



Caisse  
Française de  
Financement  
Local

## Report on asset quality as of June 30, 2013

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 June 30, 2013, Caisse Française de Financement Local's cover pool is made of EUR 49.7 billion of loans and EUR 14.1 billion of bonds, that correspond to the following exposures :

EUR thousands, as of 6/30/2013	Amount	Assets temporarily removed from the cover pool	TOTAL
Exposures on public sector	55,942,054		55,942,054
Asset-backed securities	7,808,843		7,808,843
Replacement assets	12,283		12,283
<b>TOTAL</b>	<b>63,763,180</b>	-	<b>63,763,180</b>

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 June 30, 2013, no asset has been assigned by Caisse Française de Financement Local in guarantee to the Banque de France.

## 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 (2)
	Loans	Bonds	Loans	Bonds				
<b>France</b>								
State (3)	31,500		140,554		172,054		259	
Banque de France (4)	10,000				10,000			
Regions	1,799,914	123,640	291,793		2,215,347		1	
Departments	5,789,346		314,638		6,103,984	12,807	13,070	
Municipalities (5)	15,953,484	103,838	793,604		16,850,926	46,557	21,395	3,099
Groups of municipalities (6)	9,370,876	112,449	239,824		9,723,149	57,706	17,020	4,099
Public sector entities :								
- health	6,299,864				6,299,864	1,093	2,390	
- social housing	1,855,808				1,855,808		84	
- others	970,257		10,891		981,148	418	275	213
<b>Sub total</b>	<b>42,081,049</b>	<b>339,927</b>	<b>1,791,304</b>	<b>-</b>	<b>44,212,280</b>	<b>118,581</b>	<b>54,494</b>	<b>7,411</b>
<b>Germany</b>								
State				11,580	11,580			
Länder		505,938		342,500	848,438			9,062
<b>Sub total</b>	<b>-</b>	<b>505,938</b>	<b>-</b>	<b>354,080</b>	<b>860,018</b>	<b>-</b>	<b>-</b>	<b>9,062</b>
<b>Austria</b>								
Länder	200,468				200,468			
<b>Sub total</b>	<b>200,468</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,468</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Belgium</b>								
Regions	154,782		68,793		223,575			
Communities		50,000			50,000			
Public sector entities	74,736				74,736			
<b>Sub total</b>	<b>229,518</b>	<b>50,000</b>	<b>68,793</b>	<b>-</b>	<b>348,311</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Canada</b>								
Provinces		22,371			22,371			
Municipalities	202,458				202,458			
Public sector entities	128,676				128,676			
<b>Sub total</b>	<b>331,134</b>	<b>22,371</b>	<b>-</b>	<b>-</b>	<b>353,505</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Spain</b>								
Municipalities	273,197				273,197			
Regions		228,152			228,152			4,201
<b>Sub total</b>	<b>273,197</b>	<b>228,152</b>	<b>-</b>	<b>-</b>	<b>501,349</b>	<b>-</b>	<b>-</b>	<b>4,201</b>
<b>United States</b>								
Federated States		252,943			252,943			
<b>Sub total</b>	<b>-</b>	<b>252,943</b>	<b>-</b>	<b>-</b>	<b>252,943</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Finland</b>								
Municipalities	8,225				8,225			
Public sector entities	42,240				42,240			
<b>Sub total</b>	<b>50,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,465</b>	<b>-</b>	<b>-</b>	<b>-</b>

EUR thousands	Direct Exposure		Indirect Exposure		Global	Of which non performing loans	Of which past due	Of which specific impairment (2)
	Loans	Bonds	Loans	Bonds				
Country								
<b>Italy</b>								
State		506,270		61,792	568,062			48,209
Regions		1,525,936			1,525,936			4,750
Provinces		268,913			268,913			
Municipalities	12,163	1,503,702			1,515,865			
<b>Sub total</b>	<b>12,163</b>	<b>3,804,821</b>	<b>-</b>	<b>61,792</b>	<b>3,878,776</b>	<b>-</b>	<b>-</b>	<b>52,959</b>
<b>Japan</b>								
Municipalities		25,000			25,000			
<b>Sub total</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Portugal</b>								
Municipalities	61,312				61,312			
Public sector entities	8,594				8,594			
<b>Sub total</b>	<b>69,906</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,906</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>United Kingdom</b>								
State				575,716	575,716			14,377
County (7)			398,124		398,124			
District (7)			27,973		27,973			
Municipalities (7)			1,367,720		1,367,720			
Public sector entities (7)			56,183		56,183			
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>1,850,000</b>	<b>575,716</b>	<b>2,425,716</b>	<b>-</b>	<b>-</b>	<b>14,377</b>
<b>Sweden</b>								
Municipalities	56,591		27,333		83,924			
Public sector entities	4,543				4,543			
<b>Sub total</b>	<b>61,134</b>	<b>-</b>	<b>27,333</b>	<b>-</b>	<b>88,467</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Switzerland</b>								
Cantons	1,166,027		589,844		1,755,871			
Municipalities	783,833				783,833			
Public sector entities	90,525				90,525			
<b>Sub total</b>	<b>2,040,385</b>	<b>-</b>	<b>589,844</b>	<b>-</b>	<b>2,630,229</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Supranational</b>								
International organizations	44,621				44,621			
<b>Sub total</b>	<b>44,621</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,621</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>45,394,040</b>	<b>5,229,152</b>	<b>4,327,274</b>	<b>991,588</b>	<b>55,942,054</b>	<b>118,581</b>	<b>54,494</b>	<b>88,010</b>

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

- specific impairment on non performing loans : EUR 7,411 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 96,096 thousand

(3) Of which EUR 25,246 thousand on operations linked to partnership agreement (PPP)

(4) Caisse Française de Financement Local's Banque de France account as of June 30, 2013

(5) Of which EUR 17,463 thousand on operations linked to partnership agreement (PPP)

(6) Of which EUR 16,718 thousand on operations linked to partnership agreement (PPP)

(7) 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 6/30/2013

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals <sup>(1)</sup>	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	2,046	209,288	263,593	-	-	-	472,882
1	3,515	34,095	47,358	267,547	189,771	-	538,771
2	3,464	38,371	34,122	88,543	2,004,137	-	2,165,173
3	3,173	32,614	45,929	92,190	2,798,019	-	2,968,752
4	3,591	24,266	41,943	80,606	1,413,816	-	1,560,630
5	4,013	58,120	41,231	111,544	1,073,095	-	1,283,990
6	3,300	33,691	47,765	114,387	895,510	2,126,295	3,217,649
7	3,271	39,502	69,404	103,706	891,159	730,525	1,834,296
8	2,543	33,329	49,673	80,310	682,095	717,906	1,563,313
9	2,645	27,635	36,746	87,601	678,373	1,164,776	1,995,131
10	2,644	38,335	43,720	86,118	719,397	1,627,131	2,514,701
11	1,890	29,964	34,911	74,563	597,422	1,108,476	1,845,336
12	3,977	45,214	45,069	115,080	813,476	1,710,564	2,729,402
13	2,409	38,106	57,482	86,759	780,344	2,839,435	3,802,125
14	1,789	34,571	30,995	60,963	541,096	1,929,032	2,596,656
15	1,821	42,151	38,130	80,387	727,185	2,375,864	3,263,718
16	1,258	25,641	26,977	52,123	444,223	1,511,408	2,060,372
17	1,726	19,057	18,759	42,370	345,491	1,550,419	1,976,095
18	964	13,080	22,403	34,818	300,799	1,217,772	1,588,872
19	889	23,327	22,572	31,904	327,715	1,618,731	2,024,249
20	926	9,270	17,577	31,467	247,406	1,211,384	1,517,104
21	618	3,619	7,536	19,425	105,143	1,318,127	1,453,851
22	804	9,661	19,749	26,918	239,970	1,560,966	1,857,264
23	575	7,990	16,815	17,848	185,269	1,441,624	1,669,547
24	657	6,942	16,268	27,220	213,772	1,467,697	1,731,899
25	568	16,435	12,520	19,801	210,421	1,490,791	1,749,969
26	352	6,284	5,878	14,231	111,021	806,852	944,265
27	262	4,291	4,490	11,971	95,172	674,088	790,012
28	105	3,905	3,261	5,403	52,932	391,628	457,130
29	83	2,232	1,185	4,086	31,435	261,824	300,761
30	69	855	1,088	1,958	15,725	144,386	164,012
31	62	367	587	3,234	18,002	104,305	126,495
32	60	289	640	1,117	9,891	118,759	130,697
33	44	575	419	1,109	10,497	134,869	147,469
34	49	970	319	1,161	10,650	157,933	171,033
35	48	654	454	1,238	11,068	851,057	864,471
36	26	341	387	1,546	9,252	88,458	99,985
37	5	74	61	172	1,326	21,292	22,925
38	2	84	84	168	1,340	11,056	12,731
39	10	188	69	555	3,278	32,327	36,418
40	37	54	254	210	2,230	34,046	36,793
41	10	639	51	584	5,504	75,103	81,880
42	24	147	258	540	4,267	105,899	111,111
43	20	164	162	360	2,790	33,840	37,316
44	23	84	99	223	1,897	37,005	39,308
45	7	109	67	166	1,417	23,742	25,501
46	5	88	42	201	1,416	26,811	28,558
47	2	110	75	186	1,516	22,046	23,933
48	1	24	-	24	212	6,671	6,931
<b>Total</b>	<b>56,382</b>	<b>916,800</b>	<b>1,129,179</b>	<b>1,884,643</b>	<b>17,827,939</b>	<b>34,882,920</b>	<b>56,641,481</b>
TRANSLATION ADJUSTMENTS							- 699,427
<b>GLOBAL</b>							<b>55,942,054</b>

(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 6/30/2013

State	Early repayments during the year	Rate of early repayments
<b>France</b>		
Regions	0	0.00%
Departments	1,341	0.05%
Municipalities	16,193	0.20%
Group of municipalities	9,425	0.20%
Public sector entities :		
- health	2,462	0.06%
- social housing	20,656	1.83%
- others	6,683	1.12%
<b>Sub total</b>	<b>56,760</b>	<b>0.25%</b>
<b>GLOBAL</b>	<b>56,760</b>	<b>0.25%</b>

The annual rate of early repayments corresponds to the volume of early repayments occurred during the first half of 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.

1Q :	290
2Q :	133
3Q :	26
4Q :	105
	<u>554</u>

### 3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

#### 3.1 BREAKDOWN BY COUNTERPART

Name	Group*	Date of the acquisition	Number of bonds	Face value in EUR	Amount in EUR thousands as of 6/30/2013	Of which specific impairment	Maturity date	
<b>Dexia Crediop per la Cartolarizzazione</b>	<b>DCC1</b>	Yes	2004	1,128,851	1,000	661,969	-	2039
	<b>DCC2</b>	Yes	2005	1	1,005,965,000	575,643	<b>41</b>	2041
	<b>DCC3</b>	Yes	2008	23,000	100,000	2,025,610	-	2037
				<b>Sub Total</b>		<b>3,263,222</b>	<b>41</b>	
<b>Dexia Secured Funding Belgium</b>	<b>DSFB2</b>	Yes	2008	6,356	250,000	1,239,430	-	2040
	<b>DSFB4</b>	Yes	2009/2010	18,800	250,000	3,306,191	-	2047
				<b>Sub Total</b>		<b>4,545,621</b>	-	
<b>TOTAL</b>					<b>7,808,843</b>	<b>41</b>		
PREMIUMS AND DISCOUNTS					41	-		
<b>GLOBAL</b>					<b>7,808,884</b>	<b>41</b>		

\* The seller of the securitized exposures and Caisse Française de Financement Local were integrated in the same scope of consolidation at the acquisition date of the securitization units.

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As of June 30, 2013, all asset-backed securities and similar structures held by Caisse Française de Financement Local represent public sector exposures.

The securitization units of Colombo SRL and Blue Danube Loan Funding GmbH were entirely sold in April and May 2013.

Caisse Française de Financement Local sold in the beginning of July 2013 all these securitizations to its parent, Société de Financement Local. This transfer was accompanied by a loan from its parent company fully backed by the amortization profile of the securitizations. In this context, the new financing arrangement is considered as a replacement asset, and does not exceed 15% of the amount of outstanding covered bonds.

Since the sale of all securitizations present in the cover pool, present and future covered bonds issued by Caisse Française de Financement Local are eligible for refinancing operations with the European Central Bank.

#### 3.2 RATINGS

As of June 30, 2013, asset-backed securities and similar structures held by Caisse Française de Financement Local get the following ratings:

- DCC Securities held by Caisse Française de Financement Local benefit from the guarantee of Dexia Crediop, and are rated, BBB+ / outlook negative by Fitch, B+ outlook negative by Standard and Poor's and Ba2 by Moody's.
- The securities issued by DSFB 2 held by Caisse Française de Financement Local benefit from the guarantee of Belfius Bank and Insurance, and are rated, A- / outlook stable by Fitch, A- by S&P and Baa1 by Moody's. The securities issued by DSFB 4 are not guaranteed by Belfius Bank and Insurance but are rated AA- / outlook stable by Fitch.

### 3.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 6/30/2013

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals <sup>(1)</sup>	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
24	1	21,344	10,902	29,785	250,493	1,713,086	2,025,610
26	1	19,721	-	22,114	166,923	453,211	661,969
27	1	3,267	7,514	65,882	284,243	878,523	1,239,430
28	1	25,229	-	25,632	207,430	317,352	575,643
34	1	107,840	64,081	202,015	1,234,546	1,697,709	3,306,191
<b>Total</b>	<b>5</b>	<b>177,401</b>	<b>82,497</b>	<b>345,428</b>	<b>2,143,636</b>	<b>5,059,881</b>	<b>7,808,843</b>
PREMIUMS AND DISCOUNTS							41
<b>GLOBAL</b>							<b>7,808,884</b>

<sup>(1)</sup> Number of ABS reaching their maturity during the period

### 3.4 EARLY REPAYMENTS

There were no early repayments on the securitization units during the first semester of 2013.



## 4. REPLACEMENT ASSETS

### 4.1. BREAKDOWN BY COUNTERPART

EUR thousands, as of 6/30/2013	Amount
Replacement assets	12,283
<b>TOTAL</b>	<b>12,283</b>

Replacement assets	Amount in EUR thousands
<b>Step 1 credit rating</b>	
<b>Step 2 credit rating</b>	
Bank account's balances	12,283
<b>Other assets</b>	-
<b>TOTAL</b>	<b>12,283</b>
PREMIUMS AND DISCOUNTS	-
<b>GLOBAL</b>	<b>12,283</b>

### 4.2 RATINGS

As of June 30, 2013, replacement assets are solely composed of bank account's balances, which rating correspond to a step 2 credit rating.

### 4.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 6/30/2013

Residual maturity		Term to maturity					TOTAL
Maturity date in years	Number of deals <sup>(1)</sup>	Less than 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	More than 5 years	
0	1	12,283	-	-	-	-	12,283
<b>Total</b>	<b>1</b>	<b>12,283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,283</b>
PREMIUMS AND DISCOUNTS							-
<b>GLOBAL</b>							<b>12,283</b>

(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 semester of 2013.

## 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 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
<b>Fixed Rate</b>	<b>3Q 2012</b>	15.2	16.6	13.2	<b>31.0</b>
	<b>4Q 2012</b>	13.3	16.0	10.9	<b>31.0</b>
	<b>1Q 2013</b>	16.4	18.1	15.7	<b>31.0</b>
	<b>2Q 2013</b>	15.6	16.5	14.4	<b>31.0</b>
<b>Monetary</b>	<b>3Q 2012</b>	0.9	1.2	0.6	<b>9.0</b>
	<b>4Q 2012</b>	0.4	1.8	(1.3)	<b>9.0</b>
	<b>1Q 2013</b>	(0.3)	0.5	(0.7)	<b>9.0</b>
	<b>2Q 2013</b>	(0.1)	1.4	(1.1)	<b>9.0</b>
<b>Total</b>	<b>3Q 2012</b>	16.1	17.2	14.1	<b>40.0</b>
	<b>4Q 2012</b>	13.7	16.4	11.7	<b>40.0</b>
	<b>1Q 2013</b>	16.1	18.6	15.1	<b>40.0</b>
	<b>2Q 2013</b>	15.5	16.8	14.2	<b>40.0</b>

## 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 June 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.

