734
3	3,135	50,560	28,979	79,786	3,126,354	-	3,285,679
4	3,952	53,820	55,759	92,236	1,224,975	-	1,426,790
5	3,621	64,266	50,513	104,043	1,232,585	-	1,451,407
6	3,454	63,683	47,025	104,100	932,834	1,918,065	3,065,707
7	2,757	43,169	32,999	104,846	752,084	884,449	1,817,547
8	2,637	58,911	35,196	84,132	756,028	1,064,935	1,999,201
9	2,666	47,227	35,757	77,585	677,170	1,397,393	2,235,132
10	2,130	48,194	32,616	82,294	704,375	1,241,990	2,109,468
11	2,252	49,336	53,208	59,828	647,212	1,432,813	2,242,397
12	3,930	52,111	35,179	94,868	770,274	2,362,584	3,315,016
13	2,161	38,167	38,971	94,521	729,391	2,269,219	3,170,269
14	2,061	57,707	31,789	76,438	746,940	2,485,769	3,398,643
15	1,890	42,595	27,918	106,718	745,597	2,323,543	3,246,371
16	1,263	21,093	20,474	54,741	408,162	1,472,026	1,976,495
17	1,613	24,643	16,295	32,189	311,356	1,485,499	1,869,982
18	844	13,542	15,056	36,172	276,335	1,272,782	1,613,887
19	931	19,507	15,289	46,064	342,210	1,650,512	2,073,581
20	759	10,787	11,345	27,968	211,985	1,155,849	1,417,934
21	692	10,316	14,443	18,055	184,787	2,067,097	2,294,699
22	701	10,251	9,123	28,518	203,843	1,672,745	1,924,480
23	638	14,238	11,223	25,407	218,999	1,984,472	2,254,338
24	549	10,414	9,304	26,942	198,992	1,297,207	1,542,860
25	492	10,169	5,855	29,348	193,585	1,403,111	1,642,069
26	296	8,102	5,885	11,544	117,145	811,781	954,456
27	164	3,192	2,743	8,288	60,253	429,680	504,156
28	92	3,059	1,315	4,681	38,091	300,596	347,743
29	81	1,248	1,346	4,247	28,826	249,411	285,078
30	71	2,539	506	704	15,738	97,116	116,604
31	49	500	424	1,396	9,993	101,498	113,810
32	50	433	539	787	9,834	121,999	133,593
33	55	416	948	981	9,908	110,155	122,407
34	42	627	604	1,553	12,421	797,216	812,419
35	34	1,304	202	1,075	11,546	217,225	231,352
36	15	191	142	684	4,253	53,731	59,000
37	3	85	85	170	1,365	11,374	13,079
38	7	102	509	181	3,192	30,107	34,092
39	29	130	36	192	1,508	23,851	25,716
40	17	500	23	257	3,457	72,553	76,789
41	17	190	445	910	6,679	104,672	112,896
42	28	166	166	519	3,537	46,834	51,222
43	19	75	113	66	1,179	24,675	26,107
44	10	118	38	260	1,794	27,425	29,635
45	8	192	68	202	1,956	34,168	36,586
46	2	94	75	169	1,368	17,107	18,813
47	1	36	-	37	322	9,403	9,798
48	1	24	-	25	217	6,642	6,908
Total	55,952	2,432,984	892,429	1,775,827	18,334,952	36,541,278	59,977,470
TRANSLATION ADJUSTMENTS							- 627,657
GLOBAL							59,349,813

(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 12/31/2013

State	Early repayments during the year	Rate of early repayments
France		
Regions	870	0.05%
Departments	2,720	0.05%
Municipalities	36,844	0.22%
Group of municipalities	27,300	0.29%
Public sector entities :		
- health	18,605	0.24%
- social housing	24,824	1.12%
- others	7,983	0.65%
Sub total	119,146	0.27%
Italy		
Provinces	2,013	0.52%
Municipalities	4,530	0.26%
Sub total	6,543	0.31%
GLOBAL	125,689	0.27%

The annual rate of early repayments corresponds to the volume of early repayments occurred during 2013 divided by the average of daily outstanding amount.

As a reminder, the rate of early repayments in 2012 was 1.17% for EUR 554 millions of repayments.

3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

3.1 BREAKDOWN BY COUNTERPART

As of December 31, 2013, Caisse Française de Financement Local does not hold asset-backed securities in its balance sheet, after the sale of all its securitizations units during the year 2013.

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 12/31/2013	Amount
Replacement assets	4,381,201
TOTAL	4,381,201

Replacement assets	Amount in EUR thousands
Step 1 credit rating	
Loan Société de Financement Local	4,362,919
Step 2 credit rating	
Bank account's balances	18,282
Other assets	-
TOTAL	4,381,201
PREMIUMS AND DISCOUNTS	-
GLOBAL	4,381,201

4.2 RATINGS

As of December 31, 2013, 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 12/31/2013

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	18,282	-	-	-	-	18,282
15	1	134,860	67,155	158,981	1,191,642	1,581,632	3,134,270
22	1	37,303	28,580	11,761	284,243	866,762	1,228,649
Total	3	190,445	95,735	170,742	1,475,885	2,448,394	4,381,201
PREMIUMS AND DISCOUNTS							-
GLOBAL							4,381,201

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

4.4 EARLY REPAYMENTS

EUR thousands, as of 12/31/2013

State	Early repayments	Rate of early repayments
Step 1 credit rating		
Loan Société de Financement Local	3,196,928	48.60%
GLOBAL	3,196,928	48.60%

Early reimbursements on loans to Société de Financement Local, classified as replacement assets, follow the unwind of the securitizations DCC and the purchase by Caisse Française de Financement Local of the underlying Italian assets.

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 clients). This gap is monitored within very strict limits.
- In the second step, Euribor lending and borrowing flows are hedged against Eonia over a sliding period of two years in order to eliminate the interest rate risk generated by differences in fixing dates. 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	1Q 2013	16.4	18.1	15.7	31.0
	2Q 2013	15.6	16.5	14.4	31.0
	3Q 2013	16.0	19.7	14.1	31.0
	4Q 2013	15.4	16.5	14.1	31.0
Monetary	1Q 2013	(0.3)	0.5	(0.7)	9.0
	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
Total	1Q 2013	16.1	18.6	15.1	40.0
	2Q 2013	15.5	16.8	14.2	40.0
	3Q 2013	17.5	21.1	15.9	40.0
	4Q 2013	14.8	19.5	9.4	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 December 2013, 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.

