

REPORT ON ASSET QUALITY
CAISSE FRANÇAISE DE FINANCEMENT LOCAL
Ex - Dexia Municipal Agency
as of December 31, 2012
(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, 2012, Caisse Française de Financement Local's cover pool is made of EUR 54.1 billion of loans and EUR 15.1 billion of bonds, that correspond to the following exposures :

EUR thousands, as of 12/31/2012	Amount	Assets temporarily removed from the cover pool	TOTAL
Exposures on public sector	60,421,261		60,421,261
Asset-backed securities	8,263,982		8,263,982
Replacement assets	522,981		522,981
TOTAL	69,208,224	-	69,208,224

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, 2012, no asset has been assigned by Caisse Française de Financement Local in guarantee to the Banque de France.

During the year 2012, EUR 3.2 billion were early reimbursed or sold. The main parts of these reimbursements or sales included the following assets:

- EUR 0.6 billion on Greek and Icelandic bonds sold to Dexia;
- EUR 1.4 billion on securities issues by DSFB 1, a Belgian asset-backed securities, sold to Belfius Bank & Insurance;
- EUR 1.2 billion on Lettres de gage, bought back by their issuer, Dexia LdG Bank.

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		138,601		170,101		257	
Banque de France (4)	2,400,000				2,400,000			
Regions	1,868,283	133,185	296,815		2,298,283		0	
Departments	5,973,373		332,477		6,305,850	12,807	12,843	
Municipalities (5)	16,637,068	103,839	842,219		17,583,126	49,116	16,295	3,352
Groups of municipalities (6)	9,690,319	113,083	261,841		10,065,243	51,553	13,450	3,795
Public sector entities :								
- health	6,511,017				6,511,017	6,852	1,427	667
- social housing	1,933,813				1,933,813		2	
- others	1,025,767		12,606		1,038,373		283	
Sub total	46,071,140	350,107	1,884,559	-	48,305,806	120,328	44,557	7,814
Germany								
State				11,580	11,580			
Länder		505,071		342,191	847,262			10,238
Sub total	-	505,071	-	353,771	858,842	-	-	10,238
Austria								
Länder	201,635				201,635			
Sub total	201,635	-	-	-	201,635	-	-	-
Belgium								
Regions	175,409		68,793		244,202			
Communities		50,000			50,000			
Public sector entities	78,543				78,543			
Sub total	253,952	50,000	68,793	-	372,745	-	-	-
Canada								
Provinces		22,371			22,371			
Municipalities	220,296				220,296			
Public sector entities	128,676				128,676			
Sub total	348,972	22,371	-	-	371,343	-	-	-
Spain								
Municipalities	279,495				279,495			
Regions		227,542			227,542			4,811
Sub total	279,495	227,542	-	-	507,037	-	-	4,811
United States								
Federated States		252,943			252,943			
Sub total	-	252,943	-	-	252,943	-	-	-
Finland								
Municipalities	11,150				11,150			
Public sector entities	42,600				42,600			
Sub total	53,750	-	-	-	53,750	-	-	-

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		53,633	559,903			56,367
Regions		1,543,782			1,543,782			4,887
Provinces		276,075			276,075			
Municipalities	12,541	1,529,723			1,542,264			
Sub total	12,541	3,855,850	-	53,633	3,922,024	-	-	61,254
Japon								
Municipalities		25,000			25,000			
Sub total	-	25,000	-	-	25,000	-	-	-
Portugal								
Municipalities	65,590				65,590			
Public sector entities	9,023				9,023			
Sub total	74,613	-	-	-	74,613	-	-	-
United Kingdom								
State				607,716	607,716			16,630
County (7)			398,124		398,124			
District (7)			27,973		27,973			
Communes (7)			1,367,720		1,367,720			
Public sector entities (7)			56,183		56,183			
Sub total	-	-	1,850,000	607,716	2,457,716	-	-	16,630
Sweden								
Municipalities	72,644		39,573		112,217			
Public sector entities	16,734				16,734			
Sub total	89,378	-	39,573	-	128,951	-	-	-
Switzerland								
Cantons	1,226,030		680,904		1,906,934			
Municipalities	845,099				845,099			
Public sector entities	90,525				90,525			
Sub total	2,161,654	-	680,904	-	2,842,558	-	-	-
Supranational								
International organizations	46,298				46,298			
Sub total	46,298	-	-	-	46,298	-	-	-
TOTAL	49,593,428	5,288,884	4,523,829	1,015,120	60,421,261	120,328	44,557	100,747

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

- specific impairment on non performing loans : EUR 7,814 thousand

- provisions for unrealised losses on placement portfolio bonds : EUR 92,933 thousand

(3) Of w hich EUR 17,078 thousand on operations linked to partnership agreement (PPP)

(4) Caisse Française de Financement Local's Banque de France account as of December 31, 2012

(5) Of w hich EUR 18,051 thousand on operations linked to partnership agreement (PPP)

(6) Of w hich EUR 17,137 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 prudential control authority (ACP).

2.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 12/31/2012

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	3,312	2,690,350	64,969	-	-	-	2,755,319
1	3,537	51,785	57,244	493,222	321,116	-	923,367
2	3,703	49,862	40,836	80,973	1,312,220	-	1,483,891
3	3,322	47,514	37,547	75,678	1,434,240	-	1,594,979
4	3,144	49,439	28,542	78,997	3,327,495	-	3,484,473
5	3,947	52,517	62,651	86,507	1,118,121	-	1,319,796
6	3,592	63,317	44,078	94,337	853,778	1,669,084	2,724,595
7	3,429	62,440	44,751	102,742	890,966	1,458,814	2,559,714
8	2,742	41,654	33,693	104,696	757,618	855,422	1,793,083
9	2,618	57,017	33,454	84,335	739,115	1,230,808	2,144,728
10	2,622	45,588	29,293	77,497	650,768	1,486,632	2,289,778
11	2,057	46,535	32,142	78,972	680,862	1,335,328	2,173,839
12	2,229	49,779	55,132	60,129	655,524	1,386,796	2,207,360
13	3,878	50,667	33,989	92,148	745,272	2,395,593	3,317,669
14	2,132	36,869	36,279	92,634	702,851	2,377,634	3,246,266
15	1,766	45,863	23,285	67,322	581,394	2,396,842	3,114,706
16	1,455	33,508	19,458	77,100	555,169	1,961,693	2,646,928
17	1,260	20,709	20,046	53,423	399,231	1,473,515	1,966,924
18	1,605	23,895	15,781	30,936	301,855	1,500,304	1,872,772
19	842	13,114	14,394	35,133	270,413	1,329,656	1,662,710
20	924	17,883	14,430	46,190	332,878	1,642,263	2,053,644
21	727	9,080	9,507	24,914	186,417	961,846	1,191,764
22	683	10,461	13,763	17,313	175,909	1,676,539	1,893,983
23	696	10,645	8,710	27,293	198,218	1,337,216	1,582,083
24	636	13,934	11,002	24,643	213,774	1,670,104	1,933,457
25	551	10,296	8,822	26,267	193,638	1,342,768	1,581,791
26	487	9,986	5,915	28,609	189,461	1,362,165	1,596,136
27	295	7,911	5,812	11,311	111,966	829,239	966,240
28	164	3,135	2,716	8,071	58,811	444,801	517,536
29	92	3,028	1,243	4,845	38,252	314,448	361,815
30	80	1,212	1,311	4,213	28,062	256,009	290,807
31	70	2,445	791	537	15,716	92,106	111,595
32	50	493	381	1,115	9,719	104,491	116,200
33	50	421	528	765	8,876	124,717	135,307
34	55	404	936	930	9,615	112,366	124,251
35	43	614	592	1,513	12,107	802,097	816,923
36	34	1,300	197	1,013	11,058	220,246	233,813
37	15	186	139	670	4,174	54,826	59,996
38	4	92	92	184	1,474	12,630	14,471
39	7	102	508	181	3,183	30,909	34,882
40	30	130	36	191	1,505	24,991	26,853
41	17	478	22	248	3,318	73,471	77,538
42	17	184	427	873	6,451	106,445	114,380
43	28	164	165	505	3,501	47,721	52,056
44	19	72	107	65	1,113	24,995	26,351
45	10	115	38	249	1,744	27,891	30,037
46	8	186	67	199	1,912	34,674	37,038
47	2	93	75	168	1,361	17,452	19,149
48	1	35	-	35	310	9,488	9,868
49	1	23	-	24	208	6,699	6,955
Total	58,988	3,637,529	815,896	2,099,914	18,122,738	36,623,736	61,299,813
TRANSLATION ADJUSTMENTS							- 878,552
GLOBAL							60,421,261

(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 12/31/2012

State	Early repayments during the year	Rate of early repayments
France		
Regions	97,534	5.21%
Departments	180,016	3.15%
Municipalities	89,132	0.51%
Group of municipalities	34,371	0.35%
Public sector entities :		
- health	35,910	0.44%
- social housing	27,335	1.14%
- others	3,795	0.30%
Sub total	468,093	1.00%
Belgique		
Regions	23,353	10.15%
Sub total	23,353	0.0%
Italy		
Provinces	1,360	0.49%
Sub total	1,360	0.49%
Portugal		
Regions	47,500	100.00%
Municipalities	13,734	21.19%
Sub total	61,234	54.51%
GLOBAL	554,040	1.17%

The rate of early repayments corresponds to the volume of early repayments occurred during 2012 divided by the average of daily outstanding amount.

As a reminder, the rate of early repayments in 2011 was 1.21% for EUR 604 millions of repayments.

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 12/31/2012	Of witch specific impairments	Maturity date	
Colombo SRL	No	2001	55,000	1,000	3,249	-	2026	
Astrea SRL	No	2002	21,000	1,000	50	-	2013	
Blue Danube Loan Funding Gmbh	No	2002	1,000	100,000	70,019	4,000	2049	
Dexia Credioip per la Cartolarizzazione	DCC1	Yes	2004	1,128,851	1,000	690,699	-	2039
	DCC2	Yes	2005	1	1,005,965,000	614,473	-	2041
	DCC3	Yes	2008	23,000	100,000	2,054,452	-	2037
				Sub Total	3,359,624	-		
Dexia Secured Funding Belgium	DSFB2	Yes	2008	6,356	250,000	1,303,287	-	2040
	DSFB4	Yes	2009/2010	18,800	250,000	3,527,753	-	2047
				Sub Total	4,831,040	-		
TOTAL					8,263,982	4,000		
PREMIUMS AND DISCOUNTS					45	-		
GLOBAL					8,264,027	4,000		

*The seller of the securitized exposures is integrated in the scope of consolidation of Dexia Group at the acquisition date.

All asset-backed securities and similar structures hold by Caisse Française de Financement Local represent public sector exposures.

The securities issued by DSFB 1 have been sold to Belfius Bank & Insurance for EUR 1.4 billion, in September 2012.

3.2 RATINGS

As of December 31, 2012, asset-backed securities and similar structures held by Caisse Française de Financement Local get the following ratings:

- Colombo SRL (rated A / watch negative by S&P) and Societa veicolo Astrea SRL (rated A- / outlook negative by Fitch and Baa2 by Moody's) are both Italian companies with assets that are exclusively loans to the Italian public sector (regions, municipalities, etc...).
- Blue Danube Loan Funding GmbH is governed by Austrian law, rated AA+ by S&P, and its debt is unconditionally and irrevocably guaranteed by the Land of Lower Austria.
- DCC Securities held by Caisse Française de Financement Local benefit from the guarantee of Dexia Credioip, and are rated, BBB+ / watch 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 (ex Dexia Bank Belgium), 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 negative by Fitch.

3.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 12/31/2012

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	50	-	-	-	-	50
14	1	-	-	-	-	3,249	3,249
25	1	26,450	2,392	32,246	248,147	1,745,217	2,054,452
26	1	28,729	-	19,721	170,073	472,176	690,699
27	1	36,451	27,406	10,781	288,261	940,388	1,303,287
28	1	25,360	-	26,014	211,051	352,048	614,474
34	1	160,582	67,678	167,211	1,270,305	1,861,977	3,527,753
36	1	-	1,955	2,050	20,171	45,843	70,019
Total	8	277,623	99,430	258,023	2,208,008	5,420,898	8,263,982
PREMIUMS AND DISCOUNTS							45
GLOBAL							8,264,027

⁽¹⁾ Number of ABS reaching their maturity during the period

3.4 EARLY REPAYMENTS

EUR thousands, as of 12/31/2012

PAYS	Early repayments during the year	Rate of early repayments
Belgium		
Dexia Secured Funding Belgium	1,376,568	28.49%
Italy		
Dexia Crediop per la Cartolarizzazione	14,653	0.44%
GLOBAL	1,391,221	16.99%

The rate of early repayments corresponds to the volume of early repayments occurred during 2012 divided by the average of outstanding amount of the securities.

4. REPLACEMENT ASSETS

4.1. BREAKDOWN BY COUNTERPART

	Amount
Replacement assets	522,981
TOTAL	522,981

Replacement assets	Country	Issuer	Amount in EUR thousands as of 12/31/2012
Step 1 credit rating			
Step 2 credit rating			
Bank account's balances	France		22,981
Other assets			
Cedulas territoriales*	Spain	Dexia Sabadell	500,000
TOTAL			522,981
PREMIUMS AND DISCOUNTS			-
GLOBAL			522,981

* These assets belong to DMA's cover pool. Nevertheless, because of their ratings, they are not integrated to French*** ratio. They have been reimbursed in January 2013.

Lettres de gage Dexia LdG Bank have been bought back by the issuer for EUR 1.175 billion in September 2012.

4.2 RATINGS

Cedulas territoriales, covered bonds issued by Dexia Sabadell are rated Ba1 by Moody's as of December 31, 2012. *Cedulas territoriales*, because of their rating, do not contribute to the calculation of Caisse Française de Financement Local's regulatory over-collateralization. These *cedulas* have been reimbursed in January 2013.

4.3 BREAKDOWN BY MATURITY DATE

EUR thousands, as of 12/31/2012

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	522,981	-	-	-	-	522,981
Total	2	522,981	-	-	-	-	522,981
PREMIUMS AND DISCOUNTS							-
GLOBAL							522,981

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

4.4 EARLY REPAYMENTS

EUR thousands, as of 12/31/2012

Replacement assets	Country	Issuer	Early repayments during the year	Rate of early repayments
Lettres de gage	Luxembourg	Dexia LdG Banque	1,175,000	100.00%
GLOBAL			1,175,000	100.00%

The rate of early repayments corresponds to the volume of early repayments occurred during 2012 divided by the average of outstanding amount of the replacement asset.

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.

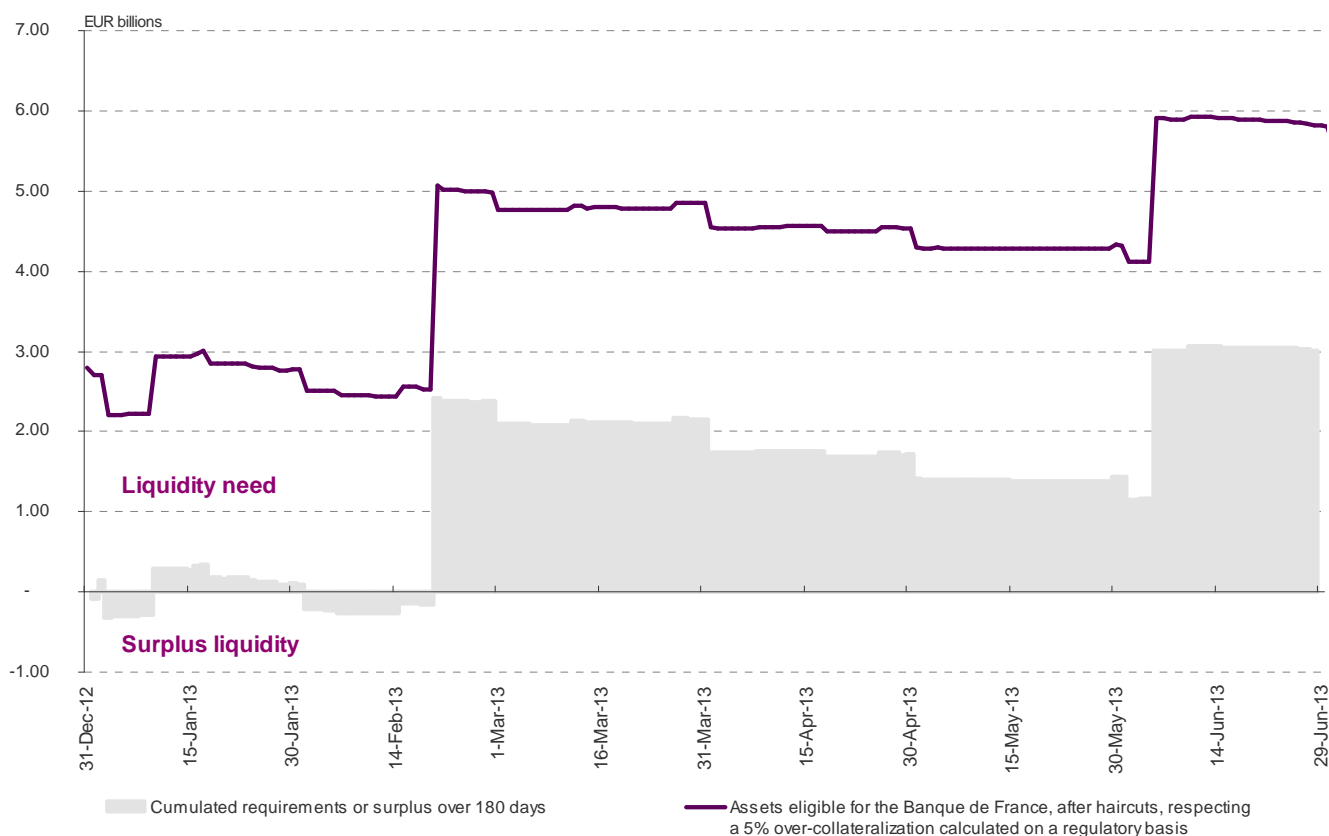
Sensitivity of the interest rate gap (EUR millions)

		Average	Maximum	Minimum	Limit
Fixed Rate	1Q 2012	15.0	16.2	12.9	31.0
	2Q 2012	15.0	17.9	12.5	31.0
	3Q 2012	15.2	16.6	13.2	31.0
	4Q 2012	13.3	16.0	10.9	31.0
Monetary	1Q 2012	0.3	0.7	0.2	9.0
	2Q 2012	(0.0)	1.0	(1.1)	9.0
	3Q 2012	0.9	1.2	0.6	9.0
	4Q 2012	0.4	1.8	(1.3)	9.0
Total	1Q 2012	15.4	16.4	13.4	40.0
	2Q 2012	14.9	18.4	12.9	40.0
	3Q 2012	16.1	17.2	14.1	40.0
	4Q 2012	13.7	16.4	11.7	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 2012, Caisse Française de Financement Local's cumulated need for cash mainly corresponded to reimbursements on benchmarks of obligations foncières, as shown in the following graph.



This graph is set with the assumption that the cash collateral received must be reimbursed at the end of the first week (next calculation date), for approximately EUR 3.5 billion.