



Report on asset quality
as of March 31, 2015
Caisse Française de Financement Local
(Instruction n° 2011-I-07 of June 15, 2011)

C.I.B 14 388

The report on asset quality, compliant with Instruction No. 2011-I-07 of June 15, 2011, aims at presenting all of the assets comprising the cover pool of Caisse Française de Financement Local.

As of March 31, 2015, Caisse Française de Financement Local's cover pool is made of EUR 48.5 billion of loans, EUR 10.5 billion of bonds and EUR 2.6 billion of replacement assets, that correspond to the following exposures :

EUR thousands, as of 3/31/2015	Amount	Assets temporarily removed from the cover pool	TOTAL
Exposures on public sector	58,976,368		58,976,368
Asset-backed securities	-		-
Replacement assets	2,625,442		2,625,442
TOTAL	61,601,810	-	61,601,810

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 its cash, 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. Caisse Française de Financement Local did not use this possibility over the course of the last two years (with the exception of operational access tests, regularly implemented) and no asset has been pledged to the Banque de France as of March 31, 2015.

The cover pool does not contain any asset-backed securities. The current and future *obligations foncières* issued by Caisse Française de Financement Local are in line with the eligibility criteria required by the European Central Bank for refinancing and are also compliant with new regulations rules CRR / CRD IV.

1. MORTGAGE LOANS

Caisse Française de Financement Local has no mortgage loans in its cover pool.

2. EXPOSURES ON PUBLIC SECTOR

2.1 BREAKDOWN BY COUNTERPARTY

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 converted into euro using the exchange rate of the hedging swap.

EUR thousands	Direct Exposure		Indirect Exposure		Total	Of which past due (1)
	Loans	Bonds	Loans	Bonds		
France						
State (2)		2,120,000	169,476		2,289,476	262
Banque de France (3)	985,926				985,926	
Regions	1,622,017	109,550	279,973		2,011,540	39
Departments	6,089,796		266,700		6,356,496	3,962
Municipalities	15,299,876	99,722	623,443		16,023,041	57,943
Groups of municipalities (4)	9,492,359	101,341	202,500		9,796,200	43,631
Public sector entities :						
- health	6,072,815				6,072,815	4,794
- social housing	1,628,231				1,628,231	26
- others	920,371		4,621		924,992	75
Sub total	42,111,391	2,430,613	1,546,713	-	46,088,717	110,732
Germany						
Länder		515,000		102,500	617,500	
Sub total	-	515,000	-	102,500	617,500	-
Austria						
Länder			195,835		195,835	
Sub total	0	-	195,835	-	195,835	-
Belgium						
Regions	36,573		50,071		86,644	
Communities		50,000			50,000	
Public sector entities	66,923				66,923	
Sub total	103,496	50,000	50,071	-	203,567	-
Canada						
Provinces		22,371			22,371	
Municipalities	192,166				192,166	
Public sector entities	128,677				128,677	
Sub total	320,843	22,371	-	-	343,214	-
Spain						
Municipalities	253,534				253,534	
Regions		231,945			231,945	
Sub total	253,534	231,945	-	-	485,479	-
United States						
Federated States		252,943			252,943	
Sub total	-	252,943	-	-	252,943	-
Finland						
Municipalities	1,500				1,500	
Public sector entities						
Sub total	1,500	-	-	-	1,500	-

EUR thousands	Direct Exposure		Indirect Exposure		Global	Of which past due (1)
	Loans	Bonds	Loans	Bonds		
Country						
Italy						
State		583,524			583,524	
Regions		2,965,141			2,965,141	
Provinces		647,374			647,374	
Municipalities	10,749	2,190,326			2,201,075	
Sub total	10,749	6,386,365	-	-	6,397,114	-
Japon						
Municipalities		25,000			25,000	
Sub total	-	25,000	-	-	25,000	-
Portugal						
Municipalities	50,275				50,275	
Public sector entities	6,875				6,875	
Sub total	57,150	-	-	-	57,150	-
United Kingdom						
State				461,935	461,935	
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	
Sub total	-	-	1,850,000	461,935	2,311,935	-
Sweden						
Municipalities	22,898		11,244		34,142	
Sub total	22,898	-	11,244	-	34,142	-
Switzerland						
Cantons	705,548		395,527		1,101,075	
Municipalities	733,104				733,104	112
Public sector entities	90,525				90,525	
Sub total	1,529,177	-	395,527	-	1,924,704	112
Supranational						
International organizations	37,568				37,568	
Sub total	37,568	-	-	-	37,568	
TOTAL	44,448,306	9,914,237	4,049,390	564,435	58,976,368	110,844

(1) Caisse Française de Financement Local publishes annual and half-year accounts. Data relating to non-performing and litigious loans, and to specific impairments, in this report as of March 31, 2015, correspond to the last published accounts, from the annual report 2014. As a reminder, as of December 2014, non-performing and litigious loans amounted to 453,250 thousand and specific impairments on these loans and bonds were composed as follows:

- specific impairment on non performing loans : EUR 37,550 thousand. In addition to these impairments, Caisse Française de Financement Local books collective and sector specific provisions.

- provisions for unrealised losses on placement portfolio bonds : EUR 45,160 thousand

(2) Of which EUR 68,164 thousand on operations linked to partnership agreement (PPP)

(3) Caisse Française de Financement Local's Banque de France account as of March 31, 2015

(4) Of which EUR 24,603 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) that would require 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 3/31/2015

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	1,830	3,242,534	766,891	-	-	-	4,009,425
1	3,019	43,015	35,181	704,037	2,014,641	-	2,796,874
2	3,303	27,611	30,179	92,780	1,218,091	-	1,368,662
3	4,058	57,358	60,435	113,088	1,126,841	-	1,357,723
4	3,435	48,410	51,385	113,685	941,807	-	1,155,286
5	3,364	47,215	43,177	118,133	1,631,947	-	1,840,471
6	2,644	33,113	32,660	113,262	738,116	995,131	1,912,282
7	2,669	36,120	38,662	112,986	792,765	802,206	1,782,739
8	2,711	37,141	37,675	91,713	733,993	1,321,979	2,222,501
9	2,128	33,887	35,234	97,451	721,340	927,490	1,815,402
10	3,387	61,326	42,951	102,919	840,230	1,584,040	2,631,466
11	3,085	33,892	38,021	101,457	762,502	2,080,565	3,016,437
12	1,993	37,873	41,944	92,448	731,735	2,033,506	2,937,506
13	2,345	37,937	58,493	110,506	911,951	2,621,200	3,740,088
14	2,180	44,320	53,457	118,204	907,424	2,429,479	3,552,884
15	1,930	33,334	31,206	94,729	660,061	2,034,761	2,854,090
16	1,297	15,898	15,914	38,109	297,557	1,207,689	1,575,168
17	872	16,196	22,572	36,236	312,821	1,332,369	1,720,194
18	937	14,435	11,506	42,277	293,679	1,338,143	1,700,040
19	785	17,626	15,461	38,611	305,036	1,651,347	2,028,081
20	958	19,657	15,303	39,824	318,972	2,393,818	2,787,573
21	625	9,264	8,608	24,846	181,698	1,579,283	1,803,698
22	638	12,619	7,660	30,928	224,741	2,086,990	2,362,939
23	544	8,954	17,152	33,869	256,924	1,645,083	1,961,982
24	432	6,639	7,086	22,379	151,006	1,059,435	1,246,545
25	296	5,745	6,642	14,962	114,315	735,065	876,728
26	135	3,389	4,616	8,541	69,204	402,517	488,267
27	92	1,278	2,833	5,474	41,206	329,795	380,586
28	71	1,146	986	2,614	20,213	158,987	183,947
29	68	855	393	2,981	16,762	92,100	113,091
30	48	446	296	1,520	9,929	97,565	109,755
31	54	708	754	1,491	13,847	165,126	181,927
32	53	913	1,133	785	12,162	153,308	168,302
33	45	573	720	1,083	11,347	834,528	848,251
34	27	242	344	1,808	9,822	92,345	104,560
35	10	73	88	415	2,442	31,351	34,369
36	2	83	83	167	1,334	10,314	11,982
37	9	511	217	194	3,715	33,972	38,609
38	34	57	55	212	1,383	22,761	24,468
39	12	29	637	797	6,476	78,521	86,460
40	16	439	182	312	4,142	95,900	100,975
41	27	167	152	505	3,327	41,304	45,455
42	22	126	98	170	1,799	35,801	37,994
43	8	64	121	280	1,959	24,494	26,917
44	7	43	92	225	1,549	27,903	29,812
45	2	75	113	189	1,542	21,343	23,263
46	1	-	26	26	230	6,551	6,833
Total	52,208	3,993,335	1,539,396	2,529,228	17,424,581	34,616,067	60,102,607
TRANSLATION ADJUSTMENTS							- 1,126,239
GLOBAL							58,976,368

(1) Numbers of loans and bonds that mature during the period

The first period (maturity date in 0 year) includes the balance of Banque de France account.

2.4 EARLY REPAYMENTS

EUR thousands, as of 3/31/2015

State	Early repayments during the	Rate of early repayments
France		
Municipalities	11,208	0.28%
Group of municipalities	3,039	0.13%
Public sector entities :		
- social housing	1,000	0.24%
- others	1,200	0.53%
Sub total	16,447	0.15%
Finland		
Public sector entities :		
- others	41,160	N/A
Sub total	41,160	N/A
Total exposures on public sector	57,607	0.41%

The annual rate of early repayments corresponds to the volume of early repayments occurred during 2015 divided by the average outstanding amount for the period (equal to the average amount of daily outstandings).

As a reminder, the rate of early repayments in 2014 was 0.12% for a total amount of repayments of EUR 72 millions.

3. ASSET-BACKED SECURITIES AND SIMILAR STRUCTURES

3.1 BREAKDOWN BY COUNTERPART

As of March 31, 2015, Caisse Française de Financement Local did not hold any asset-backed securities or similar structures.

3.2 RATINGS

Not applicable

3.3 BREAKDOWN BY MATURITY DATE

Not applicable

3.4 EARLY REPAYMENTS

Not applicable

4. REPLACEMENT ASSETS

4.1. BREAKDOWN BY COUNTERPART

EUR thousands, as of 3/31/2015	Amount
Replacement assets	2,625,442
TOTAL	2,625,442

Replacement assets	Amount in EUR thousands
Step 1 credit rating	
Loan to SFIL	2,617,138
Step 2 credit rating	
Bank account's balances	8,304
Other assets	-
TOTAL	2,625,442
PREMIUMS AND DISCOUNTS	-
TOTAL	2,625,442

4.2 RATINGS

As of March 31, 2015, replacement assets were composed of a loan to SFIL, which was rated AA- by Fitch, Aa2 by Moody's and AA by S&P, and bank account's balances, whose ratings correspond to a step 2 credit rating.

4.3 BREAKDOWN BY MATURITY DATE

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	8,304	-	-	-	-	8,304
13	1	73,769	88,758	175,386	1,089,849	1,189,376	2,617,138
Total	2	82,073	88,758	175,386	1,089,849	1,189,376	2,625,442
PREMIUMS AND DISCOUNTS							-
TOTAL							2,625,442

(1) Numbers of deals that will mature during the period

Balances of bank current accounts are presented as a unique matured deal.

4.4 EARLY REPAYMENTS

There was one early repayment among the replacement assets in 2015.

State	Early repayments during the year	Rate of early repayments
Step 1 credit rating		
France		
Loan to SFIL	1,120,139	N/A
Sub total	1,120,139	N/A
TOTAL	1,120,139	N/A

5. MANAGEMENT OF THE INTEREST RATE RISK

The policy applied by Caisse Française de Financement Local makes it possible to be protected from interest rate risk because any acquisition of assets or issue of liabilities is systematically hedged in a variable rate from the beginning.

There are two steps in the hedging process of interest rate risk.

- 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. In practice, acquisitions of loan portfolios (in which the unit amount is generally small) are usually macro-hedged whereas loans granted individually or bond issues are micro-hedged. Hedging of assets is more often obtained in using interest rate swaps, but the same effect may be obtained whenever possible by the cancelation of liability swaps.
- In the second step, Euribor lending and borrowing flows (naturally or after hedges) are swapped against Eonia over a sliding period of two years in order to eliminate the basis risk generated by differences in Euribor fixing dates (1, 3, 6 or 12 months) and the fixing risk due to refixing dates based on different reference indices for the assets and the liabilities.

Non-privileged debt is not concerned by these hedging operations. In fact, debt contracted by Caisse Française de Financement Local with its shareholder to finance over-collateralization is borrowed either directly with a monetary index and does not need to be swapped, or with a Euribor index and thus finances assets also indexed on Euribor. Short term debt owed the Banque de France with a fixed rate (if any) is not hedged, but also finances fixed rate assets.

The sensitivity of residual positions that remain after the first step and after the second level of hedges is monitored carefully and kept within strict limits.

Limits on interest rate risk guarantee, with 99% probability, a maximum one year loss of less than EUR 80 million in the event of a change in interest rates of 200 basis point (bp), equivalent to a maximum loss set at EUR 40 million (3% of equity) for a fluctuation in interest rates of 100 bp. This calibration was based on a directional shift in rates corresponding to a 1% probability at one-year observed over the period 2005-2013, which was approximately 200 bp.

A set of three limits makes it possible to have a grasp of the slope risk, as well as the directional risk. These limits control the sensitivity of the fixed rate risk and together guarantee the maximum losses mentioned above.

The measurement of sensitivity for shifts in rates of 100 bp at the end of each quarter is presented below.

Directional risk

Global sensitivity

<i>Eur millions, end of quarter</i>	Limit	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Sensitivity	25.0	-2.0	0.3	0.6	4.9

Risk of slope between two distant points on the rate curve

Sum of sensitivities

<i>Eur millions, end of quarter</i>	Limit	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Short term	10.0	-2.6	-0.5	-1.6	0.3
Medium term	10.0	2.6	2.4	3.8	5.2
Long term	10.0	4.7	5.3	6.4	6.8
Very long term	10.0	-6.7	-6.8	-8.0	-7.3

Risk of slope between two close points on the rate curve

Sum of sensitivities in absolute value

<i>Eur millions, end of quarter</i>	Limit	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Short term	20.0	5.2	2.3	4.2	1.0
Medium term	20.0	9.5	5.1	6.3	7.8
Long term	20.0	4.8	5.1	4.7	4.1
Very long term	20.0	6.7	6.8	8.0	7.3

6. MANAGEMENT OF THE LIQUIDITY RISK

Caisse Française de Financement Local's management makes it possible to provide a structural coverage of its liquidity needs by assets eligible for refinancing by the Banque de France, until the full amortization of the privileged liabilities.

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 and assets eligible for credit operations with the Banque de France. Cash needs are defined as repayments of *obligations foncières* and RCB, of debts that do not benefit from the legal privilege and forecasts of repayment of the cash collateral received, after deduction of amortization cash flows from assets.

As of March 2015, the liquidity situation for the next 180 days showed a surplus in liquidity most of the time. The movements observed correspond to cash flows from amortization of *obligations foncières*, cash collateral, non privileged liabilities and assets. However, a liquidity need arises from September 15, 2015 until September 25, 2015 with a EUR 207 millions maximum amount. Covered bond issued after March 31, 2015, and particularly the benchmark issue of April for an amount of EUR 1.0 billion, will cover these needs. When needed, Caisse Française de Financement Local can make use of funds granted by SFIL, or pledge assets with other banks through repurchase agreements or with the central bank.

