



## **Report on asset quality as of June 30, 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 June 30, 2014, Caisse Française de Financement Local's cover pool is made of EUR 48.6 billion of loans, EUR 9.3 billion of bonds and EUR 4.1 billion of replacement assets, that correspond to the following exposures :

EUR thousands, as of 6/30/2014	Amount	Assets temporarily removed from the cover pool	TOTAL
Exposures on public sector	57,856,619		57,856,619
Asset-backed securities	-		-
Replacement assets	4,101,613		4,101,613
<b>TOTAL</b>	<b>61,958,232</b>	<b>-</b>	<b>61,958,232</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, 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 non-performing loans	Of which past due	Of which specific impairment (1)
	Loans	Bonds	Loans	Bonds				
<b>France</b>								
State (2)		500,000	157,420		657,420	257	465	129
Banque de France (3)	460,523				460,523			
Regions	1,694,096	114,095	285,345		2,093,536	816	26	86
Departments	6,018,604		286,281		6,304,885	19,305	17,417	8
Municipalities	15,448,432	101,780	687,210		16,237,422	209,186	43,702	23,750
Groups of municipalities (4)	9,112,067	107,015	221,633		9,440,715	73,724	30,423	4,820
Public sector entities :								
- health	6,136,017				6,136,017	50,298	3,280	337
- social housing	1,731,452				1,731,452		116	
- others	982,115		7,375		989,490	32,763	3,143	3,014
<b>Sub total</b>	<b>41,583,306</b>	<b>822,890</b>	<b>1,645,264</b>	<b>-</b>	<b>44,051,460</b>	<b>386,349</b>	<b>98,572</b>	<b>32,144</b>
<b>Germany</b>								
Länder		507,690		342,500	850,190			7,310
<b>Sub total</b>	<b>-</b>	<b>507,690</b>	<b>-</b>	<b>342,500</b>	<b>850,190</b>	<b>-</b>	<b>-</b>	<b>7,310</b>
<b>Austria</b>								
Länder	198,003				198,003			
<b>Sub total</b>	<b>198,003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198,003</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Belgium</b>								
Regions	36,573		59,432		96,005			
Communities		50,000			50,000			
Public sector entities	70,114				70,114			
<b>Sub total</b>	<b>106,687</b>	<b>50,000</b>	<b>59,432</b>	<b>-</b>	<b>216,119</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Canada</b>								
Provinces		22,371			22,371			
Municipalities	192,166				192,166			
Public sector entities	128,676				128,676			
<b>Sub total</b>	<b>320,842</b>	<b>22,371</b>	<b>-</b>	<b>-</b>	<b>343,213</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Spain</b>								
Municipalities	260,216				260,216			
Regions		231,451			231,451			902
<b>Sub total</b>	<b>260,216</b>	<b>231,451</b>	<b>-</b>	<b>-</b>	<b>491,667</b>	<b>-</b>	<b>-</b>	<b>902</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	2,900				2,900			
Public sector entities	41,520				41,520			
<b>Sub total</b>	<b>44,420</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,420</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 (1)
	Loans	Bonds	Loans	Bonds				
Country								
<b>Italy</b>								
State		581,360			581,360			34,910
Regions		3,009,471			3,009,471			
Provinces		680,047			680,047			
Municipalities	11,270	2,280,246			2,291,516		61	
<b>Sub total</b>	<b>11,270</b>	<b>6,551,124</b>	<b>-</b>	<b>-</b>	<b>6,562,394</b>	<b>-</b>	<b>61</b>	<b>34,910</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	53,923				53,923			
Public sector entities	7,734				7,734			
<b>Sub total</b>	<b>61,657</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,657</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>United Kingdom</b>								
State				518,482	518,482			
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			
<b>Sub total</b>	<b>-</b>	<b>-</b>	<b>1,850,000</b>	<b>518,482</b>	<b>2,368,482</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sweden</b>								
Municipalities	28,226		21,898		50,124			
<b>Sub total</b>	<b>28,226</b>	<b>-</b>	<b>21,898</b>	<b>-</b>	<b>50,124</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Switzerland</b>								
Cantons	957,194		480,251		1,437,445			
Municipalities	771,817				771,817			
Public sector entities	90,525				90,525			
<b>Sub total</b>	<b>1,819,536</b>	<b>-</b>	<b>480,251</b>	<b>-</b>	<b>2,299,787</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Supranational</b>								
International organizations	41,160				41,160			
<b>Sub total</b>	<b>41,160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,160</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>44,475,323</b>	<b>8,463,469</b>	<b>4,056,845</b>	<b>860,982</b>	<b>57,856,619</b>	<b>386,349</b>	<b>98,633</b>	<b>75,266</b>

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

- specific impairment on non performing loans : EUR 32,144 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 43,122 thousand

(2) Of which EUR 48,710 thousand on operations linked to partnership agreement (PPP)

(3) Caisse Française de Financement Local's Banque de France account as of June 30, 2014

(4) Of which EUR 25,682 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 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 6/30/2014

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	1,996	287,182	394,991	-	-	-	682,173
1	3,200	39,195	33,607	1,340,492	979,921	-	2,393,215
2	3,137	34,037	45,831	93,732	2,609,027	-	2,782,627
3	3,594	30,604	44,514	82,862	1,278,427	-	1,436,406
4	4,012	59,834	44,147	112,075	1,233,960	-	1,450,016
5	3,312	50,830	47,283	118,155	966,125	-	1,182,393
6	3,300	40,137	70,782	106,766	906,857	1,711,554	2,836,095
7	2,574	34,150	49,343	82,906	697,670	648,800	1,512,870
8	2,660	34,764	34,900	90,783	682,354	980,632	1,823,433
9	2,762	38,473	45,437	94,378	777,607	1,562,499	2,518,393
10	1,988	32,083	36,033	79,418	637,798	1,180,312	1,965,645
11	4,034	45,713	46,812	125,785	877,435	1,802,163	2,897,907
12	2,443	39,202	60,140	89,759	812,322	2,697,020	3,698,443
13	1,810	35,381	32,105	62,730	556,023	1,782,396	2,468,635
14	2,594	63,060	56,577	113,479	1,019,816	2,869,860	4,122,792
15	1,597	33,771	35,034	82,156	632,595	1,967,579	2,751,136
16	1,730	19,471	18,932	44,508	354,803	1,551,175	1,988,888
17	967	13,740	23,148	35,532	309,328	1,173,152	1,554,899
18	891	23,825	21,828	32,854	332,105	1,540,837	1,951,449
19	961	10,827	21,246	33,570	280,690	1,452,664	1,798,996
20	666	10,733	9,548	26,195	200,388	1,779,265	2,026,129
21	808	10,493	20,178	27,226	246,400	1,943,597	2,247,894
22	576	8,117	17,398	19,425	195,618	1,720,346	1,960,904
23	661	7,732	17,077	28,352	229,962	1,672,904	1,956,028
24	573	16,795	12,948	20,359	215,876	1,540,037	1,806,016
25	357	6,508	5,933	14,502	113,257	818,793	958,992
26	264	4,352	4,929	12,434	102,964	663,476	788,156
27	106	4,015	3,379	5,571	54,734	381,727	449,426
28	85	2,616	1,206	4,523	35,575	274,954	318,875
29	71	896	1,140	2,050	17,388	153,245	174,719
30	62	382	767	3,275	17,884	99,999	122,307
31	60	336	703	1,265	10,290	116,057	128,650
32	44	609	436	1,143	11,411	132,193	145,792
33	49	1,018	333	1,180	11,014	155,037	168,583
34	47	691	451	1,293	11,517	846,322	860,274
35	26	350	389	1,552	9,316	86,103	97,710
36	5	76	62	178	1,368	20,934	22,618
37	2	84	84	168	1,340	10,721	12,396
38	10	189	69	557	3,290	31,500	35,605
39	36	54	262	211	2,268	32,706	35,499
40	10	667	51	607	5,687	73,595	80,607
41	24	153	274	566	4,441	104,732	110,166
42	20	165	163	362	2,809	33,130	36,630
43	23	87	106	241	2,012	36,456	38,902
44	7	111	67	168	1,439	23,374	25,159
45	5	90	42	207	1,456	26,432	28,227
46	2	112	75	188	1,529	21,659	23,562
47	1	25	-	25	221	6,612	6,883
<b>Total</b>	<b>54,162</b>	<b>1,043,735</b>	<b>1,260,761</b>	<b>2,995,761</b>	<b>17,456,317</b>	<b>35,726,548</b>	<b>58,483,122</b>
TRANSLATION ADJUSTMENTS							- 626,503
<b>GLOBAL</b>							<b>57,856,619</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 6/30/2014

State	Early repayments during the year	Rate of early repayments
<b>France</b>		
Departments	51	0.00%
Municipalities	11,292	0.14%
Group of municipalities	2,266	0.05%
Public sector entities :		
- health	1,908	0.06%
- social housing	1,202	0.14%
- others	524	0.11%
<b>Sub total</b>	<b>17,243</b>	<b>0.08%</b>
<b>Italy</b>		
Provinces	14,646	4.13%
Municipalities	3,346	0.29%
<b>Sub total</b>	<b>17,992</b>	<b>1.19%</b>
<b>GLOBAL</b>	<b>35,235</b>	<b>0.16%</b>

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
	<hr/>
	126

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

#### 3.1 BREAKDOWN BY COUNTERPART

As of June 30, 2014, Caisse Française de Financement Local does not hold 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 6/30/2014	Amount
Replacement assets	4,101,613
<b>TOTAL</b>	<b>4,101,613</b>

Replacement assets	Amount in EUR thousands
<b>Step 1 credit rating</b>	
Loan Société de Financement Local	4,087,106
<b>Step 2 credit rating</b>	
Bank account's balances	14,507
<b>Other assets</b>	-
<b>TOTAL</b>	<b>4,101,613</b>
PREMIUMS AND DISCOUNTS	-
<b>GLOBAL</b>	<b>4,101,613</b>

### 4.2 RATINGS

As of June 30, 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 6/30/2014

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	14,507	-	-	-	-	14,507
14	1	129,424	61,539	190,008	1,161,441	1,381,928	2,924,340
22	1	3,267	8,494	60,674	288,584	801,747	1,162,766
<b>Total</b>	<b>3</b>	<b>147,198</b>	<b>70,033</b>	<b>250,682</b>	<b>1,450,025</b>	<b>2,183,675</b>	<b>4,101,613</b>
PREMIUMS AND DISCOUNTS							-
<b>GLOBAL</b>							<b>4,101,613</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 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 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. As of June 2014, this general sensitivity limit is 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	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
	2Q 2014	12.1	12.9	11.5	31.0
Monetary	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
	2Q 2014	0.9	1.2	0.7	9.0
Total	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
	2Q 2014	13.0	13.6	12.4	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 June 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.

