

Report on asset quality
as of September 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 September 30, 2013, Caisse Française de Financement Local's cover pool is made of EUR 50.6 billion of loans, EUR 6.2 billion of bonds and EUR 7.6 billion of replacement assets, that correspond to the following exposures :

EUR thousands, as of 9/30/2013	Amount	Assets temporarily removed from the cover pool	TOTAL
Exposures on public sector	56,790,600		56,790,600
Asset-backed securities	-		-
Replacement assets	7,647,760		7,647,760
TOTAL	64,438,360	-	64,438,360

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, 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				
France								
State (3)	31,500		140,296		171,796	257	259	129
Banque de France (4)	1,181,000				1,181,000			
Regions	1,785,016	123,640	291,039		2,199,695		6	
Departments	5,904,560		307,010		6,211,570	15,015	13,086	14
Municipalities (5)	15,926,302	103,290	772,587		16,802,179	117,245	31,255	6,266
Groups of municipalities (6)	9,340,532	112,449	236,217		9,689,198	63,433	23,335	3,889
Public sector entities :								
- health	6,213,322				6,213,322	10,071	2,855	509
- social housing	1,827,962				1,827,962		9	
- others	950,604		10,029		960,633	65	106	3
Sub total	43,160,798	339,379	1,757,178	-	45,257,355	206,086	70,911	10,810
Germany								
State				11,580	11,580			
Länder		510,692		342,500	853,192			4,308
Sub total	-	510,692	-	354,080	864,772	-	-	4,308
Austria								
Länder	199,570				199,570			
Sub total	199,570	-	-	-	199,570	-	-	-
Belgium								
Regions	54,782		63,349		118,131			
Communities		50,000			50,000			
Public sector entities	74,736				74,736			
Sub total	129,518	50,000	63,349	-	242,867	-	-	-
Canada								
Provinces		22,371			22,371			
Municipalities	202,458				202,458			
Public sector entities	128,676				128,676			
Sub total	331,134	22,371	-	-	353,505	-	-	-
Spain								
Municipalities	273,197				273,197			
Regions		228,446			228,446			3,908
Sub total	273,197	228,446	-	-	501,643	-	-	3,908
United States								
Federated States		252,943			252,943			
Sub total	-	252,943	-	-	252,943	-	-	-
Finland								
Municipalities	7,975				7,975			
Public sector entities	42,240				42,240			
Sub total	50,215	-	-	-	50,215	-	-	-

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				
Italy								
State		506,270		64,931	571,201			45,069
Regions		1,524,871			1,524,871			4,702
Provinces		267,343			267,343			
Municipalities	12,105	1,490,881			1,502,986			
Sub total	12,105	3,789,365	-	64,931	3,866,401	-	-	49,771
Japon								
Municipalities		25,000			25,000			
Sub total	-	25,000	-	-	25,000	-	-	-
Portugal								
Municipalities	60,422				60,422			
Public sector entities	8,164				8,164			
Sub total	68,586	-	-	-	68,586	-	-	-
United Kingdom								
State				559,341	559,341			13,242
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			
Sub total	-	-	1,850,000	559,341	2,409,341	-	-	13,242
Sweden								
Municipalities	33,537		27,320		60,857			
Public sector entities	4,461				4,461			
Sub total	37,998	-	27,320	-	65,318	-	-	-
Switzerland								
Cantons	1,166,027		555,065		1,721,092			
Municipalities	778,567				778,567			
Public sector entities	90,525				90,525			
Sub total	2,035,119	-	555,065	-	2,590,184	-	-	-
Supranational								
International organizations	42,900				42,900			
Sub total	42,900	-	-	-	42,900	-	-	-
TOTAL	46,341,140	5,218,196	4,252,912	978,352	56,790,600	206,086	70,911	82,039

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

- specific impairment on non performing loans : EUR 10,810 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 71,229 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 September 30, 2013

(5) Of which EUR 17,164 thousand on operations linked to partnership agreement (PPP)

(6) Of which EUR 16,507 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 9/30/2013

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	2,796	1,398,466	89,289	-	-	-	1,487,755
1	3,687	46,295	53,514	227,203	905,522	-	1,232,534
2	3,355	36,705	47,672	81,964	1,532,264	-	1,698,605
3	3,152	46,847	51,021	75,043	2,863,319	-	3,036,230
4	3,827	45,347	58,876	65,022	1,369,244	-	1,538,490
5	3,670	38,506	64,788	109,970	1,090,859	-	1,304,124
6	3,446	49,745	66,093	101,368	915,880	2,130,110	3,263,195
7	2,891	65,879	43,322	76,841	782,305	742,628	1,710,975
8	2,571	51,287	59,064	71,859	761,967	759,566	1,703,743
9	2,691	37,243	46,412	72,119	660,706	1,280,680	2,097,159
10	2,204	41,259	47,635	77,123	713,458	1,532,109	2,411,583
11	2,052	34,350	51,546	56,529	606,555	1,118,319	1,867,299
12	4,082	46,711	52,855	107,482	829,292	1,817,001	2,853,341
13	2,208	54,671	38,330	70,077	694,933	2,640,778	3,498,789
14	1,919	33,351	55,574	70,948	723,668	2,505,562	3,389,103
15	1,816	41,293	38,827	85,057	691,033	2,148,640	3,004,851
16	1,227	26,952	21,509	44,842	398,667	1,354,673	1,846,643
17	1,705	16,892	26,057	36,519	339,452	1,520,098	1,939,018
18	869	20,639	13,646	26,869	261,322	1,169,808	1,492,284
19	935	22,403	19,261	39,726	344,677	1,623,603	2,049,670
20	783	16,765	10,500	23,152	213,280	1,055,826	1,319,523
21	632	8,374	10,375	20,642	168,438	1,315,105	1,522,934
22	757	18,627	10,268	23,600	223,115	1,479,509	1,755,119
23	604	16,769	14,100	16,514	204,340	1,578,390	1,830,112
24	602	16,546	9,830	20,553	198,866	1,376,258	1,622,053
25	511	13,183	10,046	26,689	213,755	1,480,317	1,743,991
26	314	5,710	8,270	11,949	118,893	825,149	969,970
27	197	4,375	3,398	9,007	70,439	494,743	581,961
28	93	2,096	3,218	4,132	39,961	318,693	368,100
29	72	1,317	1,144	3,574	25,617	205,282	236,934
30	80	691	2,778	1,071	18,639	134,208	157,388
31	53	628	462	1,341	11,236	106,331	119,997
32	52	597	475	660	8,066	100,480	110,278
33	48	381	409	1,166	9,953	125,313	137,222
34	52	416	625	2,048	13,482	793,403	809,973
35	38	397	1,295	1,227	13,116	246,160	262,195
36	18	369	210	535	4,656	58,694	64,464
37	3	85	85	170	1,365	11,459	13,164
38	4	91	102	181	1,502	13,449	15,326
39	15	13	108	558	2,757	30,197	33,632
40	34	248	524	99	3,868	83,563	88,303
41	11	135	188	896	5,217	67,114	73,550
42	32	315	167	660	4,892	84,139	90,173
43	14	28	71	75	731	13,062	13,968
44	17	92	92	205	1,830	35,647	37,867
45	8	78	192	191	1,951	34,132	36,544
46	2	30	49	79	648	9,547	10,353
47	2	75	111	187	1,522	21,928	23,823
48	1	-	24	25	217	6,642	6,908
Total	56,152	2,263,270	1,034,408	1,667,749	18,067,473	34,448,317	57,481,217
TRANSLATION ADJUSTMENTS							- 690,617
GLOBAL							56,790,600

(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 9/30/2013

State	Early repayments during the year	Rate of early repayments
France		
Regions	0	0,00%
Departments	1,341	0,03%
Municipalities	17,486	0,14%
Group of municipalities	14,057	0,20%
Public sector entities :		
- health	5,778	0,10%
- social housing	20,779	1,23%
- others	7,733	0,88%
Sub total	67,174	0,20%
GLOBAL	67,174	0,20%

The annual rate of early repayments corresponds to the volume of early repayments occurred during the first 3 quarters 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 :	<u>105</u>
	554

3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

3.1 BREAKDOWN BY COUNTERPART

As of September 30, 2013, Caisse Française de Financement Local does not hold internal asset-backed securities and similar structures in its balance sheet. All these securitizations have been sold to its parent company, Société de Financement Local in the beginning of July 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 9/30/2013	Amount
Replacement assets	7,647,760
TOTAL	7,647,760

Replacement assets	Amount in EUR thousands
Step 1 credit rating	
Loan Société de Financement Local	7,634,962
Step 2 credit rating	
Bank account's balances	12,798
Other assets	-
TOTAL	7,647,760
PREMIUMS AND DISCOUNTS	-
GLOBAL	7,647,760

4.2 RATINGS

As of September 30, 2013, replacement assets are composed of a loan to Société de Financement Local, which was 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 9/30/2013

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	12,798	-	-	-	-	12,798
24	1	10,902	25,392	31,326	249,458	1,687,188	2,004,266
25	1	-	22,114	18,547	163,785	437,802	642,248
27	2	7,514	62,935	57,660	487,428	1,171,040	1,786,577
33	1	67,601	134,860	165,668	1,203,066	1,630,677	3,201,871
Total	6	98,815	245,301	273,200	2,103,737	4,926,707	7,647,760
PREMIUMS AND DISCOUNTS							-
GLOBAL							7,647,760

(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 nine months 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
Fixed rate	4Q 2012	13.3	16.0	10.9	31.0
	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
Monetary	4Q 2012	0.4	1.8	(1.3)	9.0
	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
Total	4Q 2012	13.7	16.4	11.7	40.0
	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

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 September 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.

