Caisse Française de Financement Local

Annual report 2012

Caisse Française de Financement Local
(previously Dexia Municipal Agency)

Local public sector assets - *Obligations foncières*

Foreword

With the recent change in its shareholding structure, Dexia Municipal Agency became Caisse Française de Financement Local as of January 31, 2013. It is wholly owned by Société de Financement Local (a credit institution approved by French regulatory authorities – Autorité de contrôle prudentiel).
The shareholders of Société de Financement Local (SFIL) are the French State for 75%, Caisse des Dépôts et Consignations for 20%, and La Banque Postale for 5%. Société de Financement Local acts as the new servicer of Caisse Française de Financement Local.
Caisse Française de Financement Local and its sponsoring bank Société de Financement Local play a key role in the French State's new organization for local government financing and funding for public hospitals in France. The organization is based on a commercial line of business developed within the framework of a joint venture created by La Banque Postale and Caisse des Dépôts et Consignations, and which will for the most part be refinanced by Caisse Française de Financement Local. SFIL will provide operating support for the joint venture and Caisse Française de Financement Local.
Société de Financement Local will ensure the greatest transparency vis-à-vis its shareholders, regulators and clients. It will carry out its assignment to upgrade local public sector financing in France in a spirit of responsible cooperation. Its objective will be to enable local governments and public hospitals to benefit from the best financing conditions by locking in a Step 1 rating and by demonstrating irreproachable risk management. Caisse Française de Financement Local aims to issue approximately EUR 5 billion per year with the ambition to rank rapidly among the most sought-after issuers in its category.

ANNUAL REPORT 2012
Caisse Française de Financement Local[1]

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This free translation of the annual report published in French is provided solely for the convenience of English-speaking readers.

(1) Previously Dexia Municipal Agency

Management Report
Caisse Française de Financement Local 2012

1. General introduction on the nature of the company and the general framework of activities

1.1 - NATURE OF THE COMPANY

Caisse Française de Financement Local is a French credit institution that is authorized to operate as a *société financière-société de crédit foncier*. As a credit institution, it conducts banking transactions in its ordinary course of business. As *a société financière-société de crédit foncier*, these transactions are specialized and have an exclusive purpose, as defined in articles L.513-13 and following of the Monetary and Financial Code. In the case of Caisse Française de Financement Local, this specialization is reinforced by its own by-laws and by the July 23, 1999, authorization of CECEI (Comité des établissements de crédit et des entreprises d'investissement), which limits its activity to transactions with public sector entities or entities they guarantee.

Sociétés de crédit foncier, created by a French law passed in June 1999, are well known to bond issuers and investors. They issue covered debt instruments called *obligations foncières* or contract other covered debt, which may or may not be traded on regulated markets. All these instruments are characterized by a legal privilege that in priority allocates the sums from the Company's assets to serve bond interest and reimbursement. *Sociétés de crédit foncier* may also issue or contract non-covered debt.

Obligations foncières have become one of the significant components of the international covered bond market.

1.2 - CHANGES IN THE LEGAL FRAMEWORK IN 2012

There were no changes in the legal framework of *sociétés de crédit foncier* in 2012.

1.3 - GENERAL FRAMEWORK OF ACTIVITIES

The assets held by Caisse Française de Financement Local are exclusively comprised of commitments on public sector entities. These assets are financed through the issue of debt that is covered by a legal privilege that guarantees them a priority right on the flow of assets. The portion of assets that is not financed by covered debt – over-collateralization – is funded by the Company's equity and debt that does not benefit from the privilege, which is subordinated to the covered debt. Non-privileged debt was contracted from Dexia Credit Local until January 31, 2013, and is now provided by Société de Financement Local, the sole shareholder of Caisse Française de Financement Local.

a. Assets

The assets held by Caisse Française de Financement Local are solely comprised of commitments on public sector entities that are eligible by the terms of articles L.515-15 and following of the Monetary and Financial Code, i.e. States, local governments or groups of such, public sector entities in the European Economic Area, Switzerland, the United States of America, Canada and Japan. Exposures on public sector entities in other countries may be included in the assets of Caisse Française de Financement Local, under the condition that they benefit from a high credit rating from a rating agency recognized by the Autorité de contrôle prudentiel (ACP), but there is no exposure of this nature on Caisse Française de Financement Local's balance sheet.
These commitments take the form of loans or bonds representing a commitment on or guaranteed by such public sector entities. Debt issued by mutual funds or similar structures, such as asset-backed securities (ABS), is also eligible for booking on Caisse Française de Financement Local's balance sheet if at least 90% of the assets are directly eligible, and if, upon acquisition, the debt issued has a minimum rating of AA-, Aa3, AA- from a rating agency recognized by the Autorité de contrôle prudentiel (ACP). In practice, the securitization units acquired by Caisse Française de Financement Local were issued by funds wholly comprised of eligible assets, corresponding to loans granted by subsidiaries of the Dexia Group.
Assets considered by current legislation to be replacement assets correspond to exposures vis-à-vis credit institutions benefiting from a Step 1 rating or a Step 2 rating (when maturity does not exceed 100 days) for a total amount limited to 15% of all privileged debt (*obligations foncières* and registered covered bonds for Caisse Française de Financement Local).
Caisse Française de Financement Local operates a branch in Dublin. Since the branch's balance sheet is completely integrated into the balance sheet of Caisse Française de Financement Local, all the assets in Paris and Dublin represent a single volume of collateral to cover *obligations foncières* and other debt benefiting from the legal privilege. *Obligations foncières* and other debt benefiting from the same privilege are issued and funds collected solely from Paris. The branch is funded through internal financing by the Paris headquarters of Caisse Française de Financement Local.
The management of its branch in Dublin is ensured by Société de Financement Local within the framework of the agreement between Caisse Française de Financement Local and Société de Financement Local in application of the provisions of article L.515-22 of Monetary and Financial Code.

The existence of a branch in Dublin maintains unchanged the characteristics of the privilege of *sociétés de crédit foncier* specific to French legislation. Most of the assets on Caisse Française de Financement Local's balance sheet were generated by the Dexia Group's commercial activities. From February 2013, the new assets of Caisse Française de Financement Local will be loans to French local governments and French public hospitals granted by La Banque Postale or its joint venture with Caisse des Dépôts et Consignations.

b. Liabilities

In addition to equity, Caisse Française de Financement Local uses two categories of debt to finance its assets:

- debt that benefits from the legal privilege, defined by law as *obligations foncières* or other resources that benefit from the legal privilege by reason of their contract. Caisse Française de Financement Local thus issues registered covered bonds that benefit contractually from the legal privilege on the same basis as *obligations foncières*. Designed for German institutional investors, these private placements are governed by German law and benefit from the French legal privilege specific to issues by *sociétés de crédit foncier*;
- debt that does not benefit from the legal privilege, i.e. debt that is not covered by the assets and would, therefore, be considered as subordinated debt with regard to debt benefiting from the legal privilege (cf. *infra* chapter. 5). With equity, such debt finances over-collateralization. There are primarily two types:
  - debt negotiated according to the terms of a financing agreement signed with the parent company. Since January 31, 2013, such debt is contracted with Société de Financement Local, through a financing agreement between Caisse Française de Financement Local and its new parent company. This debt was previously contracted with Dexia Credit Local;
  - refinancing obtained from the Banque de France. As a credit institution, Caisse Française de Financement Local may benefit, in its own name, from access to Banque de France refinancing operations. Caisse Française de Financement Local implements the organizational and IT procedures required to participate in the refinancing operations of the Banque de France. The financing obtained does not benefit from the privilege specified by the legislation on *sociétés de crédit foncier*, but is guaranteed by assets pledged to the central bank. These pledged assets are temporarily excluded from the cover pool and the calculation of the over-collateralization ratio.

In addition, on January 31, 2013, Société de Financement Local, Caisse Française de Financement Local's parent company, signed a declaration of support ensuring that "Société de Financement Local and the French State, its reference shareholder, will ensure that Caisse Française de Financement Local always be able to pursue its activity in an ongoing manner and to honor its financial commitments in compliance with the obligations imposed by banking regulations in effect".
This declaration of support is reproduced in issuance documents and the annual report of Caisse Française de Financement Local.

c. Legal privilege

The legal privilege is governed by article L.515-19 of the Monetary and Financial Code and has the following characteristics:

- when a *société de crédit foncier* is subject to bankruptcy or liquidation procedures, cash flows generated by the assets, after any financial instrument hedges if such be the case, are allocated in priority to serve the *obligations foncières* and other resources benefiting from the privilege, also after any financial instrument hedges if such be the case;
- the liquidation of a *société de crédit foncier* does not accelerate the reimbursement of *obligations foncières* and other debt benefiting from the privilege, which continue to be paid at their contractual due dates with priority over all other commitments. These other commitments can only be settled after all debt benefiting from the privilege has been discharged.

In addition, the current legislation stipulates that:

- in order to maintain the privilege granted to investors who have acquired *obligations foncières* and other covered bonds, a *société de crédit foncier* should not have any direct employees (who, under French law, would benefit from a priority). A *société de crédit foncier* must, therefore, entrust the management of its operations to another credit institution with which it has signed an agreement (Monetary and Financial Code, article L.515-22). The management agreement itself benefits from the privilege of article L.515-19, to the same degree as holders of privileged debt;
- the bankruptcy or liquidation of the shareholder of a *société de crédit foncier* cannot be extended to the *société de crédit foncier* (Monetary and Financial Code, article L.515-27).

d. Various prudential provisions concerning management

According to current legislation, *sociétés de crédit foncier* are not allowed to have any subsidiaries or affiliates. Items concerning the cover ratio, i.e. the ratio between the assets covering privileged debt to debt benefiting from the privilege, and the management of interest rate and liquidity risks are discussed below in the chapters on these subjects.
As mentioned above, the general management of the operations of Caisse Française de Financement Local is entrusted by an agreement with its parent company, a credit institution. This management was carried out by Dexia Credit Local until the end of January 2013; it is ensured by Société de Financement Local since January 31, 2013. Specific agreements were also drawn up with entities that transferred assets to Dexia Municipal Agency and continue to provide management vis-à-vis their national clients. At the end of 2012, operative agreements were signed with the following entities: Kommunalkredit Austria (Austria), Belfius Banque et Assurances (Belgium) et Dexia Crediop (Italy). These management agreements already existed in the past.
Lastly, as a reminder, since Caisse Française de Financement Local has no subsidiary or affiliate, the Company does not publish consolidated accounts, and is not required to produce its financial statements in IFRS format. Nevertheless, wishing to ensure comparability and transparency, Caisse Française de Financement Local publishes quarterly and annual financial statements in IFRS format.

2. Highlights of 2012 and post-closing events

2.1 - APPROVAL OF THE PLAN FOR THE ORDERLY RESOLUTION OF THE DEXIA GROUP

Active discussions between the French and Belgian States and the European Commission continued in 2012 with a view to finalizing a plan for the orderly resolution of the Dexia Group.

At the end of November 2012, the States submitted a revised plan to the European Commission, subject to the Commission's approval, for the sale of Dexia Municipal Agency (DMA) within the framework of the new organization for the financing of the local public sector in France (cf. 2.2, Change in the shareholding structure of Caisse Française de Financement Local).

On December 28, 2012, the European Commission announced its approval of the plan for the orderly resolution of the Dexia Group.

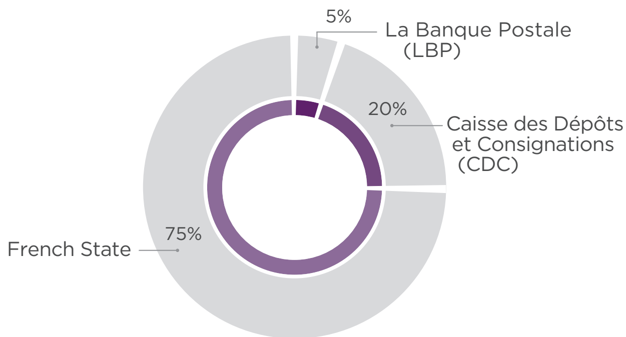
2.2 - CHANGE IN THE SHAREHOLDING STRUCTURE OF CAISSE FRANÇAISE DE FINANCEMENT LOCAL

On January 31, 2013, Société de Financement Local (SFIL) became the new parent company of Dexia Municipal Agency, which took the name Caisse Française de Financement Local. SFIL is a credit institution approved by the Autorité de contrôle prudentiel.
SFIL's shareholders are the French State (75%), Caisse des Dépôts et Consignations (20%) and La Banque Postale (5%). The French State is the reference shareholder for the Autorité de contrôle prudentiel, underlining its commitment to ensure oversight and strategic decision-making, as well as its determination to ensure SFIL's ongoing financial transactions if so required.

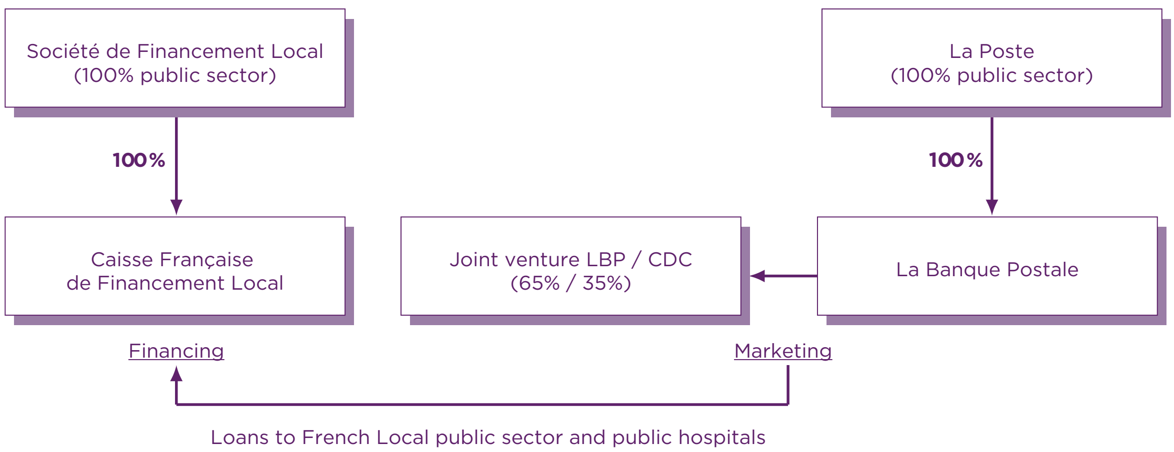
Caisse des Dépôts et Consignations provides SFIL with the resources required to finance business existing prior to the date of transfer. It will contribute with La Banque Postale to meet the financing needs engendered by future business originated by the joint venture. All the financing provided by Caisse des Dépôts et consignations will be capped at EUR 12.5 billion.

100% PUBLIC SECTOR SHAREHOLDERS AND THE FRENCH STATE AS REFERENCE SHAREHOLDER

Shareholders of Société de Financement Local (SFIL)



New organization for the financing of the local public sector in France



The role of Société de Financement Local is to support the activities of Caisse Française de Financement Local as a servicer. This role is defined by the regulations that apply to *sociétés de crédit foncier*, in particular in the sense of article L.515-22 of the Monetary and Financial Code. In this regard,

- SFIL provides Caisse Française de Financement Local with the non-privileged funding its activity requires;
- SFIL has replaced Dexia Credit Local in all derivative transactions between Dexia Municipal Agency and Dexia Credit Local at the date of sale;
- SFIL will also manage the reduction of the sensitivity of the structured loans on Caisse Française de Financement Local 's balance sheet.

SFIL likewise provides services for La Banque Postale and the joint venture in the fields of commercial support, financial control, risk management and back office.

SFIL's long-term ratings are respectively Aa2 by Moody's, AA+ by Standard and Poor's and AA+ by Fitch. These ratings reflect the strategic character of the role the French State has assigned to SFIL and Caisse Française de Financement Local, and the French State's long-term commitment to assure them of its support if so required. These long-term ratings include a negative outlook, reflecting the current outlook of the rating of the French State.

On January 31, 2013 SFIL signed a declaration of support for Caisse Française de Financement Local. This declaration is reproduced in the annual report (General informations).

2.3 - RATINGS OF CAISSE FRANÇAISE DE FINANCEMENT LOCAL

The issuance program of Caisse Française de Financement Local is rated by the three main rating agencies – Standard & Poor's, Fitch and Moody's.
With the change in the nature and shareholding structure of the parent company, the rating agencies reviewed the ratings of Caisse Française de Financement at the beginning of February 2013. They raised their ratings to the highest possible level:

- Aaa by Moody's,
- AAA / outlook negative* by S&P,
- AAA / watch negative by Fitch.

Readers are reminded that, as of December 31, 2012, the ratings of Caisse Française de Financement Local were under review or surveillance by two agencies, reflecting its situation and/or the agencies' introduction of new rating criteria. It was rated Aa2 by Moody's, AA+ / creditwatch negative by S&P and AAA / watch negative by Fitch.

** Outlook negative in the* obligations foncières *program translates the negative outlook of the sovereign rating as well as the rating of Société de Financement Local.*

2.4 - THE COVERED BOND MARKET

Issues of euro-denominated benchmark covered bonds in the primary market in 2012 totaled EUR 106 billion, compared with more than EUR 183 billion at the end of 2011. French issuers remained the most active, ahead of the Germans and the Scandinavians. In the secondary market, whatever the country, average spreads for covered bonds tended to tighten.

The spread of Caisse Française de Financement Local bonds in the secondary market, which had widened, like the market, in the second quarter, narrowed significantly since then, reflecting its acquisition by Société de Financement Local, the shareholders of which are 100% public sector.
Caisse Française de Financement Local issued no bonds in 2012, because of the absence of new assets to finance and of the project under way to change its shareholding structure and its supplier of assets. It is scheduled to return to the euro benchmark market in the second quarter of 2013.

3. Changes in main balance sheet items

EUR billions	12/31/2010	12/31/2011	12/31/2011* Pro forma	12/31/2012	Change Dec. 2012 / Dec. 2011
Cover pool	**79.6**	**77.0**	**76.0**	**69.2**	**(8.9)%**
Central bank	-	2.2	2.2	2.4	9.1%
*Loans**	56.3	55.9	54.9	51.7	(5.8)%
Securities	22.7	18.9	18.9	15.1	(20.2)%
Assets assigned in guarantee to Banque de France	**-**	**3.2**	**3.2**	**-**	**(100.0)%**
Privileged debt	**64.9**	**65.6**	**65.6**	**59.7**	**(9.0)%**
*Obligations foncières ***	63.6	63.1	63.1	56.2	(10.9)%
Cash collateral received	1.3	2.5	2.5	3.5	40.0%
Non-privileged debt	**12.5**	**12.2**	**12.2**	**7.6**	**(37.7)%**
Dexia Credit Local	12.5	9.5	9.5	7.6	(20.0)%
Banque de France	-	2.7	2.7	-	(100.0)%
Equity IFRS (excluding unrealized gains and losses)	**1.3**	**1.3**	**1.3**	**1.5**	**15.4%**

** As of December 31, 2012, loans in foreign currencies are translated at the exchange rate of the hedging swaps in conformity with the treatment applied for securities and privileged debt.*
*** Including registered covered bonds.*

The slowdown in Caisse Française de Financement Local's activity since mid-2011 (no new issues, few new assets), and the disposals and early reimbursement of assets and liabilities as a result of its programmed separation from the Dexia Group (cf. 2.2) led to a reduction in the cover pool and privileged debt in 2012. The level of over-collateralization was maintained.

As of December 31, 2012, Caisse Française de Financement Local's cover pool, composed of loans and debt securities, totaled EUR 69.2 billion, excluding accrued interest not yet due. As of December 31, 2011, the total was EUR 76.0 billion; the decrease was therefore EUR 6.8 billion (-8.9%).

As of December 31, 2012, no asset has been assigned in guarantee to the Banque de France.

Outstanding debt benefiting from the legal privilege, translated if required at the currency swap rate (swapped value), was EUR 59.7 billion, including cash collateral received, down 9.0% from December 2011.

Debt vis-à-vis the parent company, which does not benefit from the legal privilege, totaled EUR 7.6 billion. This amount corresponds to the financing of over-collateralization both structurally (commitment of Caisse Française de Financement Local and requirements of the rating agencies) and on a temporary basis (assets waiting to be refinanced by *obligations foncières*).

Equity, according to IFRS, but excluding reserves for unrealized gains and losses, totaled EUR 1.5 billion at the end of December 2012.

4. Change in assets in 2012

4.1 - ASSET PRODUCTION

The net change in assets as of December 31, 2012, was a decrease of EUR 7.8 billion. The change can be analyzed as follows.

EUR billions	2011			2012		
	Loans	**Debt Securities**	**Total**	**Loans**	**Debt Securities**	**Total**
France	6.4	2.4	8.8	1.0	-	1.0
Other countries	2.4	2.6	5.0	0.1	-	0.1
Total new assets	**8.8**	**5.0**	**13.8**	**1.1**	**-**	**1.1**
Amortization	(6.0)	(6.1)	(12.1)	(3.8)	(3.6)	(7.4)
Early reimbursements	(0.6)	(0.4)	(1.0)	(0.5)	(1.2)	(1.7)
Divestments	-	-	-	-	(2.0)	(2.0)
Assets assigned in guarantee to Banque de France	(0.2)	(3.0)	(3.2)	0.2	3.0	3.2
Changes in provisions	(0.0)	(0.1)	(0.1)	(0.0)	0.0	0.0
Net change (excl. FX adjustments)	**2.0**	**(4.6)**	**(2.6)**	**(3.0)**	**(3.8)**	**(6.8)**
Foreign exchange adjustments*	0.0	0.0	0.0	0.0	(0.0)	0.0
Exchange difference**	-	-	-	(1.0)	-	(1.0)
Net change*	**2.0**	**(4.6)**	**(2.6)**	**(4.0)**	**(3.8)**	**(7.8)**

** All the assets included in the cover pool are perfectly hedged against foreign exchange adjustments; the changes mentioned above are fully offset by equivalent changes in the value of the hedging derivative.*
*** As of December 31, 2012, loans in foreign currencies are translated at the exchange rate of the hedging swaps.*

Gross asset production and acquisitions in the period totaled EUR 1.1 billion.

EUR billions	2011		2012	
Loans		**8.8**		**1.1**
Canada	0.2		0.1	
Spain	0.3			
France				
- commercial loans	2.6		1.0	
- loans to Dexia Credit Local guaranteed by public sector bonds *	1.6		-	
- Banque de France deposit	2.2		-	
United Kingdom (loan to Dexia Credit Local guaranteed by commitments on UK public entities)	1.9		-	
Bonds		**5.0**		**-**
Germany	0.3		-	
Belgium	0.0		-	
Spain - *cedulas territoriales* *	2.0		-	
France - *certificats de dépôt* Dexia Credit Local *	2.4		-	
Italy	0.2		-	
United Kingdom	0.1		-	
TOTAL		**13.8**		**1.1**

** Replacement assets.*

These assets corresponded to long-term loans originated by Dexia Credit Local within the framework of its long-term commercial activity, including EUR 1.0 billion in French public sector loans and EUR 0.1 billion in loans to the Canadian public sector.

The decrease in assets mainly corresponded to the natural amortization of the portfolio of loans and securities, in particular EUR 2.5 billion in *cedulas territoriales* in the year 2012.

In 2012, EUR 3.2 billion in securities were subject to early reimbursement or divestment, in particular as follows:

- EUR 0.6 billion in Greek and Icelandic securities sold to Dexia;
- EUR 1.4 billion in DSFB 1 Belgian securitization units sold to Belfius Banque & Assurances;
- EUR 1.2 billion in *lettres de gage publiques* bought back by their issuer, Dexia LdG Banque.

4.2 - OUTSTANDING ASSETS AT THE END OF 2012

a. Geographic breakdown of the cover pool (including replacement assets)

The breakdown of assets by country was influenced by movements in the cover pool in 2012, including the disappearance of Greek and Icelandic exposures from the pool, of Luxembourg *lettres de gage*, of a Belgian securitization vehicle and of Spanish *cedulas territoriales*. French assets remained predominant, with significant geographic diversification.

The trend in the relative proportion of assets by country can be analyzed as follows.

%	12/31/2011	12/31/2012
France	66.0	69.9
Belgium	9.4	7.5
Italy	9.8	10.5
Switzerland	5.4	4.1
Spain	0.7	1.5
United Kingdom	3.3	3.6
Luxembourg	1.7	-
Subtotal	**96.3**	**97.1**
Other countries	3.7	2.9
TOTAL	**100.0**	**100.0**

As of December 31, 2012, exposures on other countries could be broken down as follows.

Other countries (%)	12/31/2011	12/31/2012
Germany	1.3	1.2
Greece	0.5	-
Austria	0.4	0.4
Sweden/Finland	0.4	0.3
United States	0.3	0.3
Canada	0.3	0.5
Portugal	0.2	0.1
Iceland	0.2	-
Japan	0.1	0.1
TOTAL	**3.7**	**2.9**

b. Assets removed from the cover pool

As of December 31, 2012, no asset was assigned by Caisse Française de Financement Local in guarantee to the Banque de France.

c. Concentration by borrower

As of December 31, 2012, the 20 largest exposures (excluding replacement assets) represented 18.7% of the cover pool. The concentration observed is mainly due to the presence among the 20 largest exposures of the balance of the Banque de France current account, which represented 3.5% of the cover pool. Besides this exposure, the largest exposure accounted for only 1.9% of the cover pool and the twentieth exposure less than 0.4%.

d. Replacement assets

As of December 31, 2012, replacement assets represented a total of EUR 0.5 billion. This major decrease from December 31, 2011, was due to the early reimbursement or the arrival at maturity of *lettres de gage* for EUR 1.4 billion and also *cedulas territoriales* for EUR 2.5 billion since the beginning of the year.

Replacement assets are mainly composed of *cedulas territoriales*. Because of their Ba1 rating (Moody's), these assets do not contribute to the calculation of Caisse Française de Financement Local's regulatory over-collateralization ratio. These *cedulas* were reimbursed at the beginning of January 2013.

Replacement assets, excluding the balance of current bank accounts, accounted for 0.9% of outstanding *obligations foncières* and registered covered bonds, totaling EUR 56.2 billion in swapped value. Current legislation limits their amount to 15%.

Replacement assets	Country	Issuer	EUR millions	
			12/31/2011	12/31/2012
Step 1 credit rating				
Lettres de gage publiques	Luxembourg	Dexia LdG Banque	1,350	-
Step 2 credit rating				
Bank account balances			22	23
Other assets				
Cedulas territoriales	Spain	Dexia Sabadell	-	500
TOTAL			**1,372**	**523**
Removed from the cover pool *cedulas territoriales*	Spain	Dexia Sabadell	**3,000**	-

4.3 - ASSET QUALITY

Caisse Française de Financement Local's pool of assets is exclusively composed of exposures on public sector entities or issues guaranteed by the same. The current financial crisis had no significant impact on the quality of this portfolio, except for certain sovereign exposures.

a. Exposures on sovereign countries

Caisse Française de Financement Local has limited exposure on sovereign countries. Most of these exposures are concentrated on countries benefiting from very good ratings as of December 31, 2012.

EUR millions	Ratings as of 12/31/2012 ***	12/31/2011	12/31/2012
France*	AAA/Aa1/AA+	211	170
United Kingdom	AAA/Aaa/AAA	672	608
Germany	AAA/Aaa/AAA	12	12
Italy	A-/Baa2/BBB+	552	560
Greece**	CCC/C/B-	414	-
Iceland**	BBB-/Baa3/BBB-	145	-
TOTAL		**2,006**	**1,350**

** Excluding the Banque de France sight account.*
*** Exposures sold in January 2012.*
**** Fitch, Moody's, S&P.*

Exposures to Greece and Iceland were completely transferred to Dexia Credit Local at the beginning of 2012 in accordance with the transfer agreement signed in December 2011.

In Caisse Française de Financement Local's IRFS financial statements as of December 31, 2012, a capital loss was reported on the sale of the portfolio of Greek and Icelandic securities in the amount of EUR -7 million, offset by a reversal of provisions for EUR 7 million. The capital loss and the reversal of provisions were recorded in cost of risk (not included in net banking income). The overall impact of the operation on net income was therefore nil in 2012.

b. Quality of the assets in the portfolio

Caisse Française de Financement Local's portfolio of assets is composed of loans and debt securities.

Loans and advances: Loans and most of the bonds held by Caisse Française de Financement Local are classified in the "Loans and advances" portfolio according to IFRS, corresponding to an intention to hold them until maturity. They are valued at their historical cost and, if necessary, are covered by provisions for impairment when there is a risk of non-payment.

In addition, collective impairment is calculated on the different portfolios of loans and advances. In the absence of specific depreciation, it covers the risk of loss in value when there is an objective indication of the probability of loss in certain segments of the portfolio or in other commitments involving outstanding loans at the end of the period. These losses are estimated on the basis of each segment's past performance and trends, each borrower's rating, and the borrower's economic environment. To this end, Caisse Française de Financement Local uses a credit risk model using an approach that combines probabilities of default (PD) and loss given default (LGD). This model, which is also used for Caisse Française de Financement Local's transactions, is regularly tested *a posteriori*. It is based on Basel II data and risk models in line with the model of incurred losses.

The small amount of non-performing loans observed indicates the low risk profile and the portfolio's overall high quality.

Non-performing loans & litigious loans EUR millions	12/31/2011		12/31/2012	
	Non-performing loans	Litigious loans	Non-performing loans	Litigious loans
FRANCE				
Municipalities	15.4	-	39.9	9.2
Departments	-	-	-	12.8
Group of municipalities	1.2	-	45.3	6.3
Public sector entities	11.7	-	6.5	0.5
TOTAL	**28.3**	**-**	**91.6**	**28.7**

Non-performing and litigious loans as of December 31, 2012, amounted to EUR 120.3 million, i.e. less than 0.17% of the total cover pool (EUR 69.2 billion).

They can be broken down into EUR 91.6 million of non-performing loans, which for the most part can be divided between municipalities and groups of municipalities for small unit amounts, and EUR 28.7 million of litigious loans related to structured loans subject to litigation.

Non-performing and litigious loans (number of clients)	**12/31/2011**		**12/31/2012**	
	Non-performing loans	**Litigious loans**	**Non-performing loans**	**Litigious loans**
Beginning of the year	17	-	25	-
New	17	-	17	25
Outgoing	9	-	9	-
END OF THE YEAR	**25**	**-**	**33**	**25**

Non-performing loans are carried by a limited number of counterparties and turnover is frequent. In 2012, nine files were resolved and 17 new cases were identified.
No litigation was resolved in 2012 given the long delays in procedures.

Additional specific and collective impairment was recorded in the third and fourth quarter of 2012 to cover the risk of the overall portfolio. Non-performing and litigious loans, as well as provisions, remained at a low level, indicating the portfolio's good quality and the low risk profile.

EUR millions	**12/31/2011**	**12/31/2012**
Specific impairment	3.2	7.8
Collective impairment	17.7	44.4
TOTAL	**20.9**	**52.2**

AFS securities. Because of their liquidity, in particular, certain securities remain classified for accounting purposes as available for sale according to IFRS and are valued for accounting purposes on the basis of their fair value.
To determine the fair value of these securities, the reference is the market price when such data is available. When no price is listed in a market, the fair value is obtained by estimating the value using price valuation models or the discounted cash flow method, including observable and non-observable market data. When there is no price listed for these instruments, the valuation model attempts to apprehend as best as possible the market conditions at the date of the valuation, as well as any changes in the quality of the credit risk of these financial instruments and in market liquidity. The methods that have served to determine the fair value of AFS securities are indicated in the notes to the financial statements according to IFRS. The difference with the accounting value gives rise to a positive or negative AFS reserve. These reserves would only represent gains or losses if Caisse Française de Financement Local were to sell these securities, but Caisse Française de Financement Local acquired these assets with the intention of holding them to maturity.

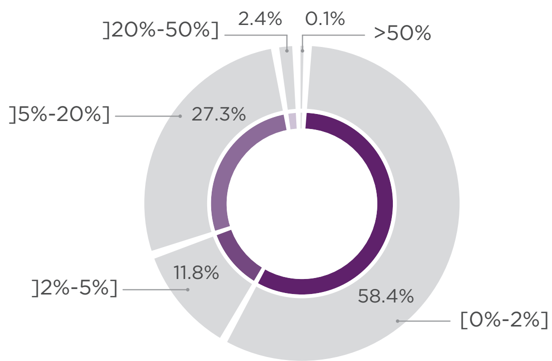
As of December 31, 2012, the overall AFS reserve, before taxes, was EUR -291 million, versus EUR -398 million as of December 31, 2011. For the most part, this change mainly corresponded, for EUR +82 million, to the improvement in value of Italian sovereign issues. The amount of the AFS reserve for Italian sovereign securities was EUR -178 million at the end of 2012.

c. Breakdown of exposures according to Basel II risk weighting

The quality of Caisse Française de Financement Local's portfolio can also be seen in the weighting of its assets within the framework of the calculation of the Group's solvency ratio. The Dexia Group chose the advanced method within the framework of the reform of the solvency ratio and capital adequacy according to Basel II criteria. Banking regulators authorized the Group to use advanced internal models for the calculation and reporting of equity requirements for credit risk. After its sale by Dexia, Caisse Française de Financement Local will continue to use these internal models.

As of December 31, 2012, Caisse Française de Financement Local was therefore able to present in the following graph an analysis of its exposures, broken down by risk weighting, such as used for the calculation of equity requirements for credit risk.

Risk weighting (Basel II) of Caisse Française de Financement Local's portfolio as of December 31, 2012



These weightings are primarily calculated on the basis of the probability of default (PD) and loss given default (LGD) of the counterparty. This analysis confirms the excellent quality of the assets in Caisse Française de Financement Local's portfolio, since more than 70% of the portfolio assets have a weighting that is less than or equal to 5%, and more than 97% of the portfolio assets have a weighting that is less than or equal to 20%.
Caisse Française de Financement Local has a solvency ratio of more than 30% as of December 31, 2012, by reason of the size of its equity and the credit quality of its assets.

d. Exposure to subprimes, monolines, ABS and banks

Exposure to subprimes and other mortgage loans

Caisse Française de Financement Local has no exposure to mortgage loans, whether subprime or prime. The authorization granted to Caisse Française de Financement Local by CECEI (incorporated into the Autorité de contrôle prudentiel – ACP) only allows the Company to finance exposures on public sector entities (central governments, local governments, public entities, etc.) or entities that are entirely and unconditionally guaranteed by public sector entities (excluding replacement assets).

Exposure to monoline insurers

In its public sector bond portfolio, Caisse Française de Financement Local holds four issues of large French and Spanish local governments with credit enhancement by a monoline insurer.
The breakdown of these exposures is presented in the following table.

Issuer	Country	ISIN code	12/31/2012 EUR millions	Monoline Insurer
Communauté urbaine de Lille	France	US203403AB67	8.7	AMBAC
Ville de Tours	France	FR0000495517	1.0	MBIA
Ville de Tours	France	FR0000495632	8.5	MBIA
Feria internacional de Valencia	Spain	ES0236395036	50.0	FSA
TOTAL			**68.2**	

They represent less than 0.1% of the assets of Caisse Française de Financement Local. Credit enhancement was not a factor in the decision to invest in these bonds given the quality of the issuers.

Exposure in the form of asset-backed securities (ABS)

At the end of 2012, Caisse Française de Financement Local had a limited number of exposures in the form of amortizable securitization units, totaling EUR 8.3 billion, down 20.0% from December 31, 2011. This decrease was mainly the result of the sale of the DSFB 1 securitization vehicle to Belfius Banque et Assurances for EUR 1.4 billion. The amount of theses exposures before provisions is listed below.

EUR millions	ISIN code	12/31/2011	12/31/2012
Dexia Secured Funding Belgium SIC (DSFB 1)	BE0933050073	1,412.1	-
Dexia Secured Funding Belgium SIC (DSFB 2)	BE0934330268	1,376.0	1,303.3
Dexia Secured Funding Belgium SIC (DSFB 4)	BE6000495752	3,924.6	3,527.8
Dexia Crediop per la Cartolarizzazione SRL (DCC 1)	IT0003674691	743.8	690.7
Dexia Crediop per la Cartolarizzazione SRL (DCC 2)	IT0003941124	677.7	614.5
Dexia Crediop per la Cartolarizzazione SRL (DCC 3)	IT0004349665	2,110.0	2,054.5
Subtotal		**10,244.2**	**8,190.7**
Blue Danube Loan Funding GmbH	XS0140097873	77.7	74.0
Colombo SRL	IT0003156939	5.6	3.2
Societa veicolo Astrea SRL	IT0003331292	0.5	0.1
Subtotal		**83.8**	**77.3**
TOTAL		**10,328.0**	**8,268.0**

Most of these exposures are asset-backed securities especially designed to transfer to Caisse Française de Financement Local exposures on Italian and Belgian local governments originated by Dexia subsidiaries.
Caisse Française de Financement Local thus holds almost all of the debt issued by DCC and DSFB, with the remainder held by the entity that originated the assets – Dexia Crediop or Belfius Banque et Assurances (previously Dexia Bank Belgium).
DCC securities benefit from the guarantee of Dexia Crediop, and were therefore rated BBB+ / watch negative by Fitch, B+ / outlook negative by S&P, and Ba2 by Moody's as of December 31, 2012.

The securities issued by DSFB 2 benefit from the guarantee of Belfius Bank and Insurances and are therefore 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 Insurances (formerly Dexia Bank Belgium), but are rated AA- / outlook negative by Fitch.

The composition of the DCC and DSFB portfolios is presented at the end of this report.

The other ABS have the following characteristics:

- Blue Danube Loan Funding GmbH is governed by Austrian law and is rated AA+ by S&P; its debt is unconditionally and irrevocably guaranteed by the Land of Lower Austria;
- Colombo SRL 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.).

Exposure to banks

Caisse Française de Financement Local held as of December 31, 2012, three types of exposure to banks:

- a line of *cedulas territoriales* issued by Dexia Sabadell (reimbursed on January 3, 2013);
- bank account balances in euros and other currencies;
- the value of its derivative contracts, entered into within the framework of its management of interest rate and foreign exchange risks.

All of Caisse Française de Financement Local's derivative operations are conducted within the framework of standard ISDA or AFB contracts with major international banks. These contracts have particular characteristics, since they must meet the standards set by rating agencies for *sociétés de crédit foncier* (and other issuers of covered bonds). These interest rate and currency swaps all benefit from the same legal privilege as *obligations foncières*. For this reason, Caisse Française de Financement Local does not pay its derivative counterparties any collateral, whereas they have to pay Caisse Française de Financement Local unless they benefit from the agencies' highest short-term rating.
As of December 31, 2012, Caisse Française de Financement Local was exposed (positive fair value of the swaps) to twelve banking counterparties. Eleven of these paid collateral for EUR 3.5 billion, offsetting total exposure, and one paid no collateral because of its very good short-term ratings. This counterparty represented an exposure of EUR 66 million. All long-term derivative exposures as of December 31, 2012, are listed below.

EUR billions	Notional amounts	%	Mark to Market -	Mark to Market +	Collateral received	Number of counterparties
Dexia Credit Local	17.4	16.5%	(2.5)	-	-	1
Dexia Crediop	1.4	1.2%	(0.7)	-	-	1
Other counterparties	86.9	82.3%	(4.3)	3.5	3.5	28
TOTAL	**105.7**	**100.0%**	**(7.5)**	**3.5**	**3.5**	**30**

Derivatives signed with external counterparties represented a total of 82.3% of outstanding long-term swaps and those signed with the Dexia Group 17.7%. Short-term swaps (Eonia) were exclusively negotiated with Dexia Credit Local.
In January 2013, Société de Financement Local, the new parent company of Caisse Française de Financement Local, acquired all the long-term swaps between its subsidiary and the Dexia Group. Therefore, there are no more long-term swaps between the Dexia Group and Caisse Française de Financement Local.
Those contracted with the five largest external counterparties represented a total of 35.2% of the notional amounts.

e. Structured loans

Definition

Certain loans to French public sector entities in the cover pool of Caisse Française de Financement Local may be qualified as structured loans.
To define this notion, Caisse Française de Financement Local refers to the charter of good practices signed by banks and local government (the Gissler charter), which can be consulted on the Internet site of the French Ministry of the Interior[1]. This document was signed on December 7, 2009, by several organizations that are representative of local governments in France (Association des maires de France, Fédération des maires des villes moyennes, Association des petites villes de France, Association des maires de grandes villes de France and Assemblée des communautés de France) as well as certain banks.
Therefore, structured loans are defined as:

- all the loans with structures belonging to Gissler charter categories B to E;
- all the loans the commercialization of which is excluded by the charter, either because of their structure (i.e. leverage > 5, etc.), the underlying index(es) (i.e. foreign exchange, commodities, etc.), or the currency of the exposure (loans denominated in CHF, JPY, etc.);
- to the exclusion of all the loans of which the structured phase is terminated and the interest rate is a fixed rate or a simple variable rate definitively.

According to this definition, outstanding structured loans on the balance sheet of Caisse Française de Financement Local at the end of 2012 represented EUR 15.4 billion (versus EUR 17.4 billion at the end of 2011).

1 *http://www.interieur.gouv.fr/content/download/3021/30417/file/Charte_de_bonne_conduite_entre_les_etablissements_bancaires_et_les_collectivites_territoriales.pdf*

Sensitive loans

The most structured loans according to the Gissler categories may be qualified as "sensitive". They are specially monitored and specific measures are taken to reduce their sensitivity. These loans represented a total of EUR 8.5 billion at the end of 2012 compared with EUR 9.5 billion at the end of 2011.

EUR billions	Amount	%	Number of clients
TOTAL COVER POOL	**69.2**	**100**	
FRENCH PUBLIC SECTOR LOANS	**45.4**	**66**	**19,013**
Vanilla loans	29.9	43	16,754
Non-sensitive structured loans	7.1	10	1,380
Sensitive loans (3E/4E/5E)	4.4	6	470
Sensitive loans not in the charter	4.1	6	409

Sensitive loans not in the charter represented 6% of the cover pool and 409 clients, as described above.

These loans concern the following client categories :

Sensitive loans not in the charter	Amounts EUR billions	Number of clients
Municipalities with fewer than 10,000 inhabitants	0,3	81
Municipalities with more than 10,000 inhabitants	2,1	232
Regions and departments	1,0	28
Other clients	0,7	68
TOTAL	**4,1**	**409**

Interest rates

The average rate paid by clients in 2012 was 4.6%. The 10% of clients having paid the highest rates in 2012 for these sensitive loans, paid an average of 9.3% and the 10% of clients having paid the lowest rate in 2012 paid an average of 2.4%.

%	2012
Decile 1	9.3
Decile 2	5.8
Decile 3	5.0
Decile 4	4.6
Decile 5	4.3
Decile 6	4.0
Decile 7	3.8
Decile 8	3.6
Decile 9	3.3
Decile 10	2.4
AVERAGE RATE PAID	**4.6**

Litigation

Certain clients took Dexia Credit Local to court for the sensitive loans it had granted them. The number of clients who sued Dexia Credit Local for loans on the balance sheet of Caisse Française de Financement Local stood at 57 at the end of 2012, compared with 14 at the end of 2011.

Three legal decisions on the suits brought against Dexia by the Département de la Seine-Saint-Denis were handed down on February 8, 2013, by the Tribunal de Grande Instance de Nanterre. They concerned three structured loans with a total capital of EUR 178 million.

The Tribunal de Grande Instance de Nanterre rejected the claims of the Département de la Seine-Saint-Denis for the cancelation of the three contested loan agreements and for any type of compensation. In particular, the Tribunal considered that these loans were not of a speculative character, that the Département was competent to sign these loan agreements, and that Dexia acted in the respect of its duty to inform and advise the Département. The Tribunal de Grande Instance de Nanterre however estimated that the faxes which had preceded the signing of the agreements could be qualified as “loan agreements”, and that the lack of mention of the annual percentage rate of charge (Taux Effectif Global – TEG) implied the application of the legal interest rate.

The loans concerned by the decision of the Tribunal are now part of the cover pool of Caisse Française de Financement Local, which if this decision were to be confirmed, would bear the financial impact linked to the decrease in the interest rate. Nevertheless, this decision may be appealed. If the decisions of the Tribunal de Grande Instance de Nanterre on the absence of the TEG rate were confirmed and became jurisprudence, they might concern other loans from banks active in France, including Caisse Française de Financement Local and could represent significant potential risks.

5. Change in debt benefiting from the legal privilege in 2012

The issue policy of Caisse Française de Financement Local has always consisted in a strong presence in the euro market, by building a coherent curve and ensuring the good performance of its benchmarks in the secondary market and by active diversification in several selected markets.

Caisse Française de Financement Local issued no bonds in 2012. Bond issues in 2011 are described in the following table.

EUR millions	2011	2012
Public issues	4,687	-
Private placements	1,414	-
including RCB	*221*	-
TOTAL	**6,101**	**-**

Caisse Française de Financement Local's issues in 2011 were primarily in euros (88%).

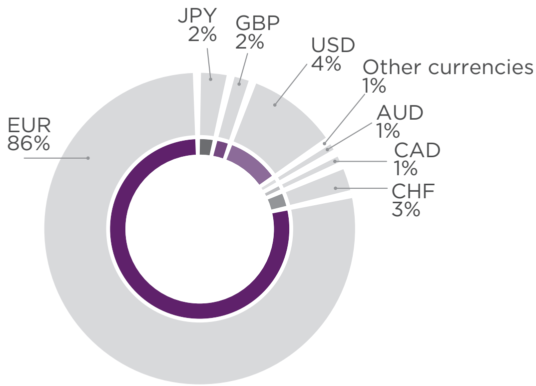
EUR millions	2011	2012
EUR	5,409	-
CHF	288	-
NOK	128	-
USD	276	-
TOTAL	**6,101**	**-**

After the amortization of issues in the amount of EUR 5.7 billion and the buyback of EUR 1.2 billion, outstanding *obligations foncières* and registered covered bonds totaled EUR 56.2 billion in swapped value at the end of December 2012.

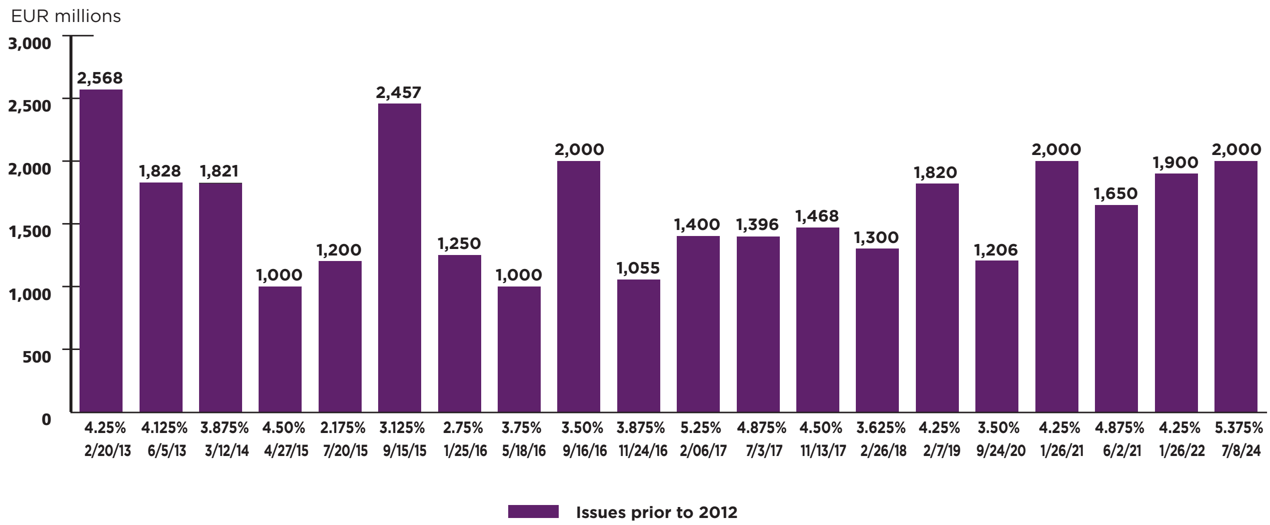
EUR millions	12/31/2011	12/31/2012
Beginning of the year	63,565	63,152
Issues	6,101	-
Amortizations	(6,514)	(5,693)
Buyback		(1,243)
TOTAL	**63,152**	**56,216**

The breakdown of outstanding debt by currency as of December 31, 2012, can be analyzed as follows.

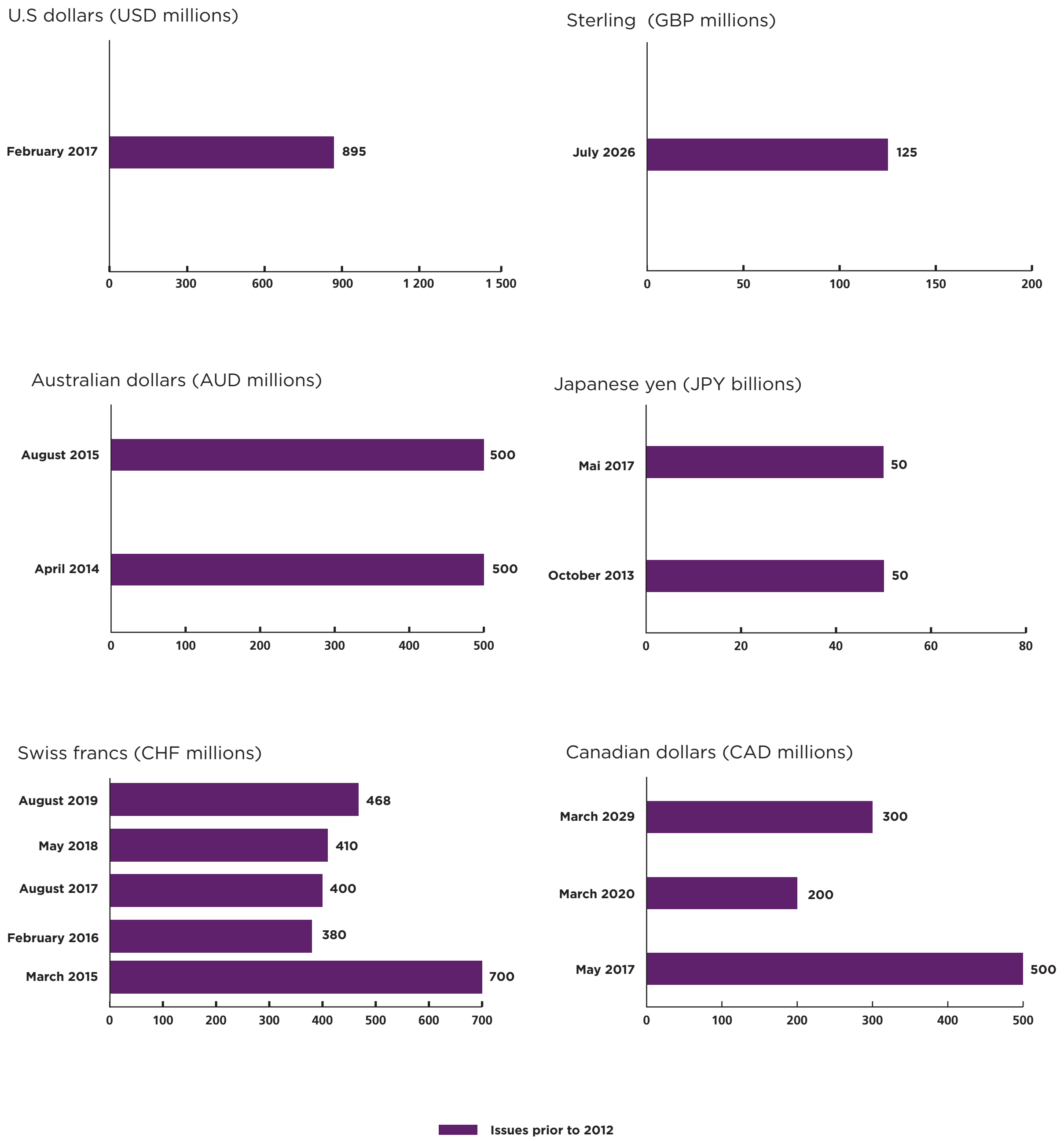
Oustanding debt by currency



Analysis of benchmarks in EUR



Main curves in non-euro currencies



6. Changes in the over-collateralization ratio in 2012

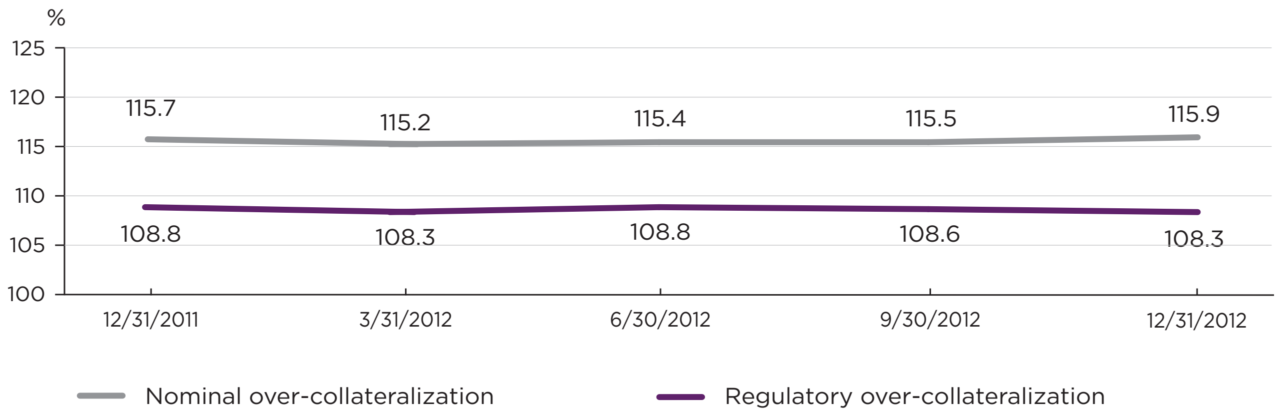
The over-collateralization ratio, which is calculated on the basis of regulatory standards governing *sociétés de crédit foncier*, is the ratio between the assets and the resources benefiting from the legal privilege.

Caisse Française de Financement Local decided to maintain a minimum regulatory over-collateralization ratio of 105%, which is considered a safe margin. In practice, the over-collateralization ratio is regularly higher than 105%. To maintain an adequate level of credit rating, a level of over-collateralization of more than 5% may be required. This requirement depends on the method applied by each of the rating agencies and on the new assets and liabilities on Caisse Française de Financement Local's balance sheet, and it may vary over time. Caisse Française de Financement Local takes these particular requirements into account in the management of its activity in order to make sure they are constantly met.

Any assets that Caisse Française de Financement Local may have assigned in guarantee to borrow funds from the Banque de France were excluded from the calculation of over-collateralization.

The following graph analyzes the trend in over-collateralization at the end of each quarter.

Quarterly over-collateralization



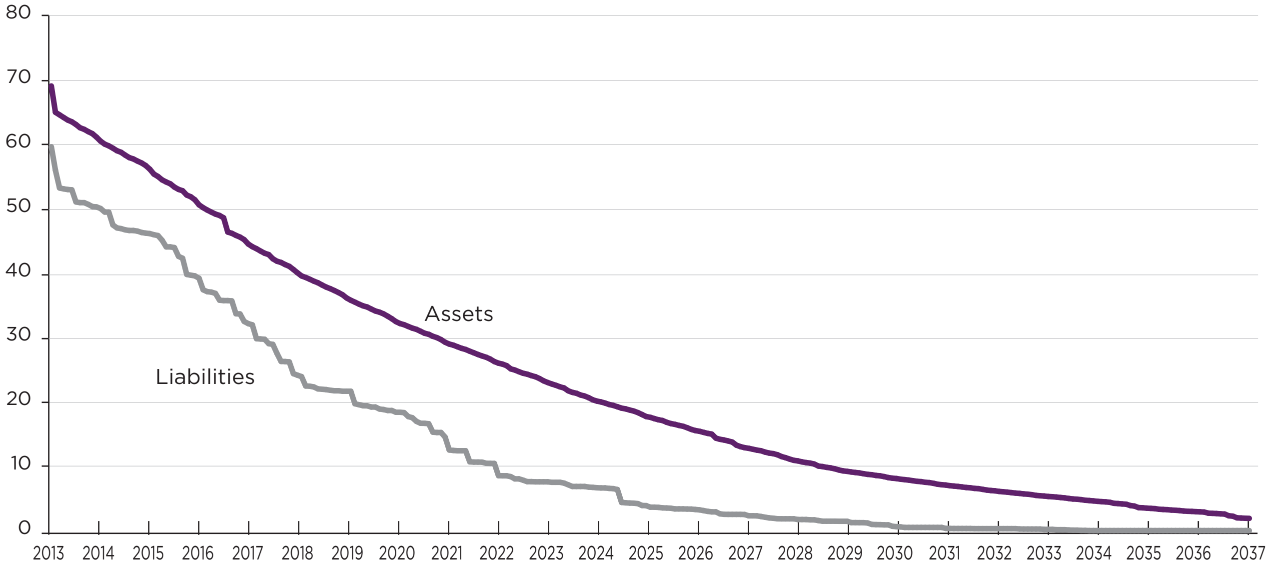
Regulatory over-collateralization is less than nominal over-collateralization because it is calculated on the basis of the rules determined by the Autorité de contrôle prudentiel (ACP). In particular, these rules require different weighting levels according to the assets. The assets in Caisse Française de Financement Local's cover pool are generally weighted at 100%, except for certain units of securitization vehicles, made up of assets originated by the Dexia Group and issued by Dexia subsidiaries, benefiting from a rating that is below Step 1.

These particular weightings are the primary reason for the gap that exists between regulatory over-collateralization and nominal over-collateralization.

The following graph on over-collateralization presents amortization curves of the assets and the issues benefiting from the legal privilege as of December 31, 2012.

Amortization of assets and liabilities as of December 31, 2012

EUR billions - End of December



7. Change in debt that does not benefit from the legal privilege

The asset surplus (assets exceeding *obligations foncières* and registered covered bonds) and miscellaneous needs are financed by equity and debt that does not benefit from the privilege of the law on *sociétés de crédit foncier.*

At the end of 2012, this funding was borrowed from Dexia Credit Local within the framework of a current account agreement. There were two types of funding:

- a long-term loan of EUR 3.1 billion* representing over-collateralization of 5%;
- additional short-term financing in the form of a current account drawn for EUR 4.5 billion.

* *The amortization profile of this long-term loan was designed to finance, at any time, an amount equal to 5% of outstanding* obligations foncières *as well as the haircut that the Banque de France would administer to assets temporarily deposited in guarantee to meet future funding needs (in a stress scenario in which these needs could not be met by the covered bond market or by advances granted by Dexia Credit Local).*

In addition, Caisse Française de Financement Local held irrevocable and on first demand financing commitments from Dexia Credit Local in the amount of EUR 6.0 billion, covering the reimbursements of *obligations foncières* in the next 12 months. If put to use, such financing would have been operative for a period of two years.

Since the acquisition of Caisse Française de Financement Local by its new parent company Société de Financement Local, a new financing agreement was signed by SFIL and its subsidiary. All commitments received from Dexia Credit Local ended as of the same date.

Temporary financing may also be obtained from the Banque de France. These funds do not benefit from the privilege stipulated in the law on *sociétés de crédit foncier*, but they are guaranteed by loans and securities assigned for this purpose in the account of Caisse Française de Financement Local at the central bank. Caisse Française de Financement Local had already used such financing in the past.

As of December 31, 2012, Caisse Française de Financement Local had not borrowed any funds from the Banque de France. The change in financing that does not benefit from the legal privilege, excluding accrued interest not yet due, can be presented as follows.

EUR billions	12/31/2010	12/31/2011	12/31/2012
Dexia Credit Local	12.5	9.5	7.6
Banque de France	-	2.7	-
TOTAL	**12.5**	**12.2**	**7.6**

8. Management of balance sheet risks

The strategies implemented to hedge interest rate and foreign exchange risks are reflected in the outstanding swaps notional analyzed in the table below between external and Dexia Group counterparties as of December 31, 2012.

Breakdown of outstanding swaps	Notional* EUR billions	Dexia Group %	Other counterparties %
Euribor against Eonia			
Macro-hedges	86.8	100.0%	0.0%
TOTAL SHORT-TERM SWAPS	**86.8**	**100.0%**	**0.0%**
Fixed rate swaps against Euribor			
Micro-hedges on *obligations foncières*	48.7	3.4%	96.6%
Micro-hedges on loans and debt securities	25.2	10.6%	89.4%
Macro-hedges on loans	19.4	43.4%	56.6%
Subtotal	**93.3**	**13.6%**	**86.4%**
Currency swaps			
Micro-hedges on *obligations foncières*	7.8	43.7%	56.3%
Micro-hedges on loans	3.4	55.4%	44.6%
Micro-hedges on debt securities	1.2	60.2%	39.8%
Subtotal	**12.4**	**48.8%**	**51.2%**
TOTAL LONG-TERM SWAPS	**105.7**	**17.7%**	**82.3%**

* *Absolute value.*

In January 2013, Société de Financement Local, the new parent company of Caisse Française de Financement Local, acquired all the long-term swaps between the Dexia Group and its subsidiary. Therefore, there are no more long-term swaps between the Dexia Group and Caisse Française de Financement Local.

8.1 - 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 by Caisse Française de Financement Local with its shareholder to finance over-collateralization is directly borrowed either with a monetary index (and it therefore does not have to be swapped) or with a Euribor index (and it is thus integrated into the Euribor/Eonia macro-hedge management). Any 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 for the fixed rate gap and the monetary gap mentioned above is 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 remains unchanged at 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

8.2 - MANAGEMENT OF THE FOREIGN EXCHANGE RISK

Caisse Française de Financement de Local takes no foreign exchange risks. Assets and liabilities originally in currencies other than the euro are swapped against euros when they are recognized on Caisse Française de Financement Local's balance sheet and until their complete extinguishment.

8.3 - MANAGEMENT OF THE TRANSFORMATION RISK

With the interest rate risk under control, as presented above, Caisse Française de Financement Local manages the congruence of maturities between the assets and the liabilities by maintaining the duration gap between the assets and the liabilities within a maximum limit of three years.

From the point of view of the method, since both the assets and the resources benefiting from the privilege have a floating rate after swaps, Caisse Française de Financement Local's balance sheet appears to indicate that there is a single loan vis-à-vis a single borrowing. Duration (D) is calculated as follows: "sum of the periods weighted by the cash flows and discounted at the interest rate of the zero coupon curve for period (t) / sum of the cash flows discounted at the interest rate of the zero coupon curve for period (t)".

$$D = \sum_{t=1}^{T} [(t \times CFt) / (1 + st)^{t}] / \sum_{t=1}^{T} [CFt / (1 + st)^{t}]$$

The difference in maturity between the assets and the liabilities may create a liquidity risk. Caisse Française de Financement Local's management rule involves a commitment not to allow a duration gap of more than three years between the cover pool and the resources benefiting from the legal privilege. The actual duration gap remains under this limit, as can be seen in the table below.

Duration (in years)	**12/31/2011**	**3/31/2012**	**6/30/2012**	**9/30/2012**	**12/31/2012**
Cover pool	7.47	7.39	7.62	7.21	7.31
Privileged liabilities	5.29	5.21	5.19	4.93	4.34
Gap in asset-liability duration	**2.18**	**2.18**	**2.43**	**2.22**	**2.37**
Duration gap limit	*3*	*3*	*3*	*3*	*3*

The duration gap between the assets and the liabilities is closely monitored since it is sensitive to fluctuations in interest rates used to calculate the net present value and to significant changes in assets and liabilities.

The increase in the amount of cash collateral received (short-term debt benefiting from the legal privilege) reduced the duration of the privileged liabilities. The fluctuation of cash surpluses deposited in a sight account at the Banque de France, leads to significant variations in the duration of the assets.

The gap in the average life changes less than the duration over the same period, for the rise in the duration gap is partly attributable to movements in the interest rate curve.

The gap in the weighted average life of the cover pool and the liabilities benefiting from the legal privilege is presented below.

Weighted average life (in years)	**12/31/2011**	**3/31/2012**	**6/30/2012**	**9/30/2012**	**12/31/2012**
Cover pool	8.82	8.69	8.78	8.33	8.38
Privileged liabilities	5.76	5.65	5.58	5.34	5.25
Gap in asset-liability weighted average life	**3.06**	**3.04**	**3.20**	**2.99**	**3.13**

8.4 - MANAGEMENT OF THE LIQUIDITY RISK

The liquidity risk can be defined as the risk that Caisse Française de Financement Local may not be able to settle its privileged debt commitments at the due date owing to the fact that there is too great a gap between the reimbursement of the assets and the reimbursement of its privileged resources.

By limiting the duration gap between assets and resources to three years, Caisse Française de Financement Local maintains control over its future needs for liquidity.

To meet its liquidity needs, Caisse Française de Financement Local will issue new *obligations foncières* to replace those that arrive at maturity and the reimbursement of which creates the need for liquidity.
If the situation in the covered bond market does not make it possible to launch new issues, Caisse Française de Financement Local has at its disposal the support of its parent company formalized in a "declaration of support" (the full text is incorporated into the EMTN program and Caisse Française de Financement Local's annual report). Until January 31, 2013, this support took the form presented below:

- an unlimited current account facility, with Dexia Credit Local;
- a firm and irrevocable commitment by Dexia Credit Local to make available to its subsidiary the funds it requires to reimburse *obligations foncières* that reach maturity in the coming 12 months on a sliding scale.

Since January 31, 2013, this debt is with Société de Financement Local and is the subject of a financing agreement between Caisse Française de Financement Local and its new parent company.
In addition, Caisse Française de Financement Local has its own solid resources that enable it to cover its temporary liquidity needs, even in the event of the default of its par-

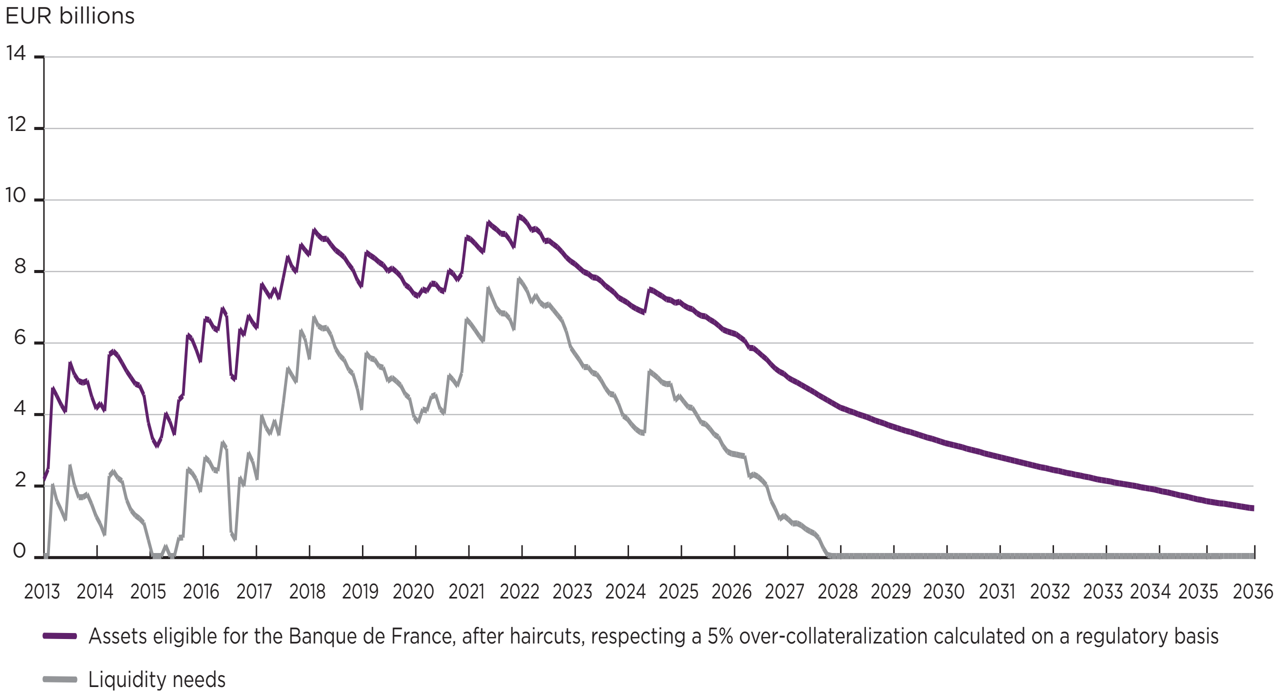
ent company, since any legal proceedings engaged for the bankruptcy or liquidation of its parent company cannot be extended to Caisse Française de Financement Local (article L.515-21 of the Monetary and Financial Code).

Because of the nature of the assets that make up its cover pool, Caisse Française de Financement Local has a large number of assets that are directly eligible for refinancing by the central bank, so that its need for cash can be easily covered.
Since it is a credit institution, Caisse Française de Financement Local can post these eligible assets:
- either by using, in its own name, the refinancing possibilities offered by the European Central Bank through the Banque de France;
- or by using interbank financing in the form of repurchase agreements.

In practice, Caisse Française de Financement Local first uses new issues of *obligations foncières* or financing made available by its parent company, but it has also demonstrated its real capacity to obtain significant financing from the Banque de France.

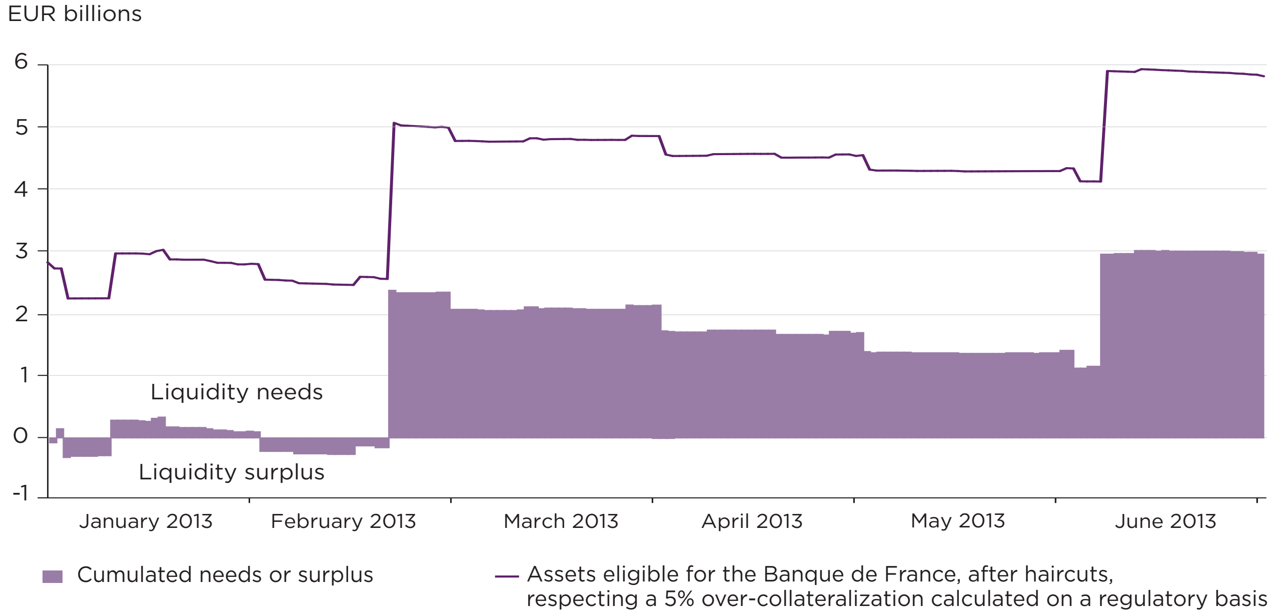
The maximum cumulated liquidity that Caisse Française de Financement Local might need in the future, in a run-off situation, is less than the financing already occasionally negotiated in the past. This need is less than Caisse Française de Financement Local's capacity to obtain refinancing from the Banque de France, measured by the amount of eligible assets after haircuts that would be available respecting its over-collatralization commitments.

Future liquidity needs are presented below.



In addition, Caisse Française de Financement Local manages its liquidity risk by means of the following three indicators:
- the liquidity ratio for one month (regulatory reporting to the Autorité de contrôle prudentiel – ACP);
- the duration gap between the assets and the resources benefiting from the legal privilege (limited to three years), which is published quarterly;
- cash needs over the next 180 days: 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 need for cash over 180 days mainly corresponded to reimbursements of *obligations foncières* arriving at maturity, 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. The need for liquidity will increase in February and June 2013 when benchmark issues arrive at maturity. Simultaneously, the portion of the cover pool that guarantees these issues will become available to obtain financing from the Banque de France, if so required.

9. Commitments granted – commitments received

Commitments granted as of December 31, 2012, were mainly composed of EUR 0.3 billion in loans granted to French local governments and not yet paid out.

Commitments received were principally:
- EUR 6.0 billion in firm and irrevocable financing agreements signed with Dexia Credit Local, covering the reimbursement of *obligations foncières* that mature in the coming year;
- EUR 7.6 billion in guarantees received on loans granted to clients;
- EUR 4.7 billion in guarantees received from Dexia Crediop and Belfius Banque et Assurances for the guarantee granted respectively to the securitization units of Dexia Crediop per la Cartolarizzazione and Dexia Secured Funding Belgium.

10. Payment deadlines

In application of articles L.441-6-1 and D.441-4 of the Code of Commerce, Caisse Française de Financement Local must publish every year a breakdown of the balance of the monies it owes to suppliers by due date.
Caisse Française de Financement Local has a very limited number of direct suppliers, since its management is contractually entrusted to its parent company, in conformity with article L.515-22 of the Monetary and Financial Code. Caisse Française de Financement Local usually settles its bills as soon as they are recorded, and the balance of monies owed to suppliers is theoretically always zero.
As of December 31, 2012, all supplier accounts were settled. The only supplier debt recorded corresponded to invoices not yet received.

11. Income for the period

11.1 - TREATMENT OF GREEK AND ICELANDIC SECURITIES

To avoid larger losses, Dexia Credit Local committed in 2011 to purchase all of its subsidiary's Greek and Icelandic exposures, with no additional loss compared with the 2011 first-half accounts. The transfer of this portfolio to Dexia Credit Local took place in January 2012.

In Caisse Française de Financement Local's IFRS financial statements as of December 31, 2012, a capital loss was reported on the portfolio of Greek and Icelandic securities in the amount of EUR -7 million, offset by a reversal of provisions for EUR 7 million. The capital loss and the reversal of provisions were recorded in cost of risk (not included in net banking income). The overall impact of the operation on net income was therefore nil.

11.2 - INCOME FOR THE PERIOD IN IFRS

Caisse Française de Financement Local publishes its financial statements according to IFRS in order to ensure a better understanding and greater comparability of its accounts internationally. For 2012, the rules applied by Caisse Française de Financement Local are the same as those applied by the Dexia Group and are in compliance with IFRS, as adopted by the European Commission.

The income statement for 2012 is presented synthetically in the following table.

EUR millions - **IFRS**	**2010**	**2011**	**2012**	**Change 2012/2011**
Interest margin	256	208	239	15%
Net commissions	(5)	(5)	(4)	
Net result of hedge accounting	-	-	1	
Net result of financial instruments at fair value through profit or loss	-	-	-	
Net result of financial assets available for sale	12	2	21	
Other income and expense	-	-	-	
NET BANKING INCOME	**263**	**205**	**257**	**25%**
General operating expenses	(88)	(89)	(87)	
Taxes	(8)	(3)	(4)	
OPERATING INCOME BEFORE COST OF RISK	**167**	**113**	**166**	**47%**
Cost of risk	(4)	(8)	(28)	
PRE-TAX INCOME	**163**	**105**	**138**	**31%**
Income tax	(54)	(37)	(47)	
NET INCOME	**109**	**68**	**91**	**34%**

Net banking income increased by 25%, i.e. EUR 52 million, in comparison with the same period in 2011, up from EUR 205 million to EUR 257 million.

This trend was principally due to the following items:

- "Net result of financial assets available for sale" mainly involved net gains on the early reimbursement of issues (EUR +50.2 million) and of loans (EUR +1.6 million) but also losses on the sale of *lettres de gage* (EUR -26.3 million);
- "Interest margin" increased by 15% (EUR 31 million). The interest margin corresponds to the difference between income from the assets and the expense of the liabilities (hedged against interest rate and foreign exchange risks).

Operating expenses were mainly comprised of commissions paid to Dexia Credit Local for the operational management of the Company within the framework of the contract described in article L.515-22 of the Monetary and Financial Code.

The increase in the cost of risk was due to a reinforcement of collective impairment, which contributed EUR 27 million to this item.

Net income for the period was up EUR 23 million from 2011.

11.3 - INCOME FOR THE PERIOD IN FRENCH GAAP

The income statement for 2012 is presented synthetically in the following table.

EUR millions - **French GAAP**	**2010**	**2011**	**2012**	**Change 2012/2011**
Interest margin	291	188	237	26%
Net commissions	(5)	(5)	(4)	
Net gains (losses) on *placement* portfolio transactions	4	(57)	13	
Other income and expense	-	-		
NET BANKING INCOME	**290**	**126**	**246**	**95%**
General operating expenses	(88)	(93)	(91)	
Taxes	(8)	-		
OPERATING INCOME BEFORE COST OF RISK	**194**	**33**	**155**	**370%**
Cost of risk	**-**	**(8)**	(41)	
OPERATING INCOME	**194**	**25**	**114**	**352%**
Income (loss) on fixed assets	-	-	(26)	
Income tax	(66)	(19)	(50)	
Regulated provision on long- and medium-term loans	(8)	(1)	(1)	
NET INCOME	**120**	**5**	**37**	**640%**

Net banking income increased by 95%, i.e. EUR 120 million, in comparison with 2011, up from EUR 126 million to EUR 246 million.

This trend was principally due to the following items:
- "Interest margin" increased by 26% (EUR 49 million). The interest margin corresponds to the difference between income from the assets and the expense of the liabilities (hedged against interest rate and foreign exchange risks).
- "Net gains (losses) on *placement* portfolio transactions" declined significantly in 2012 with provisions of EUR +13 million, compared with EUR -57 million in 2011.

Operating expenses were mainly comprised of commissions paid to Dexia Credit Local for the operational management of the Company within the framework of the contract described in article L.515-22 of the Monetary and Financial Code.

Net income for the period was up EUR 32 million from the same period in 2011.

The change in the interest margin is analyzed above in the presentation of the IFRS financial statements. This interest margin varies differently when it is presented in IFRS (economic presentation) or in French GAAP (tax presentation). The way debt management is accounted for is, in certain cases, asymmetrical in French GAAP (see below), a fact that can make it difficult to interpret the changes, especially the years in which local government debt management is very active.

Readers are reminded that Caisse Française de Financement Local applies an accounting treatment to early loan reimbursement penalties and swap unwinding payments that is in compliance with the tax treatment specified by government authorities.
This accounting method introduces accelerated recognition of income compared with systematic amortization. These penalties and payments are generated by early reimbursements, but also by renegotiations, which generally accompany active debt management by borrowers. The methods employed, which have not changed in the last three years, are described in the rules of presentation and evaluation of the financial statements in the notes to the financial statements in the sections entitled "Customer loans", "Micro-hedge transactions" and "Macro-hedge transactions".

The item "Income (loss) on fixed assets" is comprised of losses on the sale of *lettres de gage* for EUR -26 million.

12. Proposed allocation of net income

In previous years, Caisse Française de Financement Local distributed the following dividends.

Year of distribution	Distributed from the year's income	**Amount distributed** in EUR	**Amount per share** in EUR	**Number of shares**
2000	1999	3,600,000	1.20	3,000,000
2001	2000	-	-	4,000,000
2002	2001	-	-	4,500,000
2003	2002	-	-	4,500,000
2004	2003	120,000,000	24.00	5,000,000
2005	2004	62,000,000	10.00	6,200,000
2006	2005	84,320,000	12.40	6,800,000
2007	2006	116,280,000	15.30	7,600,000
2008	2007	70,080,000	8.00	8,760,000
2009	2008	113,520,000	12.00	9,460,000
2010	2009	133,560,000	12.60	10,600,000
2011	2010	110,075,000	9.25	11,900,000
2012	2011	15,080,000	1.16	13,000,000

The Ordinary and Extraordinary Shareholders' Meeting will be asked, in its ordinary capacity, to vote a resolution to allocate net income and to distribute a dividend as follows (sums in euros).

Net income for the year 2012	**37,213,078.75**
Allocated to the legal reserve (5%)	(1,860,653.94)
Income available	**35,352,424.81**
Prior retained earnings	3,178,218.19
Amount available for distribution	**38,530,643.00**
Proposed distribution	(36,820,000.00)
Retained earnings after distribution	**1,710,643.00**

13. Capital increase

The Ordinary and Extraordinary Shareholders' Meeting of May 24, 2013, will be asked, in its extraordinary capacity, to increase the capital by EUR 25 million, raising the capital from EUR 1.315 billion to EUR 1.340 billion.

14. Outlook for 2013

The year 2013 will make a new start for Caisse Française de Financement Local, which now has a strong public sector shareholder, within the framework of a clear public policy mandate.

The new organization implemented will make it possible to reconcile the intrinsic qualities of the *obligations foncières* issued by Caisse Française de Financement Local (specialization and quality of the cover pool, safe investment protection of the French law on *sociétés de crédit foncier*, strict risk management) and the perception of these securities in the markets. The support of the French State and the very clear economic model are factors that will bolster investor confidence in the issues of Caisse Française de Financement Local. The three main rating agencies have again granted the best possible rating to the *obligations foncières* issued by Caisse Française de Financement Local.

Caisse Française de Financement Local plans to issue up to EUR 5 billion in *obligations foncières* in 2013. The volume of issues will mainly be composed of euro-denominated public sector issues, making it possible to complete Caisse Française de Financement Local's euro benchmark curve. It should also include a large share of private investments in order to meet investor demand.

Bonds and public sector loans as of December 31, 2012

EUR millions	12/31/2012					12/31/2011 proforma	12/31/2011 published
	Direct exposure		Indirect exposure				
COUNTRY	Loans	Bonds	Loans	Bonds	Total	Total	Total
France							
State	31		139		170	211	211
Banque de France	2,400				2,400	2,198	2,198
Regions	1,868	133	297		2,298	2,456	2,454
Departments	5,973		332		6,305	6,579	6,582
Municipalities	16,636	104	842		17,582	18,736	18,739
Groups of municipalities	9,690	113	262		10,065	10,642	10,644
Public sector entities* :							
- health	*6,511*				*6,511*	*6,716*	*6,718*
- social housing	*1,934*				*1,934*	*2,054*	*2,054*
- other	*1,026*		*12*		*1,038*	*1,168*	*1,166*
Credits institutions	23				23	22	22
Subtotal	**46,092**	**350**	**1,884**		**48,326**	**50,782**	**50,788**
Germany							
State				12	12	12	12
Länder		505		342	847	999	999
Subtotal		**505**		**354**	**859**	**1,011**	**1,011**
Austria							
Länder	202				202	204	204
ABS		70			70	78	78
Subtotal	**202**	**70**			**272**	**282**	**282**
Belgium							
Regions	175		69		244	360	360
Communities		50			50	50	50
Public sector entities	79				79	83	83
Securities issued by DSFB (cf. infra note 2)		4,831			4,831	6,713	6,713
Subtotal	**254**	**4,881**	**69**		**5,204**	**7,205**	**7,205**
Canada							
Provinces		22			22	22	22
Communities	220				220	100	106
Public sector entities	129				129	129	132
Subtotal	**349**	**22**			**371**	**251**	**261**
Spain							
Cedulas territoriales		500			500		
Regions		228			228	227	227
Municipalities	279				279	293	293
Subtotal	**279**	**728**			**1,007**	**520**	**520**
United States							
Federated States		253			253	253	253
Subtotal		**253**			**253**	**253**	**253**
Finland							
Municipalities	11				11	19	19
Public sector entities	43				43	48	48
Subtotal	**54**				**54**	**67**	**67**

EUR millions	12/31/2012					12/31/2011 proforma	12/31/2011 published
	Direct exposure		Indirect exposure				
COUNTRY	Loans	Bonds	Loans	Bonds	Total	Total	Total
Iceland							
State						145	145
Subtotal						**145**	**145**
Italy							
State		506		54	560	552	552
Regions		1,544			1,544	1,580	1,580
Provinces		276			276	297	297
Municipalities	13	1,530			1,543	1,607	1,607
ABS		3			3	6	6
Securities issued by DCC (cf infra note 1)		3,360			3,360	3,531	3,531
Subtotal	**13**	**7,219**		**54**	**7,286**	**7,574**	**7,574**
Luxembourg							
Lettres de gage publiques						1,350	1,350
Public sector entities							
Subtotal						**1,350**	**1,350**
Japan							
Municipalities		25			25	25	25
Subtotal		**25**			**25**	**25**	**25**
Portugal							
Regions						48	48
Municipalities	66				66	88	88
Public sector entities	9				9	10	10
Subtotal	**75**				**75**	**145**	**145**
United Kingdom							
State				608	608	672	672
Counties			398		398	398	398
Districts			28		28	28	28
Municipalities			1,368		1,368	1,368	1,368
Public sector entities			56		56	56	56
Subtotal			**1,850**	**608**	**2,458**	**2,522**	**2,522**
Sweden							
Municipalities	72		40		112	176	184
Public sector entities	17				17	25	26
Subtotal	**89**		**40**		**129**	**202**	**210**
Switzerland							
Cantons	1,226		681		1,907	2,062	2,691
Municipalities	845				845	1,022	1,330
Public sector entities	91				91	91	123
Subtotal	**2,162**		**681**		**2,843**	**3,175**	**4,145**
Greece							
State						415	415
Subtotal						**415**	**415**
Supranational							
International organizations	46				46	50	50
Subtotal	**46**				**46**	**50**	**50**
TOTAL COVER POOL	**49,615**	**14,053**	**4,524**	**1,016**	**69,208**	**75,974**	**76,967**

Loans and securities are off premium / discount.
Loans and securities denominated in foreign currencies are recorded at their euro swapped value. For information, loans as of December 31, 2011, are reported proforma at their euro swapped value.

NOTE 1:
The DCC securities, in the amount of EUR 3,401.7 million as of December 31, 2012, were suscribed by Caisse Française de Financement Local for EUR 3,359.6 million. The purpose of this securitization vehicle created by Dexia Crediop is to allow refinancing of Italian public sector assets transferred by Dexia Crediop to DCC.
DCC securities held by Caisse Française de Financement Local benefit from the guarantee of Dexia Crediop, and are therefore rated BBB+ / watch negative by Fitch, B+ by Standard and Poor's and Ba2 by Moody's as of December 31, 2012.
As of December 31, 2012, the assets held by DCC (series 1-2-3) could be broken down as follows.

Italian assets	EUR millions
Regions	1,854.7
Provinces	549.0
Municipalities	920.9
DCC bank account	77.1
TOTAL	**3,401.7**

NOTE 2:
The DSFB compartments 2 and 4, in the amount of EUR 5,108.5 million as of December 31, 2012, were suscribed by Caisse Française de Financement Local for EUR 4,831.1 million. The purpose of this securitization vehicle created by Belfius Banque et Assurances (previously Dexia Bank Belgium) is to allow refinancing by other Dexia Group entities of assets generated by Belfius Banque et Assurances.
The securities issued by DSFB 2 held by Caisse Française de Financement Local benefit from the guarantee of Belfius Banque et Assurances, and are therefore rated A- / outlook stable by Fitch, A- by Standard and Poor's and Baa1 by Moody's for DSFB 2. The securities issued by DSFB 4 are not guaranteed by Belfius Banque et Assurances and are rated AA- / outlook negative by Fitch.
As of December 31, 2012, the assets held by DSFB (compartments 2 and 4) could be broken down as follows.

Belgian assets	EUR millions
Regions	209.2
Communities	2,990.7
Public sector entities	1,443.2
Groups of public sector entities	-
Loans guaranteed by local governments	465.4
TOTAL	**5,108.5**

Supervisory Board and Executive Board

Supervisory Board (March 2013)

Chairman
Philippe Mills

Vice Chairman
François Laugier

Stéphane Costa de Beauregard

Béatrice Gosserez

Sami Gotrane

Florent Lecinq

Marc Robert

Executive Board (March 2013)

Chairman
Gilles Gallerne

Chief Executive Officer
Caroline Gruson

Cyril Cudennec

Emmanuel Moritz

Pierre-Marie Debreuille

Directorships of members of supervisory and management bodies

In application of article L.225-102-1 of the Code of Commerce, the following list presents the directorships and functions exercised in 2012 by every corporate officer of Dexia Municipal Agency (the previous name of Caisse Française de Financement Local) who served during the year.

Supervisory Board

CHAIRMAN

Philippe Rucheton
(until January 31, 2013)

64 years old
Member of the Management Board, Dexia SA
Dexia SA – Place du Champs de Mars 5 - B-1050 Brussels

- Member of the Board of Directors and Deputy Chief Executive Officer (since October 2012), Dexia Credit Local
- Member of the Board of Directors, Dexia Asset Management Luxembourg
- Member of the Board of Directors, Dexia Crediop (since December 2012)
- Member of the Board of Directors, DenizBank as (until September 2012)
- Member of the Board of Directors and Chairman (since November 2012), Dexia Holdings, Inc.
- Member of the Board of Directors, Dexia FP Holdings Inc.
- Member of the Board of Directors, Dexia Financial Products Services LLC
- Member of the Board of Directors, FSA Asset Management LLC
- Member of the Board of Directors, FSA Capital Markets Services LLC
- Member of the Board of Directors, FSA Capital Management Services LLC
- Member of the Board of Directors, BIL (previously Dexia BIL) (until October 2012)
- Member of the Board of Directors, Dexia Participation Belgique SA (since March 2011)
- Permanent representative of Dexia SA, member of the Board of Directors, DCL Investissements (since May 2012)
- Permanent representative of Dexia SA, member of the Board of Directors, Dexia Rail (since May 2012)
- Member of the Board of Directors, Dexia Sabadell (from September to November 2012)
- Member of the Board of Directors, Bernard Controls SA

VICE CHAIRMAN

Benoît Debroise
(until January 31, 2013)

52 years old
Member of the Group Committee, Dexia SA
Dexia SA – Place du Champs de Mars 5 - B-1050 Brussels

- Member of the Board of Directors, Dexia Crediop (until April 2012)
- Member of the Board of Directors, Dexia Microcredit Fund
- Member of the Board of Directors, Dexia Holdings, Inc.
- Member of the Board of Directors, Dexia FP Holdings Inc.
- Member of the Board of Directors, Dexia Financial Products Services LLC
- Member of the Board of Directors, FSA Asset Management LLC
- Member of the Board of Directors, FSA Capital Markets Services LLC
- Member of the Board of Directors, FSA Capital Management Services LLC
- Member of the Board of Directors, FSA PAL
- Member of the Supervisory Board, Dexia Kommunalbank Deutschland AG (since February 2012)
- Member of the Board of Directors, Dexia Sabadell (from February to November 2012)
- Member of the Board of Directors, BIL (previously Dexia BIL) (from August to October 2012)

MEMBERS

Dexia Crediop
(until May 24, 2012)
represented by Jean Le Naour

47 years old
Dexia Crediop – Via Venti Settembre, 30 – I-00187 Rome

- Chief Executive Officer, Dexia Crediop

Dexia Credit Local
(until January 31, 2013)
represented by Alain Clot

56 years old
Dexia Credit Local – Tour Dexia La Défense 2 – 1, Passerelle des Reflets – 92913 La Défense

- Member of the Management Board, Dexia SA (until October 2012)
- Member of the Board of Directors, Chief Executive Officer (until October 2012) and Chief Executive Officer (Delegate) (since October 2012), Dexia Credit Local
- Member of the Board of Directors and Vice Chairman, Dexia Crediop (until December 2012)
- Chairman of the Board of Directors, Dexia Sabadell (until November 2012)
- Permanent representative of Dexia Credit Local, member of SOFCA-GIE
- Chairman of the Board of Directors, Sofaxis
- Permanent representative of Dexia Credit Local, member of the Board of Directors, Dexia CLF Banque
- Member of the Board of Directors, Dexia Holdings, Inc. (until November 2012)
- Member of the Board of Directors, Dexia FP Holdings Inc. (until November 2012)
- Member of the Board of Directors, Dexia Financial Products Services LLC (until November 2012)
- Member of the Board of Directors, FSA Asset Management LLC (until November 2012)
- Member of the Board of Directors, FSA Capital Markets Services LLC (until November 2012)
- Member of the Board of Directors, FSA Capital Management Services LLC (until November 2012)

Dexia Sabadell
(until January 31, 2013)
represented by José Luis Castillo

58 years old
Dexia Sabadell – Calla Mahonia 2, 4a planta – 28043 Madrid

- Chief Executive Officer, Dexia Sabadell
- Member of the Board of Directors, Popular Banca Privada

Edouard Daryabegui-Guilani (until January 31, 2013)

45 years old
Dexia Credit Local – Tour Dexia La Défense 2 – 1, Passerelle des Reflets – 92913 La Défense
- Member of the Board of Directors, Dexia LdG Banque SA (until September 2012)

Béatrice Gosserez (since December 12, 2012)

47 years old
Société de Financement Local – 1, Passerelle des Reflets - TSA 42206 - 92919 La Défense Cedex
- Chairman of the Board of Directors and Chief Executive Officer (until november 2012) and member of the Board of Directors (until January 2013), Société de Financement Local (previously Dexint Développement)
- Permanent representative of Dexia Credit Local, member of the Management Board, Le Monde Investisseurs (since June 2012)

Jean-Luc Guitard (until January 23, 2013)

47 years old
- Chairman of the Board of Directors, Dexia CLF Banque (until January 2013)
- Chairman of the Board of Directors and Chief Executive Officer, Floral (until January 2013)
- Member of the Board of Directors, Sofaxis (until January 2013)
- Member of the Board of Directors, Domiserve (until January 2013)
- Permanent representative of Dexia Credit Local, member of the Board of Directors, Domiserve + (until January 2013)
- Member of the collegial committee, Exterimmo (until January 2013)
- Permanent representative of Dexia Credit Local, member of the Board of Directors, SETE (until January 2013)
- Member of the Board of Directors, Fédération des entreprises publiques locales (until January 2013)

Stéphane Vermeire (until November 22, 2012)

41 years old
- Chairman of the Supervisory Board, Dexia Kommunalbank Deutschland AG (until December 2012)
- Chairman of the Supervisory Board, Dexia Kommunalkredit Bank AG (until December 2012)
- Chairman of the Board of Directors, Dexia Israel Banque Ltd (until December 2012)
- Member of the Board of Directors, Dexia Management Services Ltd (until December 2012)
- Member of the Board of Directors, Dexia Sabadell (until November 2012)
- Member of the Board of Directors, Fonds de pension complémentaire Dexia
- Chairman of the Board of Directors, Vermeire Transmissions SA
- Chairman of the Board of Directors, Vermeire Aandrijvingen, NV
- Chairman of the Board of Directors, Produits pour le Commerce pour l'Industrie
- Member of the Board of Directors, Dexia Crediop (from April to November 2012)
- Member of the Board of Directors, Flobail (from March to October 2012)
- Member of the Board of Directors, Dexia CLF Régions Bail (from March to November 2012)
- Manager, Dexia Carbon Capital SARL, (from March to December 2012)

Executive Board

CHAIRMAN

François Laugier (until January 31, 2013)

48 years old
Société de Financement Local – 1, Passerelle des Reflets - TSA 42206 - 92919 La Défense Cedex
- Member of the Supervisory Board and Vice Chairman of the Supervisory Board, Dexia Kommunalkredit Bank AG (until December 2012)
- Member of the Board of Directors, SISL (until December 2012)
- Member of the Board of Directors, Dexia LdG Banque SA (until September 2012)
- Member of the Supervisory Board, Dexia Kommunalbank Deutschland AG (until November 2012)
- Member of the Board of Directors, Dexia Crediop (until November 2012)
- Chairman of the Board of Directors and Chief Executive Officer, Société de Financement Local (previously Dexint Développement) (from November 2012 to January 2013)

MEMBERS

Gilles Gallerne - Chief Executive Officer (until January 31, 2013)

49 years old
Société de Financement Local – 1, Passerelle des Reflets - TSA 42206 - 92919 La Défense Cedex
- Member of the Board of Directors, CBX GEST (until January 2013)

Cécile Van De Moosdyk - Chief Executive Officer (until June 28, 2012)

42 years old
- Member of the Board of Directors, Dexia LdG Banque SA (until March 2012)

Christophe Piatte (until January 31, 2013)

39 years old
Dexia Credit Local – Tour Dexia La Défense 2 – 1, Passerelle des Reflets – 92913 La Défense
- Member of the Board of Directors, SISL

Caroline Gruson (until January 31, 2013)

39 years old
Société de Financement Local – 1, Passerelle des Reflets - TSA 42206 - 92919 La Défense Cedex

Compensation of members of management bodies

In 2012, Dexia Municipal Agency (the previous name of Caisse Française de Financement Local) paid no compensation to the members of its management bodies, all of whom were employees of the Dexia Group and who exercised their mandates with no specific compensation.
Readers are reminded that Dexia Municipal Agency has no compensation committee and that reference is made to the compensation committee that exists at the level of Dexia SA.

It is not planned that Caisse Française de Financement Local pay any compensation to the members of its management bodies, who are employees of Société de Financement Local, except for the Chairman of the Board of Directors, who is also a member of the parent company's management body and in this role receives no compensation.
Caisse Française de Financement Local has no compensation committee; reference will be made to the compensation committee that exists at the level of the parent company, Société de Financement Local.

Statutory Auditors

The Statutory Auditors of Caisse Française de Financement Local and their alternates are:

Mazars
Exaltis – 61, rue Henri Regnault – 92075 La Défense Cedex
represented by Hervé Hélias, Partner (until the certification of the 2012 financial statements), and Virginie Chauvin, Partner
Alternate: Pierre Masieri
Re-appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2011, until after the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016.

Deloitte & Associés
185, avenue Charles de Gaulle – 92524 Neuilly-sur-Seine Cedex
represented by José-Luis Garcia, Partner, and Charlotte Vandeputte, Partner
Alternate: BEAS, represented by Mireille Berthelot, Partner
Re-appointed by the Ordinary and Extraordinary Shareholders' Meeting of May 26, 2011, until after the Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2016.

Specific Controller

Fidus
12, rue de Ponthieu – 75008 Paris
represented by Jean-Michel Thierry
This appointment was renewed by the Supervisory Board on March 23, 2011, for a term of four years.

Alternate:
Groupement d'expertise de France
10, rue de la Grange Batelière – 75009 Paris
represented by François Dumenil

Information on labor, environmental and society-related issues

In application of article L.225-102-1 of the Code of Commerce modified by article 225 of law 2010-788 of July 12, 2010 (Grenelle 2 law) and decree 2012-557 of April 24, 2012, Caisse Française de Financement Local must communicate information on labor, environmental and society-related issues in the Management Report. Since Caisse Française de Financement Local has no salaried employees nor actual premises, the labor and environmental issues do not apply to this entity.

Attestation of completeness of the Statutory Auditors on social, environmental and other sustainable development information published in the management report

Year ended December 31, 2012

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the attention of the Executive Management

Pursuant to your request and in our capacity as Statutory Auditors of the company Caisse Française de Financement Local, we hereby present you with our attestation of completeness on the consolidated social, environmental and other sustainable development information present in the management report prepared for the year ended December 31, 2012, pursuant to Article L.225-102-1 of the Code of commerce.

RESPONSIBILITY OF THE COMPANY

The Board of Directors is responsible for preparing a management report including the consolidated social, environmental and corporate information provided for in Article R.225-105-1 of the Code of commerce (hereinafter the "Information").

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L.822-11 of the French Code of commerce. Furthermore, we have set up a quality control system that includes the documented policies and procedures that aim to ensure compliance with rules of ethics, professional standards and the applicable legal texts and regulations.

RESPONSIBILITY OF THE STATUTORY AUDITOR

Based on our work, our responsibility is to attest that the required Information is presented in the management report or, in the event of omission, is explained pursuant to the third paragraph of Article R.225-105 of the Code of commerce and Decree n° 2012-557 of April 24, 2012 (Attestation of inclusion). It is not our responsibility however to assess the appropriateness of the Information.
To assist us in conducting our work, we referred to the corporate responsibility experts of our Firms.
We conducted the following procedures in accordance with professional standards applicable in France:

- We have compared the Information presented in the management report with the list set forth in Article R.225-105-1 of the Code of commerce.
- When appropriate, we have verified that the Information covered the consolidated scope, i.e., the Company and its subsidiaries within the meaning of Article L.233-1 of the Code of commerce and the companies that it controls within the meaning of Article L.233-3 of the Code of commerce, subject to the limits set forth in the methodological note presented in the section on social, environmental and other sustainable development information.
- In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with Decree n° 2012-557 of April 24, 2012.

CONCLUSION

Based on our work, we attest the completeness of the required Information in the management report.

Neuilly-sur-Seine and La Défense, March 29, 2013

The Statutory Auditors

Deloitte & Associés		**Mazars**	
Charlotte Vandeputte Partner	Eric Dugelay Partner in charge of Corporate Social Responsibility services	Virginie Chauvin Partner	Emmanuelle Rigaudias Partner in charge of the CSR and sustainable development department

IFRS Financial Statements

Assets as of December 31, 2012

EUR millions	Note	12/31/2010	12/31/2011	12/31/2012
Central banks	2.1	2	2,198	2,400
Financial assets at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	5,906	8,874	9,748
Financial assets available for sale	2.2	1,865	1,254	1,125
Loans and advances due from banks	2.3	7,171	7,781	3,741
Loans and advances to customers	2.4	78,025	77,836	71,859
Fair value revaluation of portfolio hedge		1,114	2,203	3,046
Financial assets held to maturity		-	-	-
Current tax assets	2.5	7	47	1
Deferred tax assets	2.5	131	199	114
Accruals and other assets	2.6	9	17	3
TOTAL ASSETS		**94,230**	**100,409**	**92,037**

Liabilities as of December 31, 2012

EUR millions	Note	12/31/2010	12/31/2011	12/31/2012
Central banks	3.1	-	2,700	-
Financial liabilities at fair value through profit or loss		-	-	-
Hedging derivatives	4.1	10,887	13,703	14,110
Due to banks	3.2	12,541	9,517	7,620
Customer borrowings and deposits		-	-	-
Debt securities	3.3	66,819	68,536	62,659
Fair value revaluation of portfolio hedge		1,557	2,340	2,858
Current tax liabilities	3.4	9	2	6
Deferred tax liabilities	3.4	4	34	-
Accruals and other liabilities	3.5	1,344	2,533	3,546
Provisions		-	-	-
Subordinated debt		-	-	-
Equity		**1,069**	**1,044**	**1,238**
Share capital and additional paid-in capital		1,190	1,300	1,315
Reserves and retained earnings		24	24	76
Unrealised or deferred gains and losses		(254)	(348)	(244)
Net income		109	68	91
TOTAL LIABILITIES		**94,230**	**100,409**	**92,037**

Income statement

EUR millions	Note	2010	2011	2012
Interest income	5.1	6,486	6,963	5,742
Interest expense	5.1	(6,230)	(6,755)	(5,503)
Fee and commission income	5.2	-	-	-
Fee and commission expense	5.2	(5)	(5)	(4)
Net result of financial instruments at fair value through profit or loss	5.3	-	-	-
Net result of financial assets available for sale	5.4	12	2	21
Net result of hedge accounting and fair value option		-	0	1
Other income		-	-	-
Other expense		-	-	-
Net banking income		**263**	**205**	**257**
Operating expense	5.5	(96)	(92)	(91)
Cost of risk	5.6	(4)	(8)	(28)
Operating income		**163**	**105**	**138**
Net gains (losses) on other assets		-	-	-
Income before tax		**163**	**105**	**138**
Income tax	5.7	(54)	(37)	(47)
NET INCOME		**109**	**68**	**91**
Earnings per share (in EUR)				
- Basic		9	5	7
- Diluted		9	5	7

Net income and unrealized or deferred gains and losses through equity

EUR millions	2011	2012
Net income	68	91
Translation adjustments	-	-
Unrealized or deferred gains and losses of financial assets available for sale	(75)	107
Unrealized or deferred gains and losses of cash flow hedges	(95)	60
Taxes	77	(63)
Total of unrealised or deferred gains and losses through equity	**(93)**	**104**
NET INCOME AND UNREALIZED OR DEFERRED GAINS AND LOSSES THROUGH EQUITY	**(25)**	**195**

Equity

	Core equity			Unrealized or deferred gains and losses			
EUR millions	**Share capital, additional paid-in capital**	**Retained earnings and net income for the period**	**Total**	**Net change in fair value of available for sale financial assets, after tax**	**Net change in fair value of hedging derivatives, after tax**	**Total**	**Equity**
AS OF DECEMBER 31, 2011 IFRS	**1,300**	**91**	**1,391**	**(266)**	**(81)**	**(348)**	**1,044**
Movements during the period							
Share capital	15	-	15	-	-	-	15
Dividends	-	(15)	(15)	-	-	-	(15)
Changes in fair value of available for sale financial assets through equity	-	-	-	74	-	74	74
Changes in fair value of hedging derivatives through equity	-	-	-	-	30	30	30
Changes in fair value of available for sale financial assets through profit and loss	-	-	-	-	-	-	-
Changes in fair value of hedging derivatives through profit and loss	-	-	-	-	-	-	-
Net income for the period	-	91	91	-	-	-	91
Other movements	-	-	-	-	-	-	-
AS OF DECEMBER 31, 2012 IFRS	**1,315**	**167**	**1,482**	**(192)**	**(51)**	**(244)**	**1,238**

Caisse Française de Financement Local has share capital of EUR 1,315 million that is made up of 13,150,000 shares with a par value of EUR 100.

Cash flow statement

EUR millions	2010	2011	2012
NET INCOME BEFORE TAXES	**163**	**105**	**138**
+/- Depreciation and write-downs	5	1	70
+/- Expense/income from operating activities	125	(38)	245
+/- Expense/income from financing activities	(84)	50	(124)
+/- Other non-cash items	(426)	(976)	(609)
= Non-monetary items included in net income before tax and other adjustments	**(380)**	**(963)**	**(418)**
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	-	2,700	(3,100)
+/- Cash from interbank operations (customer loans)	28	(1,096)	93
+/- Cash from customer operations (loans)	414	1,202	3,207
+/- Cash from financing assets	(1,344)	1,541	6,814
+/- Cash from hedging financial instruments	159	2,306	1,893
- Income tax paid	(44)	(50)	5
= Decrease/(increase) in cash from operating activities	**(787)**	**6,603**	**8,911**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(1,004)**	**5,745**	**8,631**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**-**	**-**	**-**
+/- Cash from or for shareholders	(4)	0	0
+/- Other cash from financing activities	(1,205)	(502)	(6,934)
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(1,209)**	**(502)**	**(6,934)**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH (D)	**-**	**-**	**-**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B+ C + D)	**(2,213)**	**5,243**	**1,697**
Cash flow from operating activities (A)	(1,004)	5,745	8,631
Cash flow from investing activities (B)	-	-	-
Cash flow from financing activities (C)	(1,209)	(502)	(6,934)
Effect of changes in exchange rates on cash and cash equivalents (D)	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**(6,817)**	**(9,030)**	**(3,787)**
Central banks (assets & liabilities)	4	2	2,198
Interbank accounts (assets & liabilities) and loans/deposits at sight	(6,821)	(9,032)	(5,985)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(9,030)**	**(3,787)**	**(2,090)**
Central banks (assets & liabilities)	2	2,198	2,400
Interbank accounts (assets & liabilities) and loans/deposits at sight	(9,032)	(5,985)	(4,490)
CHANGE IN NET CASH	**(2,213)**	**5,243**	**1,697**

Notes to the IFRS Financial Statements as of December 31, 2012

1. Accounting policies and valuation methods

1.1 - CONTEXT OF PUBLICATION

Caisse Française de Financement Local decided to publish a set of individual financial statements according to IFRS.
This publication is voluntary and the reference for the preparation of the financial statements is consistently, in compliance with legislation applicable in France, French generally accepted accounting principles (French GAAP).
Caisse Française de Financement Local presented its first annual financial statements prepared according to IFRS to report the fiscal year 2008. The financial statements as of December 31, 2012 were examined by the Executive Board on March 26, 2013.

1.2 - HIGLIGHTS OF 2012 AND POST-CLOSING EVENTS

A. Approval of the plan for the orderly resolution of the dexia Group

Active discussions between the French and Belgian States and the European Commission continued in 2012 with a view to finalizing a plan for the orderly resolution of the Dexia Group.

At the end of November 2012, the States submitted a revised plan to the European Commission, subject to the Commission's approval, for the sale of Dexia Municipal Agency (DMA) within the framework of the new organization for the financing of the local public sector in France (cf. 1.2.B. Change in the shareholding structure of Caisse Française de Financement Local).

On December 28, 2012, the European Commission announced its approval of the plan for the orderly resolution of the Dexia Group.

B. Change in the shareholding structure of Caisse Française de Financement Local

On January 31, 2013, Société de Financement Local (SFIL) became the new parent company of Dexia Municipal Agency, which took the name Caisse Française de Financement Local. SFIL is a credit institution approved by the Autorité de contrôle prudentiel. SFIL's shareholders are the French State (75%), Caisse des Dépôts et Consignations (20%) and La Banque Postale (5%). The French State is the reference shareholder for the Autorité de contrôle prudentiel, underlining its commitment to ensure oversight and strategic decision-making, as well as its determination to ensure SFIL's ongoing financial transactions if so required.
Caisse des Dépôts et Consignations provides SFIL with the resources required to finance business existing prior to the date of transfer. It will contribute with La Banque Postale to meet the financial needs engendered by future business originated by the joint venture.
All the Financing provided by Caisse des Dépôts et Consignations will be capped at EUR 12.5 billion.

The role of Société de Financement Local is to support the activities of Caisse Française de Financement Local as a servicer. This role is defined by the regulations that apply to *sociétés de crédit foncier*, in particular in the sense of article L.515-22 of the Monetary and Financial Code.
In this regard,
- SFIL provides Caisse Française de Financement Local with the non-privileged funding its activity requires;
- SFIL intervened in current derivative transactions between Dexia Municipal Agency and Dexia Credit Local at the date of sale;
- SFIL also manages attempts to desensitize the structured loans on Caisse Française de Financement Local's balance sheet.

SFIL likewise provides services for La Banque Postale and the joint venture in the fields of commercial support, financial control, risk management and back office.

SFIL's long-term ratings are respectively Aa2 by Moody's, AA+ by Standard and Poor's and AA+ by Fitch. These ratings reflect the strategic character of the role the French State has assigned to SFiL and Caisse Française de Financement Local, and the French State's long-term commitment to assure them of its support if so required. These long-term ratings include a negative watch, reflecting the current outlook of the rating of the French State.

C. Ratings of Caisse Française de Financement Local

The issuance program of Caisse Française de Financement Local is rated by the three main rating agencies – Standard & Poor's, Fitch and Moody's.
With the change in the nature and shareholding structure of the parent company, the rating agencies reviewed the ratings of Caisse Française de Financement at the beginning of February 2013. They raised their ratings to the highest possible level:
- Aaa by Moody's,
- AAA / outlook negative* by S&P,
- AAA / Watch negative by Fitch.

As of December 31, 2012, the ratings of Caisse Française de Financement Local were under review or surveillance by two agencies, reflecting its situation and/or the agencies' introduction of new rating criteria . It was rated Aa2 by Moody's, AA+ / CreditWatch negative by S&P and AAA / Watch negative by Fitch.

** Outlook negative in the obligations foncières program translates the negative outlook of the sovereign rating as well as the rating of Société de Financement Local.*

D. Litigation

Three legal decisions on the suits brought against Dexia by the Département de la Seine-Saint-Denis were handed down on February 8, 2013, by the Tribunal de Grande Instance de Nanterre. They concerned three structured loans with a total capital of EUR 178 million.
The Tribunal de Grande Instance de Nanterre rejected the claims of the Département de la Seine-Saint-Denis for the cancelation of the three contested loan agreements and for any type of compensation. In particular, the Tribunal considered that these loans were not of a speculative character, that the Département was competent to sign these loan agreements, and that Dexia acted in the respect of its duty to inform and advise the Département. The Tribunal de Grande Instance de Nanterre however estimated that the faxes which had preceded the signing of the agreements could be qualified as "loan agreements", and that the lack of mention of the annual percentage rate of charge (Taux Effectif Global – TEG) implied the application of the legal interest rate.
The loans concerned by the decision of the Tribunal are now part of the cover pool of Caisse Française de Financement Local, which if this decision were to be confirmed, would bear the financial impact linked to the decrease in the interest rate. Nevertheless, this decision may be appealed. If the decisions of the Tribunal de Grande Instance de Nanterre on the absence of the TEG rate were confirmed and became jurisprudence, they might concern other loans from potential banks active in France, including Caisse Française de Financement Local and could represent significant potential risks.

1.3 - APPLICABLE ACCOUNTING STANDARDS

A. Application of IFRS adopted by the European Commission (IFRS EU)

On July 19, 2002, the European Commission published regulation EC 1606/2002, which obliged listed groups to apply IFRS as from January 1, 2005. Dexia has thus applied these standards since that date.

Caisse Française de Financement Local decided to apply as from January 1, 2007, all the IAS, IFRS, SIC and IFRIC adopted by the European Commission.

Since its publication in 2002, regulation EC 1606/2002 has been updated several times. Caisse Française de Financement Local's financial statements have therefore been prepared in accordance with all IFRS as adopted and endorsed by the European Commission up to the accounting closing on December 31, 2012, including the conditions for the application of an interest rate portfolio hedging and the possibility of hedging deposits.

The financial statements are prepared on a going concern basis. They are stated in millions of euros (EUR) unless otherwise noted. They are compliant with CNC recommendation 2009-R.04 published on July 2, 2009.

In preparing the financial statements, management is required to make estimates and assumptions that affect amounts reported. In order to make these assumptions and estimates, management uses the information available at the date of preparation of the financial statements and exercises its judgment. While management believes it has considered all available information when making these assumptions, actual results may differ from such estimates and the differences may have a material impact on the financial statements.

Judgments were principally made in the following areas:
- classification of financial instruments;
- determination of whether or not the market is active for financial instruments measured at fair value;
- hedge accounting;
- existence of a present obligation with probable outflows in the event of litigation;
- identification of impairment triggers.

These judgments are set out in the corresponding sections of these applicable accounting standards.

Estimates were principally made in the following areas:
- determination of fair value for financial instruments measured at fair value;
- determination of the recoverable amount of impaired financial assets;
- estimate of future taxable profit for the recognition and measurement of deferred tax assets.

B. Changes in accounting standards since the previous annual report that may impact Caisse Française de Financement Local

The following review of changes in accounting standards is based on the situation at closing on December 31, 2012.

a. IASB and IFRIC texts endorsed by the European Commission and applied as from January 1, 2012

The following standards, interpretations or amendments have been endorsed by the European Commission and are applied as from January 1, 2012:
- Amendment to IFRS 7 "Financial instruments: Disclosures - Transfers of Financial Assets". The impact of this amendment on the financial statements of Caisse Française de Financement Local relates to disclosures.

b. IASB and IFRIC texts endorsed by the European Commission during the current year but not yet applicable as from January 1, 2012

- IFRS 13 "Fair Value Measurement". This standard describes how to measure fair value under IFRS and introduces new and enhanced disclosure requirements. This standard is effective as from January 1, 2013 and its impact on the financial statements of Caisse Française de Financement Local is currently being assessed.
- A package of five new and revised standards on the accounting treatment and disclosure requirements for interests in other entities. These new and revised standards are effective as from January 1, 2014 and comprise the following:
  - IFRS 10 "Consolidated Financial Statements" introduces a single consolidation model for all entities, based on control and regardless the nature of the investee. This standard will not impact the financial statements of Caisse Française de Financement Local.
  - IFRS 11 "Joint Arrangements" will no longer permit the proportional consolidation method when

accounting for jointly-controlled entities. This standard will not impact the financial statements of Caisse Française de Financement Local.
- IFRS 12 "Disclosure of Interests in Other Entities". This standard will not impact the financial statements of Caisse Française de Financement Local.
- IAS 27 "Separate Financial Statements", which supersedes IAS 27 "Consolidated and Separate Financial Statements" (as amended in 2008), continues to be a standard dealing solely with separate financial statements: the existing guidance is unchanged.
- IAS 28 "Investments in Associates and Joint Ventures", which supersedes IAS 28 "Investments in Associates" (as revised in 2003), is amended to reflect the changes stemming from the issuance of IFRS 10, IFRS 11 and IFRS 12.

- Amendment to IAS 32 "Financial instruments: Presentation". This amendment provides clarifications on the rules for offsetting financial assets and financial liabilities. This amendment is effective as from January 1, 2014 and Caisse Française de Financement Local does not expect this amendment to have a material impact on its financial statements.
- Amendment to IFRS 7 "Financial instruments: Disclosures" on offsetting financial assets and financial liabilities. This amendment is effective as from January 1, 2013 and will impact the notes to Caisse Française de Financement Local's financial statements.
- Amendment to IAS 19 "Employee Benefits" principally changes the recognition and measurement of post employment defined benefit plans (e.g. removal of corridor mechanism) and enhances the disclosure requirements for these plans. This amendment is effective as from January 1, 2013. This amendment will not impact the financial statements of Caisse Française de Financement Local.
- Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income" clarifies the requirements on the presentation of the statement of comprehensive income and introduces a presentation of items in other comprehensive income (OCI) on the basis of recyclability. This amendment is effective as from January 1, 2013 and will impact Caisse Française de Financement Local's presentation of other comprehensive income.
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine". This interpretation is effective as from January 1, 2013 and will not impact the financial statements of Caisse Française de Financement Local.
- Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets". This amendment is effective as from January 1, 2013 and will not impact the financial statements of Caisse Française de Financement Local as Caisse Française de Financement Local measures these assets at amortised cost.
- Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters". This amendment is effective as from January 1, 2013 and will not impact the financial statements of Caisse Française de Financement Local, which is no longer a first-time adopter.

c. New standards (IFRS), interpretations (IFRIC) and amendments issued during the current year but not yet endorsed by the European Commission

- Amendment to IFRS 1 "Government Loans" (issued by IASB in March 2012). This amendment is effective as from January 1, 2013 and will not impact the financial statements of Caisse Française de Financement Local, which is no longer a first-time adopter.
- "Annual Improvements 2009-2011 cycle" (issued by IASB in May 2012), which are a collection of amendments to existing International Financial Reporting Standards. These amendments are effective as from January 1, 2013. Caisse Française de Financement Local does not expect these amendments to have a material impact on its financial statements.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance" (issued by IASB in June 2012). These amendments are effective as from January 1, 2013 and will not impact the financial statements of Caisse Française de Financement Local.
- "Investment entities" – Amendments to IFRS 10, IFRS 12 and IAS 27 (issued by IASB in October 2012). These amendments are effective as from January 1, 2014 and will not impact the financial statements of Caisse Française de Financement Local.

1.4 - ACCOUNTING PRINCIPLES APPLIED TO THE FINANCIAL STATEMENTS

A. Offsetting financial assets and financial liabilities

In certain circumstances, financial assets and financial liabilities are offset and the net amount is reported in the balance sheet. This may happen when there is a legally enforceable right to set off the recognized amounts and it is the intention of both parties that expected future cash flows will be settled on a net basis or that the asset will be realized and the liability settled simultaneously.

B. Foreign currency transactions

Foreign currency transactions are accounted for using the exchange rate on the transaction date.
Monetary assets and liabilities denominated in foreign currencies are recognized at closing rates. Non-monetary assets and liabilities recognized at fair value and denominated in foreign currencies existing at the closing date are recorded at closing rates, whereas non-monetary assets and liabilities recognized at amortized cost are recorded at their historical rates. The resulting exchange differences from monetary assets and liabilities are recognized in income, except for the foreign exchange impact of fair value adjustments to bonds available for sale which are recognized in equity. Foreign exchange differences from non-monetary assets and liabilities recognized at fair value are recorded as fair value adjustments.

C. Trade date and settlement date accounting

All purchases and sales of financial assets are recognized on the settlement date, which is the date that a financial asset is received or delivered by Caisse Française de Financement Local.
Caisse Française de Financement Local's hedging instruments are recognized at fair value on the transaction date.

D. Financial assets

Management determines the appropriate classification of its investments at initial recognition. However, under certain conditions financial assets may be subsequently reclassified.

a. Loans and advances to banks and customers

IFRS define loans as non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than:

- those that the entity intends to sell immediately or in the near future, which should be classified as held for trading, and those that the entity, upon initial recognition, designates as being at fair value through profit or loss;
- those that the entity, upon initial recognition, designates as available for sale; or
- those for which the holder may not recover substantially all of the initial investment for reasons other than the deterioration of credit, which should be classified as available for sale.

Caisse Française de Financement Local recognizes loans and advances initially at fair value, to which transaction costs are added. Later estimates are made at amortized cost, less any allowance for impairment. Interest is calculated by the effective interest rate method and recognized in net interest income.

The effective interest rate is the rate that updates with precision future expected cash flows over the expected life of the financial instrument or, when appropriate, over a shorter period to determmine the net carrying amount of the financial asset.

b. Financial assets held to maturity and available for sale

Financial assets held to maturity
Quoted securities with fixed maturity are classified as "Financial assets held to maturity" (HTM) when management has both the intent and the ability to hold the assets to maturity.
Assets held to maturity are initially recognized at fair value (including transaction costs) and subsequently at amortized cost, less any allowance for impairment. Interest is recognized based on the effective interest rate method, using the rate determined at initial recognition and is recognized in net interest income.

Financial assets available for sale
Assets intended to be held for an indefinite period of time and which may be sold in response to a need for liquidity or changes in interest rates, exchange rates or equity prices are classified as "Financial assets available for sale" (AFS). Assets recognized by Caisse Française de Financement Local as "Financial assets available for sale" are, except for certain cases, intended to be held to maturity.
Assets available for sale are initially recognized at fair value (including transaction costs). Interest is recognized based on the effective interest rate method in net interest income. Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in equity. When assets are disposed of, the related accumulated fair value adjustments are reversed in the income statement in "Net gains (losses) on financial assets available for sale".
When financial assets available for sale are restated as loans and advances at a later date on the basis of the October 2008 amendment to IAS 39, the reserve representative of changes in the fair value of financial assets available for sale as presented in the financial statements as of December 31, 2012, corresponds to the part of this reserve still to be amortized with regard to the securities restated as of October 1, 2008.

c. Financial assets held for trading

Caisse Française de Financement Local holds no assets for trading.

d. Financial assets designated at fair value through profit or loss (fair value option)

Caisse Française de Financement Local does not make use of the option to designate its financial assets at fair value through profit or loss.

e. Realized gains and losses on sales of financial assets

For financial assets not revalued through profit or loss, realized gains or losses on disposals are the differences between the proceeds received (net of transaction costs) and the costs or amortized costs of the assets. The cost is systematically determined based on the "first in, first out" approach (FIFO method) on a portfolio basis.
When a financial asset available for sale is sold, the total of gains or losses previously recognized in equity is reversed in the income statement.

f. Accounting for early reimbursement penalties

Caisse Française de Financement Local has determined the accounting principles applicable to the restructuring of loans in accordance with AG 62 of IAS 39 concerning financial liabilities.
Regarding the method of accounting for early reimbursement penalties, there are several possibilities depending on whether the early reimbursement is recognized as being an early reimbursement with refinancing or an extinguishment without refinancing.

Early reimbursement with refinancing
The method of accounting for early reimbursement penalties differs depending on whether the restructuring conditions are substantially different from those set initially.
In line with the principles of AG 62, Caisse Française de Financement Local considers that the conditions are substantially different when the net present value of the cash flows under the new conditions, including any fees paid net of any fees received, is more than 10% different from the discounted net present value of the cash flows remaining from the original loan.
Early reimbursement penalties are recognized immediately in income or else amortized over the life of the new loan depending on the results of the eligibility test. If the eligibility test is passed (i.e. the difference in net

present value is less than 10%), any early reimbursement penalties are amortized over the term of the new loan. If not (i.e. the difference exceeds 10%), early reimbursement penalties are recognized immediately in income.

Early reimbursement without refinancing
When a loan has been extinguished, Caisse Française de Financement Local recognizes the early reimbursement penalty and any gains or losses of unamortized premium or discount, as income for the period, as required by IFRS.

g. Impairment of financial assets

Caisse Française de Financement Local records allowances for impairment losses when there is objective evidence that a financial asset or group of financial assets is impaired, as a result of one or more events occurring since initial recognition and when that loss event has an impact on the estimated future cash flows that can be reliably estimated, in accordance with IAS 39 (§58-70). The impairment represents the management's best estimate of losses in the value of assets at each balance-sheet date.

Financial assets at amortized cost

Caisse Française de Financement Local first assesses whether objective evidence of impairment exists for a financial asset when taken individually. If no such evidence exists, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.

- Determination of the impairment
• **Specific loss allowance**: if there is objective evidence that loans or other receivables, or financial assets classified as Held-to-maturity are impaired, the amount of the provision is calculated as the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, net of any guarantees and collateral, discounted at the financial instrument's original effective interest rate (except for reclassified assets, see below). When an asset is assessed as being impaired, it will be excluded from the portfolio on which a collective impairment is calculated.
• **Collective allowance**: collective impairment covers the risk of loss in value not covered by specific impairment where there is objective evidence that probable losses are present in certain segments of the portfolio or other lending commitments at the balance-sheet date. These losses are estimated on the basis of past performance and historical patterns of losses in each segment and the current economic environment in which the borrowers operate. For this purpose, Caisse Française de Financement Local uses the credit risk model developed by Dexia Credit Local, which is based on an approach that combines default probabilities and losses in the event of default. These models are subject to regular back-testing and are based on Basel II data and risk models, consistent with the incurred loss model.

- Accounting treatment of the impairment
Changes in the amount of impairment losses are recognized in the income statement in "Cost of risk". Once an asset has been written down, if the amount of the impairment subsequently decreases due to an event occurring after recognition of the impairment, the write-back of the impairment is credited to the "Cost of risk".
When an asset is determined by management as being irrecoverable, the outstanding specific impairment is reversed via the income statement, in "Cost of risk" and the net loss is recorded in the same heading. Subsequent recoveries are also accounted for in this heading.

Reclassified financial assets
Regarding impairment, reclassified financial assets follow the rules as financial assets initially valued at amortized cost for calculation of the impairment. If there is objective evidence that reclassified financial assets are impaired, the amount of the impairment on reclassified assets is calculated as the difference between the net carrying amount of the asset, excluding the amount of revaluations at fair value due to former classification in AFS, and the net present value of the expected cashflows discounted at the effective interest rate at the time of reclassification. Any existing unamortized AFS reserve will be taken to profit or loss account in "Cost of risk".
In the event of a positive update to expected cash flows, the impairment amount is reversed through net interest income over the new schedule of expected cash flows, not by a reversal of impairment.

Financial assets available for sale
Impairment of available for sale assets is recognized on an individual basis if there is objective evidence of impairment as a result of one or more events occurring since initial recognition of the asset. Financial assets available for sale (AFS) are subject only to specific impairment.

- Determination of the impairment
In the case of interest bearing debt instruments, impairment is triggered based on the same criteria as those applied to financial assets valued at amortized cost (see above).

- Accounting treatment of the impairment
When financial assets available for sale are impaired, the total AFS reserve is recycled into profit or loss and Caisse Française de Financement Local reports these impairment losses in the income statement in "Cost of risk" (for financial asset available for sale with fixed income) or "Net result of financial assets available for sale" (for financial assets available for sale with variable income). Any subsequent decline in fair value constitutes an additional impairment loss, recognized in the income statement.
In the event of an increase in the fair value of an interest-bearing financial instrument that relates objectively to an event occurring after the last impairment was recognized, Caisse Française de Financement Local recognizes a reversal of the impairment loss in the income statement in "Cost of risk" (for financial assets available for sale with fixed income).

Off-balance sheet commitments
Off-balance sheet commitments such as credit substitutes (e.g. guarantees and standby letters of credit) and loan commitments are converted into on-balance sheet items when called. However, under specified circumstances such as uncertainty about the coun-

terparty's creditworthiness, the off-balance sheet commitment should be classified as impaired if the credit worthiness has deteriorated to an extent that makes repayment of any loan and associated interest payments doubtful.

h. Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement (repos) are not derecognized and remain on the balance-sheet in their original category. The corresponding liability is included in "customer borrowings and deposits" or "due to banks" as appropriate. The asset is reported as pledged in the notes.
Securities purchased under an agreement to resell (reverse repos) are recorded as off-balance sheet items and the corresponding loans are recorded in "loans and advances to customers" or "loans and advances due from banks" as appropriate.
The difference between the sale and repurchase price is treated as interest income or expense and is amortized over the life of the agreement using the effective interest rate method.
Securities lent to third parties are retained in the financial statements.
Securities borrowed are not recognized in the financial statements. If these borrowed securities are sold to third parties, the obligation to return them is recorded at fair value in "Financial liabilities at fair value through profit or loss", and the gain or loss is included in "Net gains (losses) on financial instruments at fair value through profit or loss".

E. Financial liabilities

a. Liabilities designated at fair value through profit or loss

Caisse Française de Financement Local does not use this option.

b. Borrowings

Borrowings are recognized initially at fair value, being their issue proceeds net of transaction costs incurred. They are subsequently stated at amortized cost and any difference between their initial carrying amount and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate method.
This chapter includes *obligations foncières* and other resources benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code, as of December 31, 2012. It is sub-divided into two parts.

1) *Obligations foncières*
Obligations foncières are recorded at nominal value.
Reimbursement premiums and issue premiums are amortized according to the straight line method over the life of the securities concerned, as of the first year, *prorata temporis*. They are recorded on the balance sheet in items corresponding to the type of debt concerned. The amortization of these premiums is recorded in the income statement as interest income and charge on bonds and fixed income securities. In the case of bonds issued above par, the spread of issue premiums is deducted from related interest income and charge on bonds and fixed income securities.
Interest related to bonds is accounted for as banking operating charges for accrued amounts, due and not yet due, calculated *prorata temporis* on the basis of contractual rates.
Fees and commissions on bond issues are spread in equal fractions over the life of the loans to which they are attached.
Bonds denominated in other currencies are treated in the same way as foreign exchange transactions (see above - 1.4.B. Foreign currency transactions).

2) Registered covered bonds
These private placements are recorded at nominal value. Issue premiums are dealt with in the same way as *obligations foncières* (see above).

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRBF standard 99-10 of July 27, 1999, total assets must at all times be greater than total liabilities benefiting from the privilege mentioned in article L.515-19 of the above-mentioned Monetary and Financial Code.

F. Derivatives

a. Derivatives not used in a hedging relationship

Caisse Française de Financement Local is not authorized to conduct derivative transactions that would not be documented as hedging relations.

b. Hedging derivatives

Hedging derivatives can be categorized as either:
- a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge); or
- a hedge of a future cash flow attributable to a recognized asset or liability or a forecast transaction (cash flow hedge).

Hedge accounting may be used for derivatives designated in this way, provided certain criteria are met:
- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship between the hedging instrument and the hedged item must be prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be effective both prospectively and retrospectively in offsetting changes in fair value or cash flows attributable to the hedged risk on the hedged item throughout the reporting period;
- the hedge shall be effective at inception and on a going concern basis.

Changes in the fair value of derivatives that are designated and documented in a fair value hedging relationship, and that respect the criteria set out above, are recorded in the income statement, along with the corresponding change in fair value of the hedged assets or liabilities that are attributable to that specific hedged risk.

If at any time the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortized to profit or loss over the residual maturity of the hedged item by adjusting the yield on the hedged item.

The effective portion of the changes in the fair value of derivatives that are designated in a cash-flow hedging relationship, that respect the criteria set out above, and that prove to be effective in relation to the hedged risk, is recognized in equity as "Unrealized or deferred gains and losses of cash-flow hedges".

The non-effective portion of the changes in the fair value of the derivatives is recognized in the income statement. Amounts deferred in equity are transferred to the income statement and classified as income or expense in the periods during which the hedged firm commitment or forecast transaction affect the income statement.

c. Hedging of the interest rate risk of a portfolio

Caisse Française de Financement Local makes use of the provisions of IAS 39 as adopted by the European Union ("IAS 39 carve-out") because it better reflects the way Caisse Française de Financement Local manages its financial instruments.

The objective of hedging relationships is to reduce the interest rate risk exposure stemming from certain categories of assets or liabilities designated as the qualifying hedged items.

The entity performs a comprehensive analysis of its interest rate risk exposure. It consists in assessing fixed-rate exposure generated by all fixed-rates balance sheet items.

Caisse Française de Financement Local selects financial assets and liabilities to be included in the hedge of the portfolio's interest rate risk exposure. The entity constantly applies the same methodology for selecting financial assets and liabilities to be included in the portfolio. The financial assets and liabilities are classified by time bands. Hence, when they are removed from the portfolio, they must be removed from all the time bands on which they have an impact.

The Company chose to put together homogeneous portfolios of loans and portfolios of bond issues.

Based on this gap analysis, which is realized on a net basis, Caisse Française de Financement Local defines at inception the risk exposure to be hedged, the length of the time bands and the manner and the frequency of testing.

The hedging instruments are a portfolio of derivative, whose positions may be offsetting. The hedging items are recognized at their fair value (including accrued interest expense or income) with adjustments recorded in the income statement.

Revaluation related to the hedged risk is recognized in the balance sheet (in asset or liability depending on positive or negative revaluation) as "Fair value revaluation of portfolio hedge".

G. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Market prices are used to determine fair value where an active market (such as a recognized stock exchange) exists, as these are the best estimate of the fair value of a financial instrument. Active market prices are not, however, available for a significant number of the financial assets and liabilities held or issued by Caisse Française de Financement Local.

If the financial instrument is not traded on an active market, valuation techniques are used. Valuation techniques include the use of data from recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, and valuation models. A valuation model reflects what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations, i.e. the price that would be received by the holder of the financial asset in an orderly transaction that is not a liquidation or a forced transaction.

The valuation model should take into account all the factors that market participants would consider when pricing the asset. Within this framework, Caisse Française de Financement Local uses its own valuation models and market assumptions, i.e present value of cash-flows or any other techniques based on market conditions existing at the closing date.

Financial instrument measured at fair value (available for sale, derivatives)

Financial investments classified as available for sale and derivatives are measured at fair value by reference to quoted market prices when available. When quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows, using observable or non-observable market data.

For financial assets classified as available for sale, when quoted prices are not available, the pricing models attempt to reflect as accurately as possible the market conditions on the valuation date as well as any changes in the credit quality of these financial instruments and the market liquidity.

Financial instruments measured at amortized cost (valuations in IFRS notes on fair value)

The following remarks are applicable to the fair value of loans and advances presented in the notes:

- the fair value of fixed-rate loans is estimated by comparing market interest rates when the loans were granted with current market interest rates offered on similar loans;
- caps, floors and early repayment options are included in determining the fair value of loans and advances.

H. Interest income and expense

For all interest-bearing instruments not valued at fair value, interest income and expense are recognized in the income statement using the effective interest rate method (including transaction costs).
Transaction costs are incremental costs that are directly attributable to the acquisition of a financial asset or liability and are used for the calculation of the effective interest rate. An incremental cost is one that would not have been incurred if the entity had not acquired the financial instrument.

Accrued interest is recognized on the balance sheet in the same item as the related financial asset or liability. Once an interest bearing financial asset has been written down to its estimated recoverable amount, interest income is thereafter recognized based on the interest rate used to discount the future cash flows in order to measure the recoverable amount.

I. Commission income and expense

Commissions are recognized in accordance with IAS 18. Pursuant to this standard, most of the commissions arising from Caisse Française de Financement Local's activities are recognized on an accrual basis over the life of the underlying transaction.

Loan commitment commissions are recognized as part of the effective interest rate if the loan is granted.
They are recorded as commission income on expiry date of the commitment if no loan is granted.

J. Deferred taxes

Deferred taxes are recognized using the liability method to account for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
The tax rates enacted or substantively enacted at the balance-sheet date are used to determine deferred taxes.
Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.
Deferred tax liabilities are recognized to account for temporary differences arising from investments in subsidiaries, jointly controlled companies and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.
Deferred taxes related to fair value re-measurement of assets available for sale and cash flow hedges, and other operations which are charged or credited directly to equity, are also credited or charged directly to equity.

K. Provision for risks and charges

Provisions for risks and charges mainly include provisions for litigations, restructuring, and off-balance sheet loan commitments.
A provision is measured at the present value of the expenditures expected to be required to settle the obligation. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money.

Provisions are recognized when:
- Caisse Française de Financement Local has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Provisions on loan commitments are recognized using the same methodology as that applied for the impairment of financial assets measured at amortized cost.

L. Dividends on ordinary shares

Dividends on ordinary shares are recognized in liabilities in the period in which they are declared (they must be authorized). Dividends for the year that are declared after the balance sheet date are disclosed in the note on subsequent events.

M. Earnings per share

Basic earnings per share before dilution are calculated by dividing net income available to shareholders by the weighted average number of ordinary shares in issue during the year.

N. Related party transactions

Two parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial or operational decisions. As of December 31, 2012 the parent company of Caisse Française de Financement Local was Dexia Credit Local, a *société anonyme* incorporated in France, itself a subsidiary of Dexia SA, incorporated in Belgium. Within this framework, related party transactions are those with companies accounted for by the equity method and with members of the Company's management bodies.

O. Segment reporting

Caisse Française de Financement Local's sole activity is the financing or refinancing of commitments on public sector entities.
Caisse Française de Financement Local conducts its business solely from Paris (or its branch in Dublin). The Company has no direct activity in other countries and is unable to present a relevant breakdown of its results by geographic region. Geographic breakdown of assets by country of residence of the counterparty is presented quarterly at the end of the Management Report.

P. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with central banks and interbank deposits at sight.

2. NOTES TO THE ASSETS

2.1 - CENTRAL BANKS

EUR millions	12/31/2010	12/31/2011	12/31/2012
Mandatory reserve deposits with central banks	2	-	-
Other deposits	-	2,198	2,400
TOTAL	**2**	**2,198**	**2,400**

2.2 - FINANCIAL ASSETS AVAILABLE FOR SALE

a. Analysis by nature

EUR millions	12/31/2010	12/31/2011	12/31/2012
Loans	-	-	-
Bonds	1,865	1,254	1,125
TOTAL	**1,865**	**1,254**	**1,125**

b. Analysis by counterparty

EUR millions	12/31/2010	12/31/2011	12/31/2012
Public sector	1,064	760	784
Credit institutions guaranteed by the public sector	201	494	341
Total public sector	**1,265**	**1,254**	**1,125**
Replacement assets	600	-	-
TOTAL	**1,865**	**1,254**	**1,125**
of which eligible for central bank refinancing	*1,355*	*840*	*824*

c. Impairment

EUR millions	12/31/2010	12/31/2011	12/31/2012
Public sector	1,265	1,222	1,125
Replacement assets	600	-	-
Total performing assets	**1,865**	**1,222**	**1,125**
Public sector	-	39	-
Replacement assets	-	-	-
Total impaired assets	**-**	**39**	**-**
Specific impairment	-	(7)	-
TOTAL ASSETS AFTER IMPAIRMENT	**1,865**	**1,254**	**1,125**

d. Analysis by residual maturity

See note 7.3

e. Unrealized or deferred gains and losses, breakdown by country

See note 4.4

2.3 - LOANS AND ADVANCES DUE FROM BANKS

a. Analysis by nature

EUR millions	12/31/2010	12/31/2011	12/31/2012
Sight accounts	0	22	23
Other loans and advances due from banks	7,171	7,759	3,718
Performing assets	**7,171**	**7,781**	**3,741**
Impaired loans and advances	-	-	-
Impaired assets	**-**	**-**	**-**
Total assets before impairment	**7,171**	**7,781**	**3,741**
Specific impairment	-	-	-
Collective impairment	-	0	-
TOTAL	**7,171**	**7,781**	**3,741**

b. Breakdown by counterparty

EUR millions	12/31/2010	12/31/2011	12/31/2012
Credit institutions	-	22	-
Swiss cantonal banks benefiting from their cantons' legal guarantee	1,593	1,129	924
Banks guaranteed by a local government, *crédits municipaux*	180	132	169
Credit institutions belonging to the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	181	2,121	2,110
Credit institutions guaranteed by the State	13	14	15
Assets assigned in guarantee to the central bank	-	3,012	0
Replacement assets	5,204	1,351	523
TOTAL	**7,171**	**7,781**	**3,741**
of which eligible for central bank refinancing	*4,850*	*4,363*	-

c. Replacement assets

EUR millions	Rating	12/31/2010	12/31/2011	12/31/2012
Dexia Sabadell - *cedulas territoriales*	Ba1 Moody's	3,004	-	500
Dexia LdG Banque - *lettres de gage publiques*	BBB S&P	1,850	1,351	-
Dexia Credit Local - loans secured by public sector assets	BBB S&P, Baa2 Moody's et A+ Fitch	350	-	-
Credit institutions - sight accounts		-	22	23
TOTAL		**5,204**	**1,373**	**523**

As of December 31, 2012, replacement assets are mainly composed of *cedulas territoriales*. Because of their Ba1 rating (Moody's), these assets do not contribute to the calculation of the regulatory over-collateralization ratio.

d. Analysis by residual maturity

See note 7.3

e. Unrealized or deferred gains and losses, breakdown by country

See note 4.4

2.4 - LOANS AND ADVANCES TO CUSTOMERS

a. Analysis by counterparty

EUR millions	12/31/2010	12/31/2011	12/31/2012
Public sector	62,578	63,325	59,656
Other - guaranteed by a State or local government	4,423	4,139	3,864
Other - ABS made up solely of public commitments	11,033	10,364	8,270
Performing assets	**78,034**	**77,828**	**71,790**
Impaired loans and advances	10	29	122
Impaired assets	**10**	**29**	**122**
Total assets before impairment	**78,044**	**77,857**	**71,912**
Specific impairment	(1)	(3)	(8)
Collective impairment	(18)	(18)	(44)
TOTAL	**78,025**	**77,836**	**71,859**
of which eligible for central bank refinancing	*41,518*	*40,067*	*38,585*
Assets assigned in guarantee to the central bank	-	*189*	-

The loans depreciated concern customers that represent a definite credit risk (non-performing loans: EUR 93 million) and clients with unpaid loans corresponding to disagreement on the amount due (compromised non-performing loan: EUR 29 million).
Caisse Française de Financement Local strenghtened during the year its hedging on these customers by increasing collective impairments which amounted to EUR 44 million.

b. Public sector ABS

EUR millions	Rating	12/31/2010	12/31/2011	12/31/2012
Colombo	-	8	6	3
Astrea	A- Fitch, Baa2 Moody's	1	1	0
Blue Danube	AA+ S&P	81	78	70
DCC - Dexia Crediop per la Cartolarizzazione	BBB+ Fitch, Ba2 Moody's, B+ S&P	3,691	3,546	3,361
DSFB - Dexia Secured Funding Belgium 2	A- Fitch, A- S&P, Baa1 Moody's	2,908	2,792	1,303
DSFB - Dexia Secured Funding Belgium 4	AA- Fitch	4,344	3,941	3,533
TOTAL		**11,033**	**10,364**	**8,270**

c. Analysis by residual maturity

See note 7.3

d. Unrealized or deferred gains and losses, breakdown by country

See note 4.4

2.5 - TAX ASSETS

EUR millions	12/31/2010	12/31/2011	12/31/2012
Current income tax	7	45	1
Other taxes	-	2	0
Current tax assets	**7**	**47**	**1**
Deferred tax assets (see note 4.2)	**131**	**199**	**114**
TOTAL TAX ASSETS	**138**	**246**	**115**

2.6 - ACCRUALS AND OTHER ASSETS

EUR millions	12/31/2010	12/31/2011	12/31/2012
Cash collateral paid	-	-	-
Other accounts receivable	-	-	-
Prepaid charges	-	-	-
Other assets	9	17	3
TOTAL ACCRUALS AND OTHER ASSETS	**9**	**17**	**3**

2.7 - RESTATEMENT OF FINANCIAL ASSETS (IAS 39 AMENDED)

EUR millions	From "Financial assets held for trading" to "Loans and advances" (1)	From "Financial assets held for trading" to "Financial assets available for sale" (2)	From "Financial assets available for sale" to "Loans and advances" (3)
Carrying amount of reclassified assets, as of October 1, 2008	-	-	17,855
Carrying amount of reclassified assets, as of December 31, 2012	-	-	10,139
Fair value of reclassified assets as of December 31, 2012	-	-	9,877
AMOUNT NOT RECOGNIZED THROUGH PROFIT AND LOSS (1) AND (2) DUE TO RECLASSIFICATION	-	-	-
AMOUNT NOT RECOGNIZED THROUGH ASSETS AVAILABLE FOR SALE (3) DUE TO RECLASSIFICATION	-	-	**(262)**
Premium/discount amortization through profit and loss	-	-	-
Premium/discount amortization through AFS reserve	-	-	16

3. NOTES TO THE LIABILITIES

3.1 - CENTRAL BANKS

This item includes refinancing obtained through Banque de France tenders. The use of such financing organized by tenders involued the pledging of eligible assets within the framework of a general guarantee management agreement (3G). This source of financing does not benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code.

EUR millions	12/31/2010	12/31/2011	12/31/2012
Overnight borrowing	-	-	-
Term borrowing	-	2,700	-
Accrued interest	-	0	-
TOTAL FUNDING FROM BANQUE DE FRANCE	**-**	**2,700**	**-**

3.2 - DUE TO BANKS

a. Analysis by nature

EUR millions	12/31/2010	12/31/2011	12/31/2012
Demand deposits	9,034	6,004	4,510
Term deposits	3,507	3,513	3,110
TOTAL	**12,541**	**9,517**	**7,620**

This item includes the balance of the account opened with Dexia Credit Local. This account is intended to finance the needs of Caisse Française de Financement Local related to its activity, in particular, to finance structural over-collateralization and loans prior to issuance of *obligations foncières*.

The account totaled EUR 7,610 million (excluding accrued interest), composed of:

- the current account, indexed on Eonia, with a balance of EUR 4,510 million;
- a long-term borrowing earmarked to finance the structural over-collateralization of 5%. This borrowing totaled EUR 3,100 million as of December 31, 2012; it is indexed on the annual money market rate (TAM).

EUR millions	12/31/2010	12/31/2011	12/31/2012
Current account	9,029	5,999	4,510
Interest accrued not yet due	5	5	-
Long-term borrowing	3,500	3,500	3,100
Interest accrued not yet due	7	13	10
TOTAL DEXIA CREDIT LOCAL	**12,541**	**9,517**	**7,620**

b. Analysis by residual maturity

See note 7.3

3.3 - DEBT SECURITIES

a. Analysis by nature

EUR millions	12/31/2010	12/31/2011	12/31/2012
Obligations foncières	62,431	63,518	57,223
Registered covered bonds	4,388	5,018	5,436
TOTAL	**66,819**	**68,536**	**62,659**

b. Analysis by residual maturity

See note 7.3

3.4 - TAX LIABILITIES

EUR millions	12/31/2010	12/31/2011	12/31/2012
Current income tax	5	-	3
Other taxes	4	2	3
Current tax liabilities	**9**	**2**	**6**
Deferred tax liabilities (see note 4.2)	**4**	**34**	**-**
TOTAL TAX LIABILITIES	**13**	**36**	**6**

3.5 - ACCRUALS AND OTHER LIABILITIES

EUR millions	12/31/2010	12/31/2011	12/31/2012
Cash collateral received	1,314	2,498	3,518
Other accrued charges	27	27	25
Deferred income	-	-	-
Other accounts payable and other liabilities	3	8	3
TOTAL	**1,344**	**2,533**	**3,546**

3.6 - EQUITY

	Core equity			Unrealized or deferred gains and losses			
EUR millions	**Share capital, additional paid-in capital**	**Retained earnings and net income for the period**	**Total**	**Net change in fair value of available for sale financial assets, after tax**	**Net change in fair value of hedging derivatives, after tax**	**Total**	**Equity**
AS OF DECEMBER 31, 2011 IFRS	**1,300**	**91**	**1,391**	**(266)**	**(81)**	**(348)**	**1,044**
Movements during the period	**15**						
Share capital	-	-	15	-	-	-	15
Dividends	-	(15)	(15)	-	-	-	(15)
Changes in fair value of available for sale financial assets through equity	-	-	-	74	-	74	74
Changes in fair value of hedging derivatives through equity	-	-	-	-	30	30	30
Changes in fair value of available for sale financial assets through profit and loss	-	-	-	-	-	-	-
Changes in fair value of hedging derivatives through profit and loss	-	-	-	-	-	-	-
Net income for the period	-	91	91	-	-	-	91
Other movements	-	-	-	-	-	-	-
AS OF DECEMBER 31, 2012 IFRS	**1,315**	**167**	**1,482**	**(192)**	**(51)**	**(244)**	**1,238**

4. OTHER NOTES ON THE BALANCE SHEET

4.1 - HEDGING DERIVATIVES

a. Analysis by nature

EUR millions	12/31/2010		12/31/2011		12/31/2012	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives at fair value through profit or loss	-	-	-	-	-	-
Derivatives designated as fair value hedges	3,033	8,604	5,492	10,252	5,770	9,840
Derivatives designated as cash flow hedges	159	141	35	255	8	184
Derivatives designated as portfolio hedges	2,714	2,142	3,347	3,196	3,970	4,086
Hedging derivatives	**5,906**	**10,887**	**8,874**	**13,703**	**9,748**	**14,110**
TOTAL DERIVATIVES	**5,906**	**10,887**	**8,874**	**13,703**	**9,748**	**14,110**

b. Detail of derivatives designated as fair value hedges

EUR millions	12/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	17,285	17,222	1,698	1,394
Interest rate derivatives	48,060	48,060	1,335	7,210
TOTAL	**65,345**	**65,282**	**3,033**	**8,604**

EUR millions	12/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	15,601	15,139	2,068	1,430
Interest rate derivatives	53,122	53,122	3,424	8,822
TOTAL	**68,723**	**68,261**	**5,492**	**10,252**

EUR millions	12/31/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	12,072	11,769	1,414	1,317
Interest rate derivatives	51,529	51,517	4,356	8,523
TOTAL	**63,601**	**63,286**	**5,770**	**9,840**

c. Detail of derivatives designated as cash flow hedges

EUR millions	12/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	1,878	1,925	159	141
Interest rate derivatives	-	-	-	-
TOTAL	**1,878**	**1,925**	**159**	**141**

EUR millions	12/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	2,199	2,219	35	255
Interest rate derivatives	-	-	-	-
TOTAL	**2,199**	**2,219**	**35**	**255**

EUR millions	12/31/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Foreign exchange derivatives	1,857	1,926	8	184
Interest rate derivatives	-	-	-	-
TOTAL	**1,857**	**1,926**	**8**	**184**

EUR millions	12/31/2010	12/31/2011	12/31/2012
Amount removed from equity and included in the carrying amount of a non-financial instrument (hedging of cash flows of a highly probable transaction)	-	-	-

d. Detail of derivatives designated as portfolio hedges

EUR millions	12/31/2010			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Interest rate derivatives	186,898	186,893	2,714	2,142
TOTAL	**186,898**	**186,893**	**2,714**	**2,142**

EUR millions	12/31/2011			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Interest rate derivatives	150,730	150,725	3,347	3,196
TOTAL	**150,730**	**150,725**	**3,347**	**3,196**

EUR millions	12/31/2012			
	Notional amount		Assets	Liabilities
	To receive	To deliver		
Interest rate derivatives	131,169	131,164	3,970	4,086
TOTAL	**131,169**	**131,164**	**3,970**	**4,086**

4.2 - DEFERRED TAXES

a. Analysis by nature

EUR millions	12/31/2010	12/31/2011	12/31/2012
Deferred tax assets before impairment	131	199	114
Impairment on deferred tax assets	-	-	-
Deferred tax assets (1)	**131**	**199**	**114**
Deferred tax liabilities (1)	**(4)**	**(34)**	**-**
TOTAL	**127**	**165**	**114**

(1) Deferred tax assets and liabilities are netted out when they concern the same tax entity.

b. Movements

EUR millions	12/31/2010	12/31/2011	12/31/2012
As of January 1	**117**	**127**	**165**
Charge/credit recognized in the income statement	(3)	(39)	(24)
Effect of change in tax rates - impact on the income statement	-	-	-
Movements directly recognized in equity	13	77	(63)
Effect of change in tax rates - impact on equity	-	-	-
Translation adjustment	-	-	-
Other movements (1)	-	-	36
As of December 31	**127**	**165**	**114**

(1) This amount corresponds to the tax treatment of intragroup operations as declared in Ireland.

c. Deferred taxes from assets on the balance sheet

EUR millions	12/31/2010	12/31/2011	12/31/2012
Loans and loan loss provisions	35	14	23
Securities	82	123	89
Derivatives	9	22	(8)
Accruals and other assets	14	14	14
TOTAL	**140**	**173**	**118**

d. Deferred taxes from liabilities on the balance sheet

EUR millions	12/31/2010	12/31/2011	12/31/2012
Borrowings, deposits and issues of debt securities	-	-	-
Derivatives	10	16	20
Provisions	-	-	-
Regulatory provisions	(23)	(24)	(24)
Accruals and other liabilities	-	-	-
TOTAL	**(13)**	**(8)**	**(4)**

4.3 - TRANSACTIONS WITH RELATED PARTIES

Analysis by nature

EUR millions	Parent company and entities consolidated by Dexia Credit Local			Other related parties [1]		
	12/31/2010	12/31/2011	12/31/2012	12/31/2010	12/31/2011	12/31/2012
ASSETS						
Loans and advances	5,096	8,677	5,983	9,087	1,351	-
Bonds	600	-	-	-	-	-
LIABILITIES						
Due to banks - sight accounts	9,034	6,004	4,521	-	-	-
Due to banks - term loans	3,507	3,513	3,110	-	-	-
INCOME STATEMENT						
Interest income on loans and advances	74	147	111	90	23	-
Interest income on bonds	2	7	0	-	-	-
Interest expense on borrowings	(124)	(142)	(89)	-	-	-
Fees and commissions	(3)	(4)	(3)	-	-	-
OFF-BALANCE SHEET						
Foreign exchange derivatives	5,221	7,130	6,532	559	-	-
Interest rate derivatives	151,740	119,937	99,549	6,077	-	-
Guarantees issued by the Group	10,318	12,016	12,296	2,908	-	-

(1) This item included in 2010 and in 2011 transactions with entities of Belgian and Luxemburg sub-groups consolidated by Dexia, the parent company of Dexia Credit Local. In 2011, Belfius Banque et Assurances was no longer consolidated by Dexia.

4.4 - UNREALIZED OR DEFERRED GAINS AND LOSSES, BREAKDOWN BY COUNTRY

EUR millions	12/31/2010	12/31/2011	12/31/2012
Unrealized gains and losses on available for sale securities	**(168)**	**(253)**	**(169)**
Belgium	0	-	-
Canada	2	2	1
Germany	(2)	(7)	0
France	0	0	(1)
Greece	(82)	-	-
Ireland	0	-	-
Italy	(85)	(260)	(178)
United States	(1)	12	9
Unrealized gains and losses on loans and receivable securities	**(154)**	**(145)**	**(122)**
Austria	(6)	(5)	-
Belgium	1	1	(2)
Germany	(1)	(1)	(1)
Spain	(4)	(3)	(2)
France	7	6	5
United Kingdom	-	-	-
Greece	(1)	(1)	-
Iceland	(9)	(8)	-
Italy	(130)	(125)	(118)
Luxembourg	(1)	-	-
Portugal	(5)	(4)	-
United States	(5)	(5)	(4)
Unrealized gains and losses on derivatives designated as cash flow hedges	**(32)**	**(127)**	**(66)**
TOTAL	**(354)**	**(525)**	**(357)**
Deferred taxes on gains and losses, available for sale securities	42	86	58
Deferred taxes on gains ans losses, loans and receivable securities	49	46	40
Deferred taxes on gains and losses, derivatives designated as cash flow hedges	9	45	15
TOTAL	**(254)**	**(348)**	**(244)**

4.5 - BREAKDOWN OF GOVERNMENT BONDS IN A SELECTION OF EUROPEAN COUNTRIES AND DEPRECIATION OF SOVEREIGN BONDS OF COUNTRIES BENEFITING FROM THE EUROPEAN ASSISTANCE PROGRAM

a. Breakdown of government bonds in a selection of European countries

The credit risk exposure reported represents the accounting net carrying amount of exposures, being the notional amounts after deduction of specific impairment and AFS reserves, and taking into account accrued interest.

EUR millions	12/31/2011					
	Spain	Ireland	Italy	Portugal	Greece	Total
Government bonds	-	-	499	-	326	825
Securities guaranteed by the State	-	-	113	-	100	213
TOTAL	**-**	**-**	**612**	**-**	**426**	**1,038**

EUR millions	12/31/2012					
	Spain	Ireland	Italy	Portugal	Greece	Total
Government bonds	-	-	492	-	-	492
Securities guaranteed by the State	-	-	112	-	-	112
TOTAL	**-**	**-**	**604**	**-**	**-**	**604**

EUR millions	12/31/2011					
	Spain	Ireland	Italy	Portugal	Greece	Total
Financial assets available for sale	-	-	499	-	326	825
Financial assets held for trading	-	-	-	-	-	-
Held to maturity investments	-	-	-	-	-	-
Loans and advances	-	-	113	-	100	213
TOTAL	**-**	**-**	**612**	**-**	**426**	**1038**
Unrealized gains and losses on available for sale securities	**-**	**-**	**(260)**	**-**	**-**	**(260)**
Unrealized gains and losses on loans and receivable securities	**-**	**-**	**(3)**	**-**	**(1)**	**(4)**

EUR millions	12/31/2012					
	Spain	Ireland	Italy	Portugal	Greece	Total
Financial assets available for sale	-	-	492	-	-	492
Financial assets held for trading	-	-	-	-	-	-
Held to maturity investments	-	-	-	-	-	-
Loans and advances	-	-	112	-	-	112
TOTAL	**-**	**-**	**604**	**-**	**-**	**604**
Unrealized gains and losses on available for sale securities	**-**	**-**	**(178)**	**-**	**-**	**(178)**
Unrealized gains and losses on loans and receivable securities	**-**	**-**	**(3)**	**-**	**-**	**(3)**

b. Fair value of Greek and Icelandic sovereign bonds

According to the transfer agreement signed on December 22, 2011, between Dexia Credit Local and Dexia MA, Greek and Icelandic sovereign bonds were sold in January 2012 for their book value at the end of 2011. There is no impact in the profit and loss account of 2012.

5. NOTES TO THE INCOME STATEMENT

5.1 - INTEREST INCOME - INTEREST EXPENSE

EUR millions	2011	2012
INTEREST INCOME	**6,963**	**5,742**
Central banks	0	0
Loans and advances due from banks	160	115
Loans and advances to customers	2,213	2,009
Financial assets available for sale	62	45
Financial assets held to maturity	-	-
Derivatives used for hedging	4,528	3,573
Impaired assets	-	-
Other	-	-
INTEREST EXPENSE	**(6,755)**	**(5,503)**
Accounts with central banks	(3)	(8)
Due to banks	(160)	(75)
Customer borrowings and deposits	-	-
Debt securities	(2,519)	(2,367)
Subordinated debt	-	-
Derivatives used for hedging	(4,073)	(3,053)
Other	-	-
INTEREST MARGIN	**208**	**239**

5.2 - FEES AND COMMISSIONS

EUR millions	2011			2012		
	Income	**Expense**	**Net**	**Income**	**Expense**	**Net**
Lending activity	-	-	-	0	(0)	(0)
Purchase and sale of securities	-	(1)	(1)	-	(1)	(1)
Financial engineering	-	-	-	-	-	-
Services on securities other than custodian services	-	(4)	(4)	-	(3)	(3)
Custodian services	-	-	-	-	-	-
Issuance and underwriters of securities	-	(0)	(0)	-	(0)	(0)
Other	-	-	-	-	-	-
TOTAL	**-**	**(5)**	**(5)**	**0**	**(4)**	**(4)**

5.3 - NET RESULT OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR millions	2011	2012
Net result of hedge accounting	0	1
Net result of foreign exchange transactions	0	0
TOTAL	**0**	**1**

All interest received and paid on assets, liabilities and derivatives is recorded in net interest income, as required by IFRS. Thus, net gains (losses) on trading transactions and net gains (losses) on hedging transactions include only the change in the clean value of derivatives, the revaluation of assets and liabilities qualified as hedges and the revaluation of the portfolio held for trading.

Analysis of net result of hedge accounting

EUR millions	2011	2012
Fair value hedges	**0**	**1**
Fair value changes in the hedged item attributable to the hedged risk	1,653	428
Fair value changes in the hedging derivatives	(1,653)	(427)
Cash flow hedges	**-**	**-**
Fair value changes in the hedging derivatives – ineffective portion	-	-
Discontinuation of cash flow hedge accounting (Cash flows no longer expected to occur)	-	-
Portfolio hedge	**0**	**-**
Fair value changes in the hedged item	306	325
Fair value changes in the hedging derivatives	(306)	(325)
TOTAL	**0**	**1**

5.4 - NET RESULT OF FINANCIAL ASSETS AVAILABLE FOR SALE

EUR millions	2011	2012
Net result of disposals of loans and securities available for sale	(1)	-
Net result of disposals of debt securities	0	46
Net result of the sale or cancellation of loans and advances	3	(25)
TOTAL	**2**	**21**

5.5 - OPERATING EXPENSE

EUR millions	2011	2012
Payroll costs	-	-
Other general and administrative expense	(89)	(87)
Taxes	(3)	(4)
TOTAL	**(92)**	**(91)**

Caisse Française de Financement Local has no salaried employees in accordance with article L.515-22 of the Monetary and Financial Code. Within the framework of its management contract, Dexia Credit Local conducts all operations, transactions and functions of all types on behalf of Caisse Française de Financement Local until January 31, 2013. A new contract was signed between Caisse Française de Financement Local and its new shareholder/servicer, Société de Financement Local.
In addition, specific management contracts grant different entities the management of loans and securities in their respective countries (Kommunalkredit Austria and Belfius Banque et Assurances, former subsidiaries of Dexia, as well as Dexia Crediop and Dexia Credit Local Canada Branch).

5.6 - COST OF RISK

EUR millions	2011			2012		
	Collective impairment	**Specific impairment and losses**	**Total**	**Collective impairment**	**Specific impairment and losses**	**Total**
Credit (loans, commitments and securities held to maturity)	0	(1)	(1)	(27)	(1)	(28)
Fixed income securities available for sale	-	(7)	(7)	-	-	-
TOTAL	**0**	**(8)**	**(8)**	**(27)**	**(1)**	**(28)**

Detail of collective and specific impairments

Collective impairment EUR millions	2011			2012		
	Charges	**Recoveries and uses**	**Total**	**Charges**	**Recoveries and uses**	**Total**
Loans and borrowings	(2)	2	0	(43)	16	(27)
Off-balance sheet commitments	-	-	-	-	-	-
TOTAL	**(2)**	**2**	**0**	**(43)**	**16**	**(27)**

The methodology used to calculate collective impairment, for the different portfolios that make up Caisse Française de Financement Local's cover pool, does not take into account the guarantees received. This very conservative method may result in significant changes in provisions, depending on whether the assets recorded on the balance sheet during the year are totally guaranteed by public sector entities or direct exposures on these entities.

Specific Impairment EUR millions	2011				
	Allocations	**Reversals**	**Losses**	**Recoveries**	**Total**
Loans and advances due from banks	-	-	-	-	-
Loans and advances to customers	(1)	0	-	-	(1)
Financial assets held to maturity	-	-	-	-	-
Off-balance sheet commitments	-	-	-	-	-
Total credit	(1)	0	-	-	(1)
Fixed income securities	(7)	-	-	-	(7)
TOTAL	**(8)**	**0**	**-**	**-**	**(8)**

Specific Impairment EUR millions	2012				
	Allocations	**Reversals**	**Losses**	**Recoveries**	**Total**
Loans and advances due from banks	-	-	-	-	-
Loans and advances to customers	(2)	1	-	-	(1)
Financial assets held to maturity	-	-	-	-	-
Off-balance sheet commitments	-	-	-	-	-
Total credit	(2)	1	-	-	(1)
Fixed income securities [(1)]	-	7	(7)	-	-
TOTAL	**(2)**	**8**	**(7)**	**-**	**(1)**

(1) Sovereign Greek Bonds.

5.7 - CORPORATE INCOME TAX

a. Detail of tax expense

EUR millions	**2011**	**2012**
Current taxes	2	(24)
Deferred taxes	(39)	(23)
Tax on prior years' income	-	-
Deffered taxes on prior years	-	-
Provisions for tax litigation	-	-
TOTAL	**(37)**	**(47)**

b. Effective tax expense as of December 31, 2012

The standard corporate tax rate applicable in France is 36.10%. The tax rate applied on the contributions of foreign subsidiaries is the rate applied locally in accordance with each individual national tax system.
The effective tax rate observed as of December 31, 2012 amounted to 34.2%.

The difference between these two rates can be analysed as follows.

EUR millions	**2011**	**2012**
INCOME BEFORE INCOME TAXES	**105**	**138**
Net income from associates	-	-
TAX BASE	**105**	**138**
Applicable tax rate at end of the period	36.10%	36.10%
THEORETICAL CORPORATE INCOME TAX AT THE STANDARD RATE	**38**	**50**
Impact of differences between foreign tax rates and the French standard tax rate	(6)	(6)
Tax effect of non-deductible expenses	-	-
Tax effect of non-taxable income	-	-
Impact of items taxed at a reduced rate	-	-
Other additional taxes or tax savings	5	3
Liability method	-	-
Provisions for tax litigation	-	-
CORPORATE INCOME TAX RECORDED IN THE INCOME STATEMENT	**37**	**47**
EFFECTIVE TAX RATE	**35.3%**	**34.2%**

c. Tax consolidation

Caisse Française de Financement Local applies the tax consolidation system.
Caisse Française de Financement Local and Dexia Credit Local, its parent company up to January 31, 2013 are lodged in a tax consolidation structure. Since January 1, 2002, the consolidating company has been Dexia SA's permanent establishment in France.
This entity pays the total tax owed by the companies in the tax group and the minimum corporate income tax payment for the group. Caisse Française de Financement Local records in its accounts the amount of tax for which it would be liable if it were not a member of the tax group.
An amendment to the tax agreement between Dexia SA's permanent establishment and Dexia Credit Local, signed in 2011, now allows for tax savings that come from Dexia Credit Local and its subsidiaries to be re-allocated to Dexia Credit Local.

6. NOTE ON OFF-BALANCE SHEET ITEMS

6.1 - REGULAR WAY TRADE

EUR millions	12/31/2010	12/31/2011	12/31/2012
Assets to be delivered	205	-	-
Liabilities to be received	146	-	-

Currency swaps with a deferred start that perfectly hedge loans or bond issues.

6.2 - GUARANTEES

EUR millions	12/31/2010	12/31/2011	12/31/2012
Guarantees received from credit institutions (1)	6,599	6,360	4,742
Guarantees received from customers (2)	5,508	7,358	7,358

(1) The guarantees received from credit institutions corresponded to the guarantees provided by Dexia Crediop on securities issued by Dexia Crediop per la Cartolarizzazione for EUR 3,363 million and the guarantee provided by Belfius Banque et Assurances on DSFB 2 securities in the amount of EUR 1,304 millions.
(2) Guarantees received from customers are generally granted by local governments.

6.3 - FINANCING COMMITMENTS

EUR millions	12/31/2010	12/31/2011	12/31/2012
Loan commitments granted to credit institutions	1	0	0
Loan commitments granted to clients (1)	899	660	317
Loan commitments received from credit institutions (2)	6,626	5,755	6,006
Loan commitments received from clients	-	-	-

(1) Financing commitments on loans and lines of credit corresponded to contracts issued but not paid out as of December 31, 2012.
(2) This item concerned a firm and irrevocable commitment by Dexia Credit Local to make available to Caisse Française de Financement Local the funds required to reimburse the obligations foncières *that will mature in the next 12 months. This commitment was broken at the end of January 2013 as a consequence of the sale of Caisse Française de Financement Local to Société de Financement Local.*

6.4 - OTHER COMMITMENTS

EUR millions	12/31/2010	12/31/2011	12/31/2012
Commitments granted (1)	-	3,037	-
Commitments received	786	1,017	286

(1) Financing commitments on loans and advances correspond to contracts signed for loans not yet paid out to customers as of December 31.

7. NOTES ON RISK EXPOSURE

7.1 - FAIR VALUE

a. Composition of the fair value of the assets

EUR millions	12/31/2011			12/31/2012		
	Book value	Fair Value	Unrecognized fair value adjustment	Book value	Fair Value	Unrecognized fair value adjustment
Central banks	2,198	2,198	-	2,400	2,400	-
Loans and advances due from banks	7,781	7,781	-	3,741	3,741	-
Loans and advances to clients*	77,836	77,193	(643)	71,859	71,589	(270)
TOTAL	**87,815**	**87,172**	**(643)**	**78,000**	**77,730**	**(270)**

** The calculation of fair value is calculated based on internal models. These internal models estimate in function of parameters of liquidity and creditworthiness the value of the assets concerned. These parameters take into account the characteristics of the underlying commitments (counterparty, maturity and interest rate hedging and Banque de France eligibility).*

b. Composition of the fair value of the liabilities, excluding equity

EUR millions	12/31/2011			12/31/2012		
	Book value	Fair Value	Unrecognized fair value adjustment	Book value	Fair Value	Unrecognized fair value adjustment
Central banks	2,700	2,700	-	-	-	-
Customer borrowings and deposits	9,517	9,517	-	7,620	7,620	-
Due to banks	-	-	-	-	-	-
Debt securities*	68,536	66,656	(1,880)	62,659	60,219	(2,440)
TOTAL	**80,753**	**78,873**	**(1,880)**	**70,279**	**67,839**	**(2,440)**

** Because of its status as a société de crédit foncier, the liabilities of Dexia MA are guaranteed by the assets recognzied on the balance sheet; their valuation is thus to be appreciated according to the same criteria. Since 2011, the calculation of the fair value of non-revalued liabilities has been based on an approach that is consistent, in terms of the spread used, with that of the assets to which they are closely linked. Given the eligible assets share is preponderante and adequate to cover the eventual liquidity needs of the firm.*

c. Methods used to determine the fair value of financial instruments

Fair value of financial assets EUR millions	12/31/2011				12/31/2012			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Hedging derivatives (see note 4.1.a)	-	7,875	999	8,874	-	8,367	1,381	9,748
Financial assets available for sale	424	131	699	1,254	590	42	493	1,125
TOTAL	**424**	**8,006**	**1,698**	**10,128**	**590**	**8,409**	**1,874**	**10,873**

(1) Price quoted on an active market for the same type of instrument.
(2) Price quoted on an active market for a similar (but not exactly the same) instrument or use of a valuation technique.
(3) Use of a valuation technique in which all the significant parameters are not observable.

Fair value of financial liabilities EUR millions	12/31/2011				12/31/2012			
	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total	Level 1 (1)	Level 2 (2)	Level 3 (3)	Total
Hedging derivatives (see note 4.1.a)	-	7,692	6,011	13,703	-	9,247	4,863	14,110
TOTAL	**-**	**7,692**	**6,011**	**13,703**	**-**	**9,247**	**4,863**	**14,110**

(1) Price quoted on an active market for the same type of instrument.
(2) Price quoted on an active market for a similar (but not exactly the same) instrument or use of a valuation technique.
(3) Use of a valuation technique in which all the significant parameters are not observable.

d. Level 3: Analysis of flows

EUR millions	31/12/2011	Total gains and losses through profit and loss	Total unrealized or deferred gains and losses	Purchase	Sale	Direct Origination	Settlement	Transfert in Level 3	Transfert out level 3	Others variations	31/12/2012
Financial assets available for sale	699	10	(86)	-	-	-	(123)	-	-	(7)	493
Hedging derivatives	999	3	391	14	-	-	(27)	-	-	1	1,381
TOTAL FINANCIAL ASSETS	**1,698**	**13**	**305**	**14**	**-**	**-**	**(150)**	**-**	**-**	**(6)**	**1,874**
Hedging derivatives	6,011	(420)	(1350)	637	-	-	-	4	(19)	-	4,863
TOTAL FINANCIAL LIABILITIES	**6,011**	**(420)**	**(1350)**	**637**	**-**	**-**	**-**	**4**	**(19)**	**-**	**4,863**

7.2 - EXPOSURE TO CREDIT RISK

Exposure to credit risk, as presented to management, includes the following:
- for assets other than derivatives: the amount on the balance sheet (i.e. after deduction of specific provisions);
- for derivatives: the market value on the balance sheet plus an add-on representing a margin for future potential credit risks;
- for off-balance sheet commitments: the amount intact of financing commitment drawdowns is stated in the notes to the financial statements.

Exposure to credit risk is broken down by region and by counterparty, taking into account the guarantees received. This signifies that when the credit risk is guaranteed by a third party whose weighted risk (in the sense of Basel regulations) is less than that of the direct borrower, exposure is included in the guarantor's region and business sector.

a. Breakdown of exposure to credit risks

Analysis of exposure by geographic region

EUR millions	12/31/2012
France	51,590
Belgium	5,227
Italy	7,336
Spain	1,018
Luxembourg	14
Germany	954
United Kingdom	2,553
Switzerland	3,801
Other European Union countries	585
United States and Canada	690
Japan	25
Other	3
TOTAL EXPOSURE	**73,796**

Analysis of exposure by category of counterparty

EUR millions	12/31/2012
States	4,634
Local public sector	61,887
ABS	4,904
Financial institutions	2,371
TOTAL EXPOSURE	**73,796**

Exposure on financial institutions is primarily comprised of counterparties in hedging derivatives and covered bonds classified as replacement assets.

Exposure on ABS corresponds to the five ABS that are 100% guaranteed by a public sector entity or have a pool of 100% public sector assets: DSFB 2 and 4, Blue Danube Loan Funding GmbH, Colombo SrL and Societa veicolo Astrea SrL.

Analysis of exposure by category of instrument

EUR millions	12/31/2012
Debt securities	1,124
Loans and advances	72,041
Financing commitments on loans	317
Hedging derivatives	314
TOTAL EXPOSURE	**73,796**

b. Evaluation of asset credit quality

The Dexia Group decided to use the advanced method recommended by the regulators in relation to the Basel II reforms on the capital adequacy ratio and capital requirements. This system is of paramount importance for Dexia and is under the exclusive responsibility of the Risk Management division, which has rating models covering the main client segments. Banking supervisors (the ACP in France and CBFA in Belgium) have had internal models to calculate and report equity requirements for credit risk since January 1, 2008.

This enables Caisse Française de Financement Local to present below an analysis of its exposures, broken down by risk weighting, as used to calculate equity requirements. Credit weighting is mainly calculated on the basis of the probability of default of the counterparty and of the loss incurred in the event of default.

This analysis confirms the excellent quality of the assets in Caisse Française de Financement Local's portfolio. Seventy percent of the portfolio has a weighting of less than 5% and 97% of the portfolio has a weighting that is less than or equal to 20%.

EUR millions	Risk weighting (Basel II)				
	from 0 to 5%	**from 5% to 20%**	**from 20% to 50%**	**more than 50%**	**Total**
Debt securities	536	588	-	-	1,124
Loans and advances	50,910	19,550	1,492	89	72,041
Financing commitments on loans	313	4	-	-	317
Hedging derivatives	-	-	311	3	314
TOTAL EXPOSURE	**51,759**	**20,142**	**1,803**	**92**	**73,796**
SHARE	**70.1%**	**27.3%**	**2.4%**	**0.1%**	**100.0%**

Certain exposures do not yet benefit from an internal evaluation system validated by banking supervisors; in this case, their weighting is that of the standard method, which is, for example, 20% for local governments.

7.3 - LIQUIDITY RISK: ANALYSIS BY TERM TO MATURITY

a. Analysis of assets

EUR millions	12/31/2012						
	Sight	**Less than 3 months**	**3 months to 1 year**	**1 to 5 years**	**More than 5 years**	**No fixed maturity**	**Total broken down**
Central banks	2,400	-	-	-	-	-	2,400
Hedging derivatives	-	-	-	-	-	-	-
Financial assets available for sale	-	-	-	75	909	-	985
Loans and advances due from banks	23	642	93	2,655	269	-	3,682
Loans and advances to customers	-	1,600	3,349	17,888	42,239	-	65,076
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-	-
Tax assets	-	-	-	-	-	115	115
Accruals and other assets	-	3	-	-	-	-	3
TOTAL	**2,423**	**2,245**	**3,442**	**20,617**	**43,417**	**115**	**72,261**

EUR millions	12/31/2012				
	Total broken down	Accrued interest	Fair value adjustment	Impairment	Total
Central banks	2,400	-	-	-	2,400
Hedging derivatives	-	1,105	8,644	-	9,748
Financial assets available for sale	985	8	132	-	1,125
Loans and advances due from banks	3,682	23	36	-	3,741
Loans and advances to customers	65,076	855	5,980	(52)	71,859
Fair value revaluation of portfolio hedge	-	-	3,046	-	3,046
Financial assets held to maturity	-	-	-	-	-
Tax assets	115	-	-	-	115
Accruals and other assets	3	-	-	-	3
TOTAL	**72,261**	**1,991**	**17,838**	**(52)**	**92,037**

b. Analysis of liabilities, excluding equity

EUR millions	12/31/2012						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total broken down
Central banks	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-
Due to banks	4,510	-	500	720	1,880	-	7,610
Customer borrowings and deposits	-	-	-	-	-	-	-
Debt securities	-	3,013	3,125	25,926	24,896	-	56,960
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	6	6
Accruals and other liabilities	-	3,546	-	-	-	-	3,546
Provisions	-	-	-	-	-	-	
Subordinated debt	-	-	-	-	-	-	-
TOTAL	**4,510**	**6,559**	**3,625**	**26,646**	**26,776**	**6**	**68,122**

EUR millions	12/31/2012			
	Total broken down	Accrued interest	Fair value adjustment	Total
Central banks	-	-	-	-
Hedging derivatives	-	920	13,190	14,110
Due to banks	7,610	10	-	7,620
Customer borrowings and deposits	-	-	-	-
Debt securities	56,960	1,173	4,526	62,659
Fair value revaluation of portfolio hedge	-	-	2,858	2,858
Tax liabilities	6	-	-	6
Accruals and other liabilities	3,546	-	-	3,546
Provisions	-	-	-	-
Subordinated debt	-	-	-	-
TOTAL	**68,122**	**2,103**	**20,574**	**90,799**

c. Net liquidity gap

EUR millions	As of December 31, 2012							
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total not broken down	Total
AMOUNT	**(2,087)**	**(4,313)**	**(182)**	**(6,029)**	**16,641**	**109**	**(2,900)**	**1,238**

This table presents the balance sheet at the closing date; it does not take into account the management decisions that will make it possible to manage differences in maturity or the future production of assets and liabilities. Caisse Française de Financement Local's liquidity is provided by its refinancing agreement with Dexia Credit Local. In addition, the Company may obtain funding from the Banque de France, by giving certain of these assets in guarantee (this process was tested in 2008, and the great majority of Caisse Française de Financement Local's assets are eligible for refinancing by the central bank). Caisse Française de Financement Local can thus obtain funding from the Banque de France enabling it to reimburse *obligations foncières* when they arrive at maturity; the assets given in guarantee are therefore excluded (as well as the matured bonds) from the calculation of the solvency ratio, which remains practically unchanged. The sight debt of EUR 4,510 million corresponds to the current account with Dexia Credit Local; this debt does not benefit from privilege of the law on *sociétés de crédit foncier*.

7.4 - RISK ON RESETTING OF INTEREST RATES: ANALYSIS BY TIME UNTIL NEXT INTEREST RATE RESET DATE

a. Analysis of assets

EUR millions	12/31/2012						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total
Central banks	2,400	-	-	-	-	-	2,400
Hedging derivatives	-	-	-	-	-	-	-
Financial assets available for sale	-	342	-	75	568	-	984
Loans and advances due from banks	23	2,586	145	779	149	-	3,682
Loans and advances to customers	2	14,110	9,555	11,783	29,623	-	65,074
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Financial assets held to maturity	-	-	-	-	-	-	-
Tax assets	-	-	-	-	-	115	115
Accruals and other assets	-	3	-	-	-	-	3
TOTAL	**2,425**	**17,041**	**9,700**	**12,637**	**30,340**	**115**	**72,258**

EUR millions	12/31/2012				
	Total broken down	Accrued interest	Fair value adjustment	Depreciation	Total
Central banks	2,400	-	-	-	2,400
Hedging derivatives	-	1,105	8,643	-	9,748
Financial assets available for sale	984	8	132	-	1,125
Loans and advances due from banks	3,682	23	36	-	3,741
Loans and advances to customers	65,074	857	5,981	(52)	71,859
Fair value revaluation of portfolio hedge	-	-	3,046	-	3,046
Financial assets held to maturity	-	-	-	-	-
Tax assets	115	-	-	-	115
Accruals and other assets	3	-	-	-	3
TOTAL	**72,258**	**1,993**	**17,838**	**(52)**	**92,037**

b. Analysis of liabilities, excluding equity

EUR millions	12/31/2012						
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total
Central banks	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-
Due to banks	4,510	3,100	-	-	-	-	7,610
Customer borrowings and deposits	-	-	-	-	-	-	-
Debt securities	-	5,940	5,044	23,484	22,492	-	56,961
Fair value revaluation of portfolio hedge	-	-	-	-	-	-	-
Tax liabilities	-	-	-	-	-	6	6
Accruals and other liabilities	-	3,546	-	-	-	-	3,546
Provisions	-	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-	-
TOTAL	**4,510**	**12,586**	**5,044**	**23,484**	**22,492**	**6**	**68,123**

EUR millions	12/31/2012			
	Total broken down	Accrued interest	Fair value adjustment	Total
Central banks	-	-	-	-
Hedging derivatives	-	920	13,190	14,110
Due to banks	7,610	10	-	7,620
Customer borrowings and deposits	-	-	-	-
Debt securities	56,961	1,173	4,526	62,659
Fair value revaluation of portfolio hedge	-	-	2,858	2,858
Tax liabilities	6	-	-	6
Accruals and other liabilities	3,546	-	-	3,546
Provisions	-	-	-	-
Subordinated debts	-	-	-	-
TOTAL	**68,123**	**2,103**	**20,574**	**90,799**

c. Balance-sheet sensitivity gap

EUR millions	12/31/2012							
	Sight	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No fixed maturity	Total not broken down	Total ventilé
AMOUNT	**(2,085)**	**4,455**	**4,656**	**(10,847)**	**7,848**	**109**	**(2,898)**	**1,238**

7.5 - CURRENCY RISK

Classification by original currency EUR millions	12/31/2010				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	79,310	4,847	5,692	4,381	94,230
Total liabilities	79,310	4,847	5,692	4,381	94,230
NET BALANCE SHEET POSITION	**0**	**0**	**0**	**0**	**0**

Classification by original currency EUR millions	12/31/2011				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	85,809	4,208	5,854	4,538	100,409
Total liabilities	85,809	4,208	5,854	4,538	100,409
NET BALANCE SHEET POSITION	**0**	**0**	**0**	**0**	**0**

The amonts in euros have been ajusted with regard to figures published in 2010.

Classification by original currency EUR millions	12/31/2012				
	EUR	Other EU currencies	U.S. dollars	Other currencies	Total
Total assets	81,596	4,177	2,969	3,295	92,037
Total liabilities	81,596	4,177	2,969	3,295	92,037
NET BALANCE SHEET POSITION	**0**	**0**	**0**	**0**	**0**

Caisse Française de Financement Local takes no foreign exchange risk. Assets and liabilities originally in non-euro currencies are swapped against Euribor as soon as they are recognized on the balance sheet.

7.6 - SENSITIVITY TO INTEREST RATE RISK

Caisse Française de Financement Local is subject to particular management with the goal of neutralizing exposure to interest rate risk to the extent possible. The method used follows simple principles and consists in converting the assets and liabilities on the balance sheet to floating rates so that they will move in a parallel manner under the impact of changes in the yield curve, while maintaining the margin unchanged.
All the derivative financial instruments used by Caisse Française de Financement Local are part of a hedging system, whether micro or macro. The Company may not conduct trading operations, nor hold derivatives in an isolated open position.
Caisse Française de Financement Local uses interest rate micro-hedges on a part of the assets and on the liabilities benefiting from the legal privilege, and interest rate macro-hedges on other assets and on off-balance sheet items to manage the overall interest rate risk. The micro-hedges cover the interest rate risk on the securities portfolio, on certain loans, on obligations foncières (and registered covered bonds). The macro-hedges are mainly used to manage the interest rate risk on fixed rate loans not hedged by micro-hedges (principally because the unit amount is too low) and to manage differences in Euribor fixing dates by Eonia hedges.
The residual interest rate risk from macro-hedges has been contained within a limit set since 2005, with the approval of the rating agencies, at 3% of equity. This limit is reviewed yearly and is currently set at EUR 40 million, of which EUR 9 million for the monetary gap and EUR 31 million for the fixed rate gap. Real sensitivity is maintained well under this limit.
The sensitivity thus measured corresponds to the change in the gap's net present value under the impact of a change in the yield curve of 100 basis points.
The results of this management in the last four quarters are presented in the following table.

Sensitivity of the gap EUR millions		**Average**	**Maximum**	**Minimum**	**Limit**
Fixed rate	1 Q 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	1 Q 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	1 Q 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

Statutory Auditors' report on the IFRS financial statements

Year ended December 31, 2012

This is a free translation into English of the Statutory Auditors' report on the financial statements issued in the French language and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

To the President,

In our capacity as Statutory Auditors of Caisse Française de Financement Local (previously Dexia Municipal Agency, the "Company") and pursuant to your request, in the context of the wish of your Company to provide more extensive financial information to investors, we have audited the accompanying financial statements of the Company for the year ended December 31, 2012, prepared in accordance with IFRS standards, as adopted by the European Union.

The financial statements have been approved by the Executive Board. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the financial statements give a true and fair view in all material respects of the assets and liabilities and of the financial position of the Company as of December 31, 2012, and of the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.2 "Highlights of 2012 and post-closing events" to the annual financial statements, prepared in accordance with IFRS standards, that outlines the approval of the plan for the orderly resolution of the Dexia Group and the implications for Caisse Française de Financement Local (previously Dexia Municipal Agency).

This report does not constitute a report on the statutory audit of the financial statements prepared in accordance with French general accounting rules and principles pursuant to article L.823-9 of the Code of commerce. In addition to the information relating to the specific verification required by law, covering, in particular, the management report, this auditors' report includes, in accordance with article L.823-9 of the Code of commerce, a justification of our assessments.

This report is made for your exclusive attention in the context described above and should not be used or transmitted for other uses.

We disclaim any liability in the use of this report by any third party receiving it.

This report is governed by French law. French courts shall have exclusive jurisdiction for hearing any litigation, claim or dispute arising from our engagement letter, this report or any question relating thereto. Each party hereby irrevocably waives its right to contest any legal action that may be brought before French courts or allege that any legal action has been brought before a French court not having proper jurisdiction or that French courts do not have jurisdiction.

Courbevoie and Neuilly-sur-Seine, March 29, 2013

French original signed by The Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS	
Virginie Chauvin	Hervé Helias	Charlotte Vandeputte	José-Luis Garcia

French GAAP Financial Statments

Assets as of December 31, 2012

EUR millions	Note	12/31/2010	12/31/2011	12/31/2012
Central banks	2.1	2	2,198	2,400
Government and public securities, eligible for central bank financing	2.2	4,222	3,525	3,278
Loans and advances due from banks	2.3	2,236	3,326	3,223
Loans and advances to customers	2.4	54,731	53,559	50,241
Bonds and other fixed income securities	2.5	19,264	18,511	11,879
Equities and other variable income securities		-	-	-
Investments in non-consolidated companies and other long-term investments		-	-	-
Investments in consolidated companies		-	-	-
Intangible assets		-	-	-
Property and equipment		-	-	-
Unpaid capital		-	-	-
Uncalled capital		-	-	-
Treasury stock		-	-	-
Other assets	2.6	7	47	1
Accruals and other assets	2.7	4,179	5,498	4,575
TOTAL ASSETS	**2.8**	**84,641**	**86,664**	**75,597**

Liabilities as of December 31, 2012

EUR millions	Note	12/31/2010	12/31/2011	12/31/2012
Central banks	3.1	-	2,700	-
Due to banks	3.2	12,544	9,525	7,623
Customer borrowings and deposits		-	-	-
Debt securities	3.3	65,669	65,718	58,156
Other liabilities	3.4	1,323	2,500	3,524
Accruals and other liabilities	3.5	3,643	4,706	4,702
Provisions for risks and charges	3.6	19	44	94
Deferred tax liabilities	3.6	18	40	29
Regulated provisions	3.6	68	69	70
General banking risks reserve		-	-	-
Subordinated debt		-	-	-
Equity		**1,357**	**1,362**	**1,399**
Share capital	3.7	1,190	1,300	1,315
Additional paid-in capital	3.7	-	-	-
Reserves and retained earnings	3.7	47	57	47
Net income	3.7	120	5	37
TOTAL LIABILITIES	**3.8**	**84,641**	**86,664**	**75,597**

Off-balance sheet items as of December 31, 2012

EUR millions	Note	12/31/2010	12/31/2011	12/31/2012
COMMITMENTS GRANTED	**4.1**	**900**	**3,697**	**317**
Financing commitments		900	660	317
Guarantees granted		-	3,037	-
Other commitments granted		-	-	0
COMMITMENTS RECEIVED	**4.2**	**19,170**	**20,728**	**18,394**
Financing commitments		6,626	5,755	6,006
Guarantees received		12,544	14,248	12,388
Forward commitments		-	-	-
Other commitments received			725	-
Foreign currency transactions	4.3	38,295	34,716	26,600
Interest rate derivatives	4.4	235,461	204,257	180,105
Commitments related to securities transactions	4.5	-	-	-

Income statement

EUR millions	Note	2010	2011	2012
Interest income	5.0	3,705	5,265	3,439
Interest expense	5.0	(3,414)	(5,077)	(3,202)
Income from variable income securities		-	-	-
Commission income	5.1	-	-	-
Commission expense	5.1	(5)	(5)	(4)
Net gains (losses) on held for trading portfolio	5.2	-	-	-
Net gains (losses) on *placement* portfolio transactions	5.2	4	(57)	13
Other banking income		-	-	-
Other banking expense		-	-	-
NET BANKING INCOME		**290**	**126**	**246**
General operating expense	5.3	(96)	(93)	(91)
Depreciation and amortization		-	-	-
OPERATING INCOME BEFORE COST OF RISK		**194**	**33**	**155**
Cost of risk		-	(8)	(41)
INCOME FROM OPERATIONS		**194**	**25**	**114**
Income (loss) on fixed assets	5.4	-	0	(26)
INCOME BEFORE NON-RECURRING ITEMS AND TAXES		**194**	**25**	**88**
Non-recurring items		-	-	-
Income tax	5.5	(66)	(19)	(50)
Net allocation to general banking risks reserve and regulated provisions		(8)	(1)	(1)
NET INCOME		**120**	**5**	**37**
Basic earnings per share		10,09	0,42	2,83
Diluted earnings per share		10,09	0,42	2,83

Equity

EUR millions	Amount
AS OF 12/31/2011	
Share capital	1,300
Additional paid-in capital (APIC)	-
Commitments to increase share capital and APIC	-
Reserves and retained earnings	57
Net income for the year	5
Interim dividends	-
EQUITY AS OF 12/31/2011	**1,362**
MOVEMENTS FOR THE PERIOD	
Changes in share capital	15
Changes in APIC	-
Changes in commitments to increase share capital and APIC	-
Changes in reserves and retained earnings	-
Dividends paid (-)	(15)
Net income for the period	37
Other movements	-
AS OF 12/31/2012	
Share capital	1,315
Additional paid-in capital (APIC)	-
Commitments to increase share capital and APIC	-
Reserves and retained earnings	47
Net income for the period	37
EQUITY AS OF 12/31/2012	**1,399**

Cash flow statement

EUR millions	2010	2011	2012
NET INCOME BEFORE TAXES	**194**	**26**	**88**
+/- Depreciation and write-downs	1	2	44
+/- Expense/income from operating activities	92	18	233
+/- Expense/income from financing activities	(84)	50	(124)
+/- Other non cash items	(420)	(954)	(521)
= Non monetary items included in net income before tax and other adjustments	**(411)**	**(884)**	**(368)**
+/- Cash from interbank operations (Dexia Credit Local and Banque de France)	-	2,700	(3,100)
+/- Cash from interbank operations (customer loans)	28	(1,096)	93
+/- Cash from customer operations (loans)	414	1,202	3,207
+/- Cash from customer financing assets	(1,344)	1,541	6,813
+/- Cash from hedging financial instruments	159	2,306	1,893
- Income tax paid	(44)	(50)	5
= Decrease/(increase) in cash from operating activities	**(787)**	**6,603**	**8,911**
CASH FLOW FROM OPERATING ACTIVITIES (A)	**(1,004)**	**5,745**	**8,631**
CASH FLOW FROM INVESTING ACTIVITIES (B)	**-**	**-**	**-**
+/- Cash from or for shareholders	(4)	-	0
+/- Other cash from financing activities	(1,205)	(502)	(6,934)
CASH FLOW FROM FINANCING ACTIVITIES (C)	**(1,209)**	**(502)**	**(6,934)**
EFFECT OF EXCHANGE RATES CHANGES ON CASH (D)	**-**	**-**	**-**
INCREASE/(DECREASE) IN CASH EQUIVALENTS (A + B+ C + D)	**(2,213)**	**5,243**	**1,697**
Cash flow from operating activities (A)	(1,004)	5,745	8,631
Cash flow from investing activities (B)	-	-	-
Cash flow from financing activities (C)	(1,209)	(502)	(6,934)
Effect of exchange rates on cash (D)	-	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**(6,817)**	**(9,030)**	**(3,787)**
Central banks (assets & liabilities)	4	2	2,198
Interbank accounts (assets & liabilities) and loans/deposits at sight	(6,821)	(9,032)	(5,985)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(9,030)**	**(3,787)**	**(2,090)**
Central banks (assets & liabilities)	2	2,198	2,400
Interbank accounts (assets & liabilities) and loans/deposits at sight	(9,032)	(5,985)	(4,490)
NET CASH	**(2,213)**	**5,243**	**1,697**

Notes to the French GAAP financial statements as of December 31, 2012

1. Significant accounting policies

1.1 - HIGLIGHTS OF 2012 AND POST-CLOSING EVENTS

A. Approval of the plan for the orderly resolution of the Dexia Group

Active discussions between the French and Belgian States and the European Commission continued in 2012 with a view to finalizing a plan for the orderly resolution of the Dexia Group.

At the end of November 2012, the States submitted a revised plan to the European Commission, subject to the Commission's approval, for the sale of Dexia Municipal Agency (DMA) within the framework of the new organization for the financing of the local public sector in France (cf. 1.1.B. Change in the shareholding structure of Caisse Française de Financement Local).

On December 28, 2012, the European Commission announced its approval of the plan for the orderly resolution of the Dexia Group.

B. Change in the shareholding structure of Caisse Française de Financement Local

On January 31, 2013, Société de Financement Local (SFIL) became the new parent company of Dexia Municipal Agency, which took the name Caisse Française de Financement Local. SFIL is a credit institution approved by the Autorité de contrôle prudentiel.
SFIL's shareholders are the French State (75%), Caisse des Dépôts et Consignations (20%) and La Banque Postale (5%). The French State is the reference shareholder for the Autorité de contrôle prudentiel, underlining its commitment to ensure oversight and strategic decision-making, as well as its determination to ensure SFIL's ongoing financial transactions if so required.

Caisse des Dépôts et Consignations provides SFIL with the resources required to finance business existing prior to the date of transfer. It will contribute with La Banque Postale to meet the financial needs engendered by future business originated by the joint venture. All the financing provided by Caisse des Dépôts et Consignations will be capped at EUR 12.5 billion.

The role of Société de Financement Local is to support the activities of Caisse Française de Financement Local as a servicer. This role is defined by the regulations that apply to *sociétés de crédit foncier*, in particular in the sense of article L.515-22 of the Monetary and Financial Code.
In this regard,
- SFIL provides Caisse Française de Financement Local with the non-privileged funding its activity requires;
- SFIL intervened in current derivative transactions between Dexia Municipal Agency and Dexia Credit Local at the date of sale;
- SFIL also manages attempts to desensitize the structured loans on Caisse Française de Financement Local 's balance sheet.

SFIL likewise provides services for La Banque Postale and the joint venture in the fields of commercial support, financial control, risk management and back office.

SFIL's long-term ratings are respectively Aa2 by Moody's, AA+ by Standard and Poor's and AA+ by Fitch. These ratings reflect the strategic character of the role the French State has assigned to SFiL and Caisse Française de Financement Local, and the French State's long-term commitment to assure them of its support if so required. These long-term ratings include a negative watch, reflecting the current outlook of the rating of the French State.

C. Ratings of Caisse Française de Financement Local

The issuance program of Caisse Française de Financement Local is rated by the three main rating agencies – Standard & Poor's, Fitch and Moody's.
With the change in the nature and shareholding structure of the parent company, the rating agencies reviewed the ratings of Caisse Française de Financement at the beginning of February 2013. They raised their ratings to the highest possible level:
- Aaa by Moody's,
- AAA / outlook negative* by S&P,
- AAA / watch negative by Fitch.

As of December 31, 2012, the ratings of Caisse Française de Financement Local were under review or surveillance by two agencies, reflecting its situation and/or the agencies' introduction of new rating criteria. It was rated Aa2 by Moody's, AA+ / creditwatch negative by S&P and AAA / watch negative by Fitch.

** Outlook negative in the obligations foncières program translates the negative outlook of the sovereign rating as well as the rating of Société de Financement Local.*

D. Litigation

Three legal decisions on the suits brought against Dexia by the Département de la Seine-Saint-Denis were handed down on February 8, 2013, by the Tribunal de Grande Instance de Nanterre. They concerned three structured loans with a total capital of EUR 178 million.
The Tribunal de Grande Instance de Nanterre rejected the claims of the Département de la Seine-Saint-Denis for the cancelation of the three contested loan agreements and for any type of compensation. In particular, the Tribunal considered that these loans were not of a speculative character, that the Département was competent to sign these loan agreements, and that Dexia acted in the respect of its duty to inform and advise the Département. The Tribunal de Grande Instance de Nanterre however estimated that the faxes which had preceded the signing of the agreements could be qualified as "loan agreements", and that the lack of mention of the annual percentage rate of charge (Taux Effectif Global – TEG) implied the application of the legal interest rate.
The loans concerned by the decision of the Tribunal are now part of the cover pool of Caisse Française de Financement Local, which if this decision were to be

confirmed, would bear the financial impact linked to the decrease in the interest rate. Nevertheless, this decision may be appealed. If the decisions of the Tribunal de Grande Instance de Nanterre on the absence of the TEG rate were confirmed and became jurisprudence, they might concern other loans from banks active in France including Caisse Française de Financement Local and could represent significant potential risks.

1.2 - APPLICABLE ACCOUNTING POLICIES: RULES ADOPTED BY THE FRENCH ACCOUNTING STANDARDS BOARD (AUTORITÉ DES NORMES COMPTABLES - ANC)

Caisse Française de Financement Local prepares its annual and semiannual financial statements in compliance with CRB 91-01 and CRC 2000-03 as modified.
The financial statements as of December 31, 2012, were drawn up using the same accounting principles as those used in the financial statements as of December 31, 2011.
The financial statements have been prepared in accordance with French generally accepted accounting principles, respecting the principle of prudence, on the basis of the following assumptions:
- going concern principle,
- segregation of accounting periods,
- consistency of methods.

The accounts are in accordance with the indications of directive 86/635/EEC of the Council of European Communities.

1.3 - ACCOUNTING PRINCIPLES

a. Client loans

Client loans are stated in the balance sheet net of depreciation for possible losses. The undrawn portion of signed loan agreements is recorded as an off-balance sheet item.
Interest on loans is recorded as banking income *pro-rata temporis* for accrued amounts due, as is interest on unpaid installments. Interest on doubtful loans recorded in net banking result is neutralized with a depreciation of an equivalent amount.
Caisse Française de Financement Local applies CRC standard 2002-03, modified by CRC standard 2005-03. This standard stipulates that a loan is considered as non-performing when it presents one of the following characteristics:
- a probable or certain risk that it will not be repaid (unpaid for more than nine months for local government borrowers, and for more than three months for the others);
- a factual bad risk (worsening of the financial situation, alert procedures);
- the existence of litigation.

In addition, this standard introduces a new category of bad debt – compromised non-performing loans. Loans unpaid for more than one year are recorded in this category. Interest on these loans no longer contributes to the interest margin once they have been transferred to the category of compromised non-performing loans. This standard also requires the identification of outstanding loans that have been restructured under non-market conditions.
Article 13 of this standard recommends recognizing in discounted value the provisions covering the losses expected on the non-performing and compromised non-performing loans.
The rate of depreciation applied to bad debt is proportional to the risk involved. The amount of interest is depreciated for 100% in compliance with current banking practice. Because of the low risk of loss in the local government sector, the depreciation allotted covers 3% of the capital.
Commissions received and transaction costs related to the granting or the acquisition of a loan, if they are significant, are spread over the life of the loan. Other commission income is recorded in the income statement on a cash basis.
Early loan reimbursement penalties recorded up to December 31, 2004, continue to be amortized, on a tax and accounting basis, over the residual life of the repaid loans, in function of the amount of interest that would have been paid on these loans. The remaining penalties to be spread over time are recorded in accruals and other liabilities.
Since January 1, 2005, early loan reimbursement penalties have been recorded in the income statement at the date they occur.

b. Securities transactions

The securities held by Caisse Française de Financement Local are recorded in the assets as:
- government and public entity securities eligible for Central Bank refinancing;
- bonds and other fixed income securities.

The item "Government and public entity securities eligible for Central Bank refinancing" includes debt securities issued by public sector entities that may be refinanced through the European system of central banks.

The item "Bonds and other fixed income securities" includes the following categories of securities:
- debt securities issued by public sector entities that are not eligible for refinancing by central banks;
- debt securities guaranteed by public sector entities;
- debt securities issued by securitization structures;
- debt securities issued by subsidiaries of the Dexia Group.

They are recognized for accounting purposes as:
- investment securities (held to maturity);
- securities available for sale.

Investment securities (held to maturity)

Securities considered as investment securities are recorded on the date of purchase at acquisition clean price excluding fees.
Interest accrued at the date of acquisition is recorded in a separate account. The positive or negative difference between the redemption value and the market clean price (discount or premium) is amortized according to a quasi-actuarial method over the residual life of the security.
At the end of the accounting period, unrealized gains are not recorded and no depreciation is recorded except in the following cases:
- a doubt about the issuer's ability to meet his obligations;
- the probability that the company will not hold these securities until maturity owing to new circumstances.

Placement securities

Placement securities are recorded on the date of purchase at acquisition clean cost excluding fees. Interest accrued at the date of acquisition is recorded in a separate account. The positive or negative difference between

the redemption value and the acquisition clean cost (discount or premium) is amortized according to a quasi-actuarial method over the residual life of the security.
At closing, in application of the principle of prudence, *placement* securities are recorded on the balance sheet at their acquisition cost or selling price at closing, whichever is lower, after accounting, when relevant, for the value of the micro-hedge swap.

If the market for a financial instrument is not active, valuation techniques are used to calculate the selling price (or market value as defined in the notes to the financial statements). The valuation model should take into account all the factors that market players would consider to valuate the asset. Within this framework, Caisse Française de Financement Local relies on its own valuation models, making every effort to take into account the market conditions at the date of the valuation as well as any changes in the credit risk quality of these financial instruments and market liquidity.

When the decrease in the value of the security exceeds the unrealized gain on the micro-hedge, the decrease in net value is recorded as asset impairment.

Placement securities transferred to investment securities are recorded at their acquisition cost and previously recognized impairment is reversed over the residual life of the securities concerned (in conformity with article 8 of CRC standard 2005-01).

c. Debt securities

This chapter includes *obligations foncières* and other resources benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code. It is subdivided into two categories.

Debt securities, for *obligations foncières*

These debt securities are recorded at face value.
From the first year, redemption and issue premiums are amortized on a straight-line basis over the life of the securities *prorata temporis*. They are recorded on the balance sheet under the same headings as the corresponding outstanding debt.
Amortization of these premiums is recorded in the income statement as “Interest expense on bonds and other fixed income securities”. In the event bonds are issued above par, amortization of issue premiums is deducted from interest expense on bonds and other fixed income securities.
Interest on bonds is recorded as a banking expense for accrued amounts paid and not yet due calculated *prorata temporis* on the basis of contractual rates.
Bond issuance costs and commissions are amortized in equal parts on a straight-line basis over the life of the related loans.
Bonds denominated in foreign currencies are accounted for by the same method as foreign currency transactions (see below).

Other debt securities, for registered covered bonds

These private placements are recorded at their face value.
Issue premiums are treated the same way as *obligations foncières* (see above).

d. Provisions for risks and charges

Provisions are recognized based on their discounted value when the three following conditions are met:

- Caisse Française de Financement Local has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate of the amount of the obligation can be made.

e. Derivative transactions

Caisse Française de Financement Local engages in derivative transactions to hedge the interest rate and foreign exchange risks to which it is exposed in its activity.
Depending on their purpose, these transactions are assigned to micro-hedge or macro-hedge portfolios as defined by CRB standards 90-15 and 92-04. Evaluation and accounting principles are determined according to the portfolio to which they are assigned.
Pursuant to article L.515-18 of the Monetary and Financial Code, these transactions benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code provided that their purpose is to hedge the assets or debt benefiting from the privilege and the overall risk on the assets, liabilities and off-balance sheet items.
The law stipulates that derivative transactions do not benefit from the privilege when related to sources of financing that do not themselves benefit from the privilege. For Caisse Française de Financement Local, the only resources that do not benefit from the privilege comprise the debt with Dexia Credit Local, which is not hedged.
The notional amount of these hedging transactions is recorded as an off-balance sheet item over the life of the contract, i.e. from the date the contract is signed (including forward contracts) up to maturity. The amount recorded is adjusted to reflect any changes in notional amounts so as to represent the maximum current or future commitment.
Equalization payments at the inception of hedging derivatives are spread over their maturity for the time remaining according to a quasi-actuarial method.

Micro-hedge transactions

Transactions are booked as micro-hedges when they are designed to hedge against the interest rate risk related to an item or set of homogeneous items identified from the start. They involve swaps used to hedge issues of debt securities and certain customer assets.
Expense and income on these transactions are recorded in the income statement in the same way income and expense on the hedged item or set of homogeneous items are recorded.
In the event of early repayment, the sale of the hedged item, or early repayment within the framework of the renegotiation of the hedged item, the cancellation equalization payment received or paid because of the early interruption of the hedging instrument is recorded in the following manner, if the hedging instrument has been cancelled.

- prior to January 1, 2005, the equalization payment is extended over the length of time remaining of the cancelled transaction;
- since January 1, 2005, the equalization payment is recorded in the income statement over the period of cancellation; however, the equalization payment paid by Caisse Française de Financement Local is charged against income only for the portion that exceeds gains not yet recorded in income in the symmetric position.

In both cases, equalization payments remaining to be extended are recorded as accruals in the assets and/or liabilities.

Macro-hedge transactions

This category includes transactions designed to hedge and manage the Company's overall exposure to interest rate risk on assets, liabilities and off-balance sheet items, excluding micro-hedge transactions. They were authorized by a specific decision of the Executive Board of Caisse Française de Financement Local on December 1, 1999, pursuant to article 14 of CRBF standard 99-10.

Expense and income on these transactions are recorded in the income statement *prorata temporis* respectively as "Interest expense on macro-hedge transactions" and "Interest income from macro-hedge transactions". The contra entry is recorded in accruals until the date of payment of the funds.

If an early repayment transaction leads to the cancellation of macro-hedge swaps, the swap cancellation equalization payment is treated in the following way if the cancellation has taken place:

- prior to January 1, 2005, the equalization payment is extended over the length of time remaining of the cancelled transaction. Equalization payments remaining to be extended are recorded in accruals in the assets and/or liabilities;
- since January 1, 2005, the equalization payment is recorded in the income statement at cancellation.

Micro-hedges and macro-hedges correspond to the use of derivative instruments that benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code, pursuant to article L.515-18 of the Monetary and Financial Code.

Monitoring market risks

Market risks refer to the risk of loss linked to fluctuations in market prices and interest rates, their interactions and levels of volatility.

Market risks linked to trading portfolios are not compatible with the activity of Caisse Française de Financement Local. The Company cannot have a derivative instrument in an isolated open position. All derivatives used by Caisse Française de Financement Local are part of a hedging strategy, either micro- or macro-hedges.

The policy of Caisse Française de Financement Local is to avoid any foreign exchange risk. Market risks related to foreign exchange transactions are eliminated from the start by currency swaps when an asset or liability that is not denominated in euros is recorded on the balance sheet.

General accounting verifies that at each closing there is no foreign exchange risk.

The market back office and market accounting units regularly control the symmetry of micro-hedge swaps.

f. Foreign currency transactions

Pursuant to CRB standard 89-01, amended by standard 90-01 of February 23, 1990, Caisse Française de Financement Local records foreign currency transactions in accounts opened and denominated in each of the currencies used.

Specific foreign exchange position accounts and foreign exchange position equivalent accounts are opened in each currency.

At the end of each accounting period, the differences between the amounts resulting from a market price valuation of the foreign exchange position accounts at the date of closing and the amounts recorded in the foreign exchange position equivalent accounts are recorded in the income statement.

g. Foreign exchange transactions

In the course of systematic hedging of its foreign exchange risk, Caisse Française de Financement Local enters into currency swaps. These currency swaps are initiated to eliminate the risk of foreign exchange rate fluctuations that might affect an asset or liability as soon as such a risk is recognized. They are mainly used to hedge certain bond issues and, in the assets, certain debt securities and customer loans.

Results of foreign exchange hedging transactions are accounted for by recording the difference between the hedging rate and the spot rate – contango or backwardation – *prorata temporis* in the income statement.

h. Non-recurring income and expense

Non-recurring income and expense result from events or transactions that do not relate to ordinary business operations or routine management of the Company's assets and liabilities.

Furthermore, the income or expense involved does not depend on decisions taken within the framework of usual management of the Company's activities or assets, but results from external events of a completely exceptional nature. Only items of this nature that have a significant impact on the period's net income are recorded as non-recurring income and expense.

i. Tax consolidation

Caisse Française de Financement Local applies the tax consolidation system.

Caisse Française de Financement Local and its parent company Dexia Credit Local (until January 31, 2013) are lodged in a tax consolidation structure. Since January 1, 2002, the consolidating company has been Dexia SA's permanent establishment in France.

This entity pays the total tax owed by the companies in the tax group and the minimum corporate income tax payment for the group. Caisse Française de Financement Local records in its accounts the amount of tax for which it would be liable if it were not a member of the tax group. Tax savings realized by the tax group are recorded in the accounts of Dexia SA's permanent establishment in France.

j. Offices and activities in uncooperative states and territories

In application of article L.511-45 of the Monetary and Financial Code, it should be noted that Caisse Française de Financement Local has no offices in States that have not signed with France an administrative assistance agreement (subsidiaries, branches, including *ad hoc* entities, and equity interest in other entities over which the Company has exclusive or joint (or *de facto*) control).

Identity of the parent company consolidating the accounts of Caisse Française de Financement Local as of December 31, 2012.

Dexia Credit Local
Tour Dexia La Défense 2
1, Passerelle des Reflets
92913 La Défense Cedex
France

Management Report | IFRS Financial Statements | French GAAP Financial Statements | Supplemental Disclosures | Shareholders' Meeting | General Information

2. NOTES TO THE ASSETS (EUR millions)

2.1 - CENTRAL BANKS

	12/31/2010	12/31/2011	12/31/2012
Mandatory reserves	2	-	-
Other deposits	-	2,198	2,400
TOTAL	**2**	**2,198**	**2,400**

2.2 - GOVERNMENT AND PUBLIC ENTITY SECURITIES ELIGIBLE FOR CENTRAL BANK REFINANCING

a. Accrued interest included in this item: 64

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
-	-	592	2,622	3,214

c. Analysis by listed securities and other securities excluding accrued interest

	Amount as of 12/31/2010	Amount as of 12/31/2011	Amount as of 12/31/2012	Unrealized capital loss as of 12/31/2012
Listed securities [1]	3,568	3,456	3,214	(5)
Other securities	580	0	-	-
TOTAL	**4,148**	**3,456**	**3,214**	**(5)**

(1) Listed securities are registered for trading on a stock exchange.

d. Analysis by type of portfolio excluding accrued interest and changes during the year

Portfolio	Gross amount as of 12/31/2010	Gross amount as of 12/31/2011	Increases	Decreases	Other changes	Impairment as of 12/31/2012	Net amount as of 012/31/2012
Trading	-	-	-	-	-	-	-
Placement	733	731	-	(2)	-	(4)	725
Investment	3,420	2,729	-	(240)	-	-	2,489
TOTAL	**4,153**	**3,460**	**-**	**(242)**	**-**	**(4)**	**3,214**

e. Impairment breakdown by country

See note 2.9

2.3 - LOANS AND ADVANCES DUE FROM BANKS

a. Sight loans and advances due from banks

	12/31/2010	12/31/2011	12/31/2012
Sight accounts	-	22	23
Unallocated sums	3	12	2
TOTAL	**3**	**34**	**25**

b. Term loans and advances due from banks

This item is essentially composed of loan benefiting from the assignment in guarantee of refinanced public debt to Dexia Credit Local.
This item have also loans to Swiss cantonal banks, which benefit from a legal guarantee of their cantons for an amount of EUR 867 millions (excluding accrued interest).
The rest concerns loans guaranteed by local governments (loans to *crédits municipaux*) or by the assignment in guarantee of refinanced public debt.

a. Accrued interest included in this item: 22

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
142	75	2,655	301	3,176

c. Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2010	Net amount as of 12/31/2011	Gross amount as of 12/31/2012	Decrease in value as of 12/31/2012	Net amount as of 12/31/2012
Loans of less than 1 year [1]	350	-	-	-	-
Loans of more than 1 year	1,857	3,264	3,176	-	3,176
TOTAL	**2,207**	**3,264**	**3,176**	**-**	**3,176**

(1) It is mainly a question of a repurchase transaction for a period of three months.

d. Breakdown by counterparty

	12/31/2010	12/31/2011	12/31/2012
Swiss cantonal banks benefiting from their cantons' legal guarantee	1,474	974	867
Banks guaranteed by a local government, *crédits municipaux*	203	148	175
Credit institutions in the Dexia Group: loans benefiting from the assignment in guarantee of refinanced public debt	180	2,142	2,134
Credit institutions in the Dexia Group: loans secured by public sector assets	350	-	-
TOTAL	**2,207**	**3,264**	**3,176**
- of which replacement assets	*350*	-	-

2.4 - CUSTOMER LOANS AND ADVANCES

a. Accrued interest included in this item: 767

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
1,253	2,816	14,220	31,185	49,474

c. Analysis of commitments by the counterparty's economic sector excluding accrued interest

ECONOMIC SECTOR	12/31/2010	12/31/2011	12/31/2012
Public sector	49,626	48,868	45,895
Other sectors [1]	4,287	3,879	3,579
TOTAL	**53,913**	**52,747**	**49,474**

(1) Social Housing: OPHLM et S.A. d'HLM and other loans guaranteed by local governments.

d. Analysis by initial maturity excluding accrued interest

	Net amount as of 12/31/2010	Net amount as of 12/31/2011	Gross amount as of 12/31/2012	Impairment as of 12/31/2012	Net amount as of 12/31/2012
Loans of less than 1 year	-	8	2	-	2
Loans of more than 1 year	53,913	52,739	49,480	(8)	49,472
TOTAL	**53,913**	**52,747**	**49,482**	**(8)**	**49,474**

e. Analysis of loans by category of outstanding commitments excluding accrued interest

	Net amount as of 12/31/2010	Net amount as of 12/31/2011	Gross amount as of 12/31/2012	Impairment as of 12/31/2012	Net amount as of 12/31/2012
Performing commitments	53,904	52,722	49,361	-	49,361
Restructured commitments	-	-	-	-	-
Non-performing loans	8	16	114	(7)	107
Compromised non-performing loans	1	9	7	(1)	6
TOTAL	**53,913**	**52,747**	**49,482**	**(8)**	**49,474**

f. Depreciation for non-performing loans - changes during the year

	12/31/2010	12/31/2011	Allocations	Reversals	Transfers	12/31/2012
For non-performing loans						
On loans	-	(1)	(2)	0	-	(3)
On interest	(1)	(1)	(3)	0	-	(4)
For compromised non-performing loans						
On loans	0	0	(0)	0	-	0
On interest	(1)	(1)	(0)	0	-	(1)
TOTAL	**(2)**	**(3)**	**(5)**	**0**	**-**	**(8)**

- Provisions on interest are recorded in Net banking income.
- Provisions on outstanding are recorded in Cost of risk.

g. Impairment breakdown by country

See note 2.9

2.5 - BONDS AND OTHER FIXED INCOME SECURITIES

a. Accrued interest included in this item: 32

b. Analysis by residual maturity excluding accrued interest

Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
500	18	637	10,692	11,847

c. Analysis by the issuer's economic sector excluding accrued interest

	12/31/2010	12/31/2011	12/31/2012
Public sector	1,416	2,230	1,882
Other sectors (guaranteed by a State or by a local government)	1,321	1,522	1,201
Other sectors (ABS) [1]	90	84	73
DCC – Dexia Crediop per la Cartolarizzazione	3,681	3,532	3,360
DSFB – Dexia Secured Funding Belgium	7,235	6,712	4,831
Cedulas territoriales issued by Dexia Sabadell	3,000	3,000	500
Lettres de gage publiques issued by Dexia LdG Banque	1,850	1,350	-
Dexia Credit Local - certificates of deposit	600	-	-
TOTAL	**19,193**	**18,430**	**11,847**
- of which eligible for central bank refinancing	*5,861*	*5,192*	*628*
- assets assigned in guarantee to the central bank and removed from the coover pool	-	*3,000*	-
- of which replacement assets	*5,450*	*1,350*	*500*

(1) Asset-backed securities (ABS):
- Colombo: EUR 3.25 million (rated A watch negative S&P).
- ASTREA: EUR 0.050 million (rated A- Fitch, Baa2 Moody's).
The ABS Colombo and Astrea are entirely composed of Italian public sector commitments.
- Blue Danube Loan Funding : EUR 70.02 million (rated AA+ S&P – guaranteed by the Land of Lower Austria).

d. Replacement assets

	12/31/2010	12/31/2011	12/31/2012
Dexia Sabadell	3,000	-	500
Dexia LdG Banque	1,850	1,350	-
Dexia Credit Local - certificates of deposit	600	-	-
TOTAL	**5,450**	**1,350**	**500**

As of December 31, 2012, replacement assets are mainly composed of *cedulas territoriales*. Because of their Ba1 rating (Moody's), these assets do not contribute to the calculation of the regulatory over-collateralization ratio.

e. Analysis by listed securities and other securities excluding accrued interest

	12/31/2010	12/31/2011	12/31/2012	Unrealized capital loss as of 12/31/2012
Listed securities	6,490	6,415	2,136	(37)
Other securities	12,703	12,015	9,711	-
TOTAL	**19,193**	**18,430**	**11,847**	**(37)**

f. Analysis by type of portfolio excluding accrued interest and changes during the year

Portfolio	Net amount as of 12/31/2010	Net amount as of 12/31/2011	Gross amount as of 12/31/2011	Increases (1)	Decreases or sales	Other changes	Impairment as of 12/31/2012	Net amount as of 12/31/2012
Trading	-	-	-	-	-	-	-	-
Placement	1,726	1,696	1,757	74	(242)	12	(37)	1,564
Investment	17,467	16,734	16,741	(74)	(6,363)	(21)	-	10,283
TOTAL	**19,193**	**18,430**	**18,498**	**-**	**(6,605)**	**(9)**	**(37)**	**11,847**

(1) Because of regulatory modifications which occurred during the year 2012, Caisse Française de Financement Local can not post external ABS on its balance sheet. These assets were transferred from investment assets to placement assets awaiting sale.

g. Impairment breakdown by country

See note 2.9

2.6 - OTHER ASSETS

	12/31/2010	12/31/2011	12/31/2012
Other receivables	7	47	1
TOTAL	**7**	**47**	**1**

This amount corresponds to the current income tax due as of December 31, 2012.

2.7 - ACCRUALS AND OTHER ASSETS

	12/31/2010	12/31/2011	12/31/2012
Deferred losses on hedging transactions	1,024	1,958	2,254
Deferred charges on bond issues	369	361	49
Deferred charges on hedging transactions	238	212	179
Premiums on acquisition of loans from Dexia Credit Local	155	123	101
Premiums on acquisition of loans other than from Dexia Credit Local	8	12	10
Other prepaid charges	-	-	-
Accrued interest not yet due on hedging transactions	1,719	1,684	1,302
Translation adjustments	653	1,115	677
Other deferred income	-	-	-
Other accruals	13	33	3
TOTAL	**4,179**	**5,498**	**4,575**

2.8 - TOTAL ASSETS

Analysis by original currency	Amount in original currency as of 12/31/2010	Amount in euros as of 12/31/2010	Amount in original currency as of 12/31/2011	Amount in euros as of 12/31/2011	Amount in original currency as of 12/31/2012	Amount in euros as of 12/31/2012
EUR	70,536	70,536	73,205	73,205	66,639	66,639
AUD	1,626	1,240	1,387	1,091	1,079	848
CAD	1,012	758	1,022	773	1,022	776
CHF	3,150	2,523	2,859	2,350	2,760	2,286
DKK	262	35	-	-	-	-
GBP	1,344	1,568	672	804	637	783
HKD	201	19	201	20	201	20
JPY	239,598	2,203	238,467	2,381	156,881	1,374
NOK	244	31	1,039	134	1,039	141
PLN	59	15	59	13	34	8
SEK	1,368	152	1,352	152	1,342	156
USD	7,411	5,531	7,450	5,741	3,392	2,566
ZAR	269	30	-	-	-	-
TOTAL		**84,641**		**86,664**		**75,597**

2.9 - IMPAIRMENT BREAKDOWN BY COUNTRY

	12/31/2010	12/31/2011	12/31/2012
Government and public entity securities eligible for central bank refinancing - *placement* securities	**(5)**	**(4)**	**(5)**
Spain	-	0	-
Italy	(5)	(4)	(5)
Bonds and other fixed income securities - *placement* securities	**(28)**	**(61)**	**(37)**
Spain	(2)	(3)	(3)
France	0	0	-
Germany	(2)	(7)	0
Austria	-	-	(4)
Italy	-	(33)	(16)
United Kingdom	(24)	(18)	(14)
United States	-	-	-
Bonds and other fixed income securities - investment securities	**-**	**(7)**	**-**
Greece	-	(7)	-
Loans and advances to clients	**(1)**	**(3)**	**(8)**
France	(1)	(3)	(8)

2.10 - BREAKDOWN OF GOVERNMENT BONDS IN A SELECTION OF EUROPEAN COUNTRIES AND DEPRECIATION OF SOVEREIGN BONDS COUNTRIES BENEFITING FROM THE EUROPEAN ASSISTANCE PROGRAM

a. Breakdown of government bonds in a selection of European countries

The reported credit risk exposure represents the accounting net carrying amount, being the notional amounts after deduction of specific impairments and taking into account accrued interest.

	12/31/2011					
	Spain	Ireland	Italy	Portugal	Greece	Total
Government bonds	-	-	500	-	326	826
Securities guaranteed by the State	-	-	79	-	100	179
TOTAL	**-**	**-**	**579**	**-**	**426**	**1,005**

	12/31/2012					
	Spain	Ireland	Italy	Portugal	Greece	Total
Government bonds		-	492		-	492
Securities guaranteed by the State	-	-	112	-	-	112
TOTAL	**-**	**-**	**604**	**-**	**-**	**604**

	12/31/2011					
	Spain	Ireland	Italy	Portugal	Greece	Total
Investment securities	-	-	500	-	426	926
Placement securities	-	-	79	-	-	79
TOTAL	**-**	**-**	**579**	**-**	**426**	**1005**
IMPAIRMENT	**-**	**-**	**(33)**	**-**	**(7)**	**(40)**

	12/31/2012					
	Spain	Ireland	Italy	Portugal	Greece	Total
Investment securities	-	-	492	-	-	492
Placement securities	-	-	112	-	-	112
TOTAL	**-**	**-**	**604**	**-**	**-**	**604**
IMPAIRMENT	**-**	**-**	**(14)**	**-**	**-**	**(14)**

b. Depreciation of Greek sovereign bonds

According to the transfer agreement signed on December 22, 2011, between Dexia Credit Local and Dexia MA, Greek and Icelandic sovereign bonds were sold in January 2012 at their booked value. As a consequence, there is no impact in the profit and loss account of 2012.

2.11 - RESTATEMENT OF FINANCIAL ASSETS

	From "Government securities - *placement* securities" to "investment securities"	From "Other bonds and fixed income securities - *placement* securities" to "investment securities"	Total
Book value of reclassified assets as of October 1, 2008	267	218	485
Book value of reclassified assets as of December 31, 2012	-	-	-
Fair value of reclassified assets as of December 31, 2012	-	-	-
Amortization of premium/discount affecting income	-	-	-

Reclassified assets as of January 2008 were sold in January 2012.

3. NOTES TO THE LIABILITIES (EUR millions)

3.1 - CENTRAL BANKS

This item includes refinancing obtained through Banque de France tenders. The use of such financing organized by tenders involved the pledging of eligible assets within the framework of a general guarantee management agreement (3G). This source of financing does not benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code.

Caisse Française de Financement Local has used Banque de France financing:

- from September 2008 to July 2009 in order to finance the commercial production when the covered bonds market was closed;
- since October 2011, for the *cedulas territoriales* securities financing further the rating downgrading.

	12/31/2010	12/31/2011	12/31/2012
Overnight borrowing	-	-	-
Term borrowing	-	2,700	-
Accrued interest	-	0	-
TOTAL BANQUE DE FRANCE	**-**	**2,700**	**-**

3.2 - DUE FROM BANKS

This item includes the balance of the account opened with Dexia Credit Local. This account is intended to finance the needs of Caisse Française de Financement Local related to its activity, in particular, to finance structural over-collateralization and loans prior to the issue of *obligations foncières*.

The account totaled EUR 7,610 million (excluding accrued interest). It is made up of:

- the current account, indexed on Eonia, with a balance of EUR 4,510 million;
- a long-term borrowing earmarked to finance the structural over-collateralization of 5%. This borrowing totaled EUR 3,100 million as of December 31, 2012; it is indexed on the annual money market rate (TAM).

	12/31/2010	12/31/2011	12/31/2012
Current account	9,029	5,999	4,510
Interest accrued not yet due	5	5	-
Long-term borrowing	3,500	3,500	3,100
Interest accrued not yet due	7	13	10
Unallocated sums	3	8	3
TOTAL	**12,544**	**9,525**	**7,623**

Analysis by residual maturity excluding accrued interest

	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	12/31/2012
Sight	4,513	-	-	-	4,513
Term	-	500	720	1,880	3,100
TOTAL	**4,513**	**500**	**720**	**1,880**	**7,613**

3.3 - DEBT SECURITIES

a. Debt securities (*obligations foncières*)

a. Accrued interest included in this item: 1,051

b. Analysis by residual maturity excluding accrued interest

Type of securities	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Obligations foncières	3,014	3,126	25,789	20,809	52,738
of which issue premiums[1]	0	0	(32)	(71)	(103)

(1) The gross amount of issue premiums totaled EUR 224.1 million.

c. Changes during the year excluding accrued interest

12/31/2011	Increases	Decreases	Translation adjustments	12/31/2012
60,128	23	(7,072)	(341)	52,738

b. Other bonds (registered covered bonds)

a. Accrued interest included in this item: 122

b. Analysis by residual maturity excluding accrued interest

Type of securities	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Registered covered bonds	-	0	151	4,094	4,245
of which issue premiums[1]	-	-	(0)	(5)	(5)

(1) The gross amount of issue premiums totaled EUR 6.8 million.

c. Analysis by residual maturity excluding accrued interest

12/31/2011	Increases	Decreases	Translation adjustments	12/31/2012
4,252	1	(8)	-	4,245

3.4 - OTHER LIABILITIES

	12/31/2010	12/31/2011	12/31/2012
Cash collateral received	1,314	2,498	3,518
Accrued interest not yet due on cash collateral received	0	0	0
Taxes	9	2	6
Balances to pay on unwound hedging contracts	-	-	-
TOTAL	**1,323**	**2,500**	**3,524**

3.5 - ACCRUALS AND OTHER LIABILITIES

	12/31/2010	12/31/2011	12/31/2012
Deferred gains on hedging transactions	-	-	-
Deferred income on hedging transactions	1,383	2,361	2,675
Deferred income on loans	24	19	14
Discounts on acquisition of loans from Dexia Credit Local	102	158	128
Discounts on acquisition of loans from other Dexia Group entities	71	66	62
Accrued interest not yet due on hedging transactions	1,396	1,394	1,120
Other accrued charges	27	27	25
Translation adjustments	637	673	678
Other accruals	3	8	0
TOTAL	**3,643**	**4,706**	**4,702**

3.6 - PROVISIONS FOR RISKS AND CHARGES, DEFERRED TAX LIABILITIES AND REGULATED PROVISIONS

a. Provision for risks on financial instruments

	Amount as of 12/31/2010	Amount as of 12/31/2011	Increases	Decreases	Translation adjustments	Amount as of 12/31/2012
Loan commitments [1]	-	-	39	-	-	39
Financial instruments	19	44	13	(2)	0	55
TOTAL	**19**	**44**	**52**	**(2)**	**0**	**94**

(1) In 2012, Caisse Française de Financement Local increased provisions on structured loans to EUR 39 million.

b. Deferred tax liabilities

This item principally concerns the deferred tax on the Dublin Branch. On December 31, 2012, the amount of deferred tax is equal to EUR 29 million.

c. Regulated provision for risks on medium- and long-term loans

	12/31/2010	12/31/2011	Increases	Decreases	Translation adjustments	Amount as of 12/31/2012
	68	**69**	**1**	**-**	**-**	**70**

3.7 - EQUITY

	12/31/2010	12/31/2011	12/31/2012
Share capital	1,190	1,300	1,315
Legal reserve	38	44	44
Retained earnings (+/-)	9	13	3
Net income (+/-)	120	5	37
TOTAL	**1,357**	**1,362**	**1,399**

On May 24, 2012, the Ordinary and Extraordinary Shareholders' Meeting decided:
- to allocate the 2011 net income of EUR 5 million to retained earnings, constituing income for distribution of EUR 18 million, after allocation to the legal reserve;
- to distribute a dividend of EUR 15 million;
- to increase the capital in cash by EUR 15 million. This capital increase was subscribed by Dexia Credit Local and enacted on May 30, 2012.

Caisse Française de Financement Local's share capital totaled EUR 1,315 million, comprising 13,150,000 shares with a face value of EUR 100.

3.8 - TOTAL LIABILITIES

Analysis by original currency	Amount in original currency as of 12/31/2010	Amount in euros as of 12/31/2010	Amount in original currency as of 12/31/2011	Amount in euros as of 12/31/2011	Amount in original currency as of 12/31/2012	Amount in euros as of 12/31/2012
EUR	70,536	70,536	73,205	73,205	66,639	66,639
AUD	1,626	1,240	1,387	1,091	1,079	848
CAD	1,012	758	1,022	773	1,022	776
CHF	3,150	2,523	2,859	2,350	2,760	2,286
DKK	262	35	-	-	-	-
GBP	1,344	1,568	672	804	637	783
HKD	201	19	201	20	201	20
JPY	239,598	2,203	238,467	2,381	156,881	1,374
NOK	244	31	1,039	134	1,039	141
PLN	59	15	59	13	34	8
SEK	1,368	152	1,352	152	1,342	156
USD	7,411	5,531	7,450	5,741	3,392	2,566
ZAR	269	30	-	-	-	-
TOTAL		**84,641**		**86,664**		**75,597**

3.9 - TRANSACTIONS WITH RELATED PARTIES

Analysis by nature	Parent company and entities consolidated by Dexia Credit Local			Other related parties(1)		
	12/31/2010	12/31/2011	12/31/2012	12/31/2010	12/31/2011	12/31/2012
ASSETS						
Loans and advances due from banks - sight	-	-	-	-	-	-
Loans and advances due from banks - term	530	2,154	2,142	-	-	-
Bonds and other fixed income securities	7,297	6,557	3,864	9,102	1,351	-
LIABILITIES						
Due to banks - sight	9,034	6,004	4,510	-	-	-
Due to banks - term	3,506	3,513	3,110	-	-	-
INCOME STATEMENT						
Interest income on loans and advances	6	35	56	-	-	-
Interest income on debt securities	70	119	65	90	23	-
Interest expense on borrowings	(76)	(143)	(87)	-	-	-
Net commissions	(3)	(4)	(3)	-	-	-
OFF-BALANCE SHEET						
Interest rate derivatives	151,740	119,212	102,507	6,078	-	-

(1) This item includes transactions with companies of the Belgian and Luxembourg sub-groups consolidated by Dexia SA, the parent company of Dexia Credit Local. In 2011, Belfius Banque et Assurances was no longer consolidated by Dexia.

4. NOTES TO THE OFF-BALANCE SHEET ITEMS (EUR millions)

4.1 - COMMITMENTS GRANTED

	12/31/2010	12/31/2011	12/31/2012
Financing commitments granted to credit institutions	1	0	0
Financing commitments granted to clients (1)	899	660	317
Other commitments given, assets assigned in guarantee	-	3,037	-
TOTAL	**900**	**3,697**	**317**

(1) Financing commitments on loans and advances correspond to contracts signed for loans not yet paid out to clients as of December 31, 2012.

4.2 - COMMITMENTS RECEIVED

	12/31/2010	12/31/2011	12/31/2012
Financing commitments received from credit institutions (1)	6,626	5,755	6,006
Currencies borrowed	-	-	-
Guarantees received from credit institutions	6,599	6,478	4,742
Guarantees received from local governments and asset transfers as guarantees of commitments on local governments	5,944	7,770	7,646
Other commitments received (2)	-	725	-
TOTAL	**19,169**	**20,728**	**18,394**

(1) This concerns the refinancing agreement within the framework of the current account agreement between Dexia Credit Local and its subsidiary. This commitment was broken at the end of January 2013 as a consequence of the sale of its subsidary to Société de Financement Local.
(2) They concerned forward commitments of Dexia Credit Local regarding the purchase of Greek and Icelandic securities.

4.3 - FOREIGN CURRENCY TRANSACTIONS

Cash and forward foreign exchange transactions are recorded at their value in foreign currencies translated at the exchange rate at the end of the period.
The items “Currencies to receive” and “Currencies to deliver” are composed of long currency swaps with intermediate payment flows corresponding to hedging transactions.

	Amount as of 12/31/2010	Amount as of 12/31/2011	Amount as of 12/31/2012	Fair value as of 12/31/2012
Currencies to receive	19,463	17,800	13,299	747
Currencies to deliver	19,147	17,358	13,300	(840)
TOTAL	**38,610**	**35,158**	**26,599**	**(93)**

4.4 - COMMITMENTS ON INTEREST RATE DERIVATIVES

Commitments on interest rate derivatives are recorded in accordance with CRB standards 88-02 and 90-15: amounts related to unconditional operations are recorded at the contractual notional value.

a. Analysis of over-the-counter interest rate transactions by residual maturity

Type of transaction	Amount as of 12/31/2011	Less than 1 year	1 year to 5 years	More than 5 years	Total
Unconditional transactions	204,257	84,887	36,149	59,069	180,105
of which deferred start	19,842	8,908	232	1,094	10,234

These hedging transactions include micro-hedge and macro-hedge transactions.

b. Analysis of interest rate transactions by product type

	12/31/2010	12/31/2011	12/31/2012
Interest rate swaps	235,457	204,257	180,105
Term contracts	-	-	-
Interest rate options	-	-	-
TOTAL	**235,457**	**204,257**	**180,105**

c. Analysis of interest rate swap transactions

	12/31/2010	12/31/2011	12/31/2012	Fair value as of 12/31/2012
Micro-hedge	77,485	78,245	73,913	1,282
Macro-hedge	157,972	126,012	106,192	(3,241)
TOTAL	**235,457**	**204,257**	**180,105**	**(1,959)**

d. Analysis of interest rate transactions by counterparty

	12/31/2010	12/31/2011	12/31/2012
Parent and other Dexia Group companies	157,818	119,212	99,550
Counterparties with equity interests	-	-	-
Other counterparties	77,639	85,045	80,555
TOTAL	**235,457**	**204,257**	**180,105**

4.5 - COMMITMENTS RELATED TO SECURITIES TRANSACTIONS

	12/31/2010	12/31/2011	12/31/2012
Securities purchased:			
Spot	-	-	-
Forward	-	-	-
TOTAL	**-**	**-**	**-**

5. NOTES TO THE STATEMENT OF INCOME (EUR millions)

5.0 - INTEREST AND RELATED INCOME / EXPENSE

	2011	2012
INTEREST AND RELATED INCOME	**5,265**	**3,439**
Due from banks	77	93
Due from clients	3,314	2,401
Bonds and other fixed income securities	386	257
Macro-hedge transactions	1,488	688
Other commitments	-	-
INTEREST AND RELATED EXPENSE	**(5,077)**	**(3,202)**
Due to banks	(165)	(84)
Due to clients	(1,863)	(1,206)
Bonds and other fixed income securities	(1,053)	(655)
Macro-hedge transactions	(1,996)	(1,257)
Other commitments	-	-
INTEREST MARGIN	**188**	**237**

5.1 - ANALYSIS OF COMMISSIONS PAID

	2011	2012
Commission for business brokerage and securities portfolio management billed by Dexia Crediop	(4)	(3)
Commission paid on securities transactions	(1)	(1)
TOTAL	**(5)**	**(4)**

5.2 - ANALYSIS OF GAINS AND LOSSES ON PORTFOLIO TRANSACTIONS

	2011	2012
Transactions on *placement* securities (1)	(57)	13
Transactions on interest rate derivatives		-
Foreign exchange transactions		-
TOTAL	**(57)**	**13**

(1) This item regroups capital gains and losses on sales and provisions and reversals on this portfolio. Amounts are presented after swaps.

5.3 - GENERAL EXPENSES

Caisse Française de Financement Local has no salaried employees in accordance with article L.515-22 of the Monetary and Financial Code. Within the framework of its management contract, Dexia Credit Local conducts all operations, transactions and functions of all types on behalf of Caisse Française de Financement Local until January 31, 2013. A new contract was signed between Caisse Française de Financement Local and its new shareholder/servicer, Société de Financement Local.

In addition, specific management contracts grant different entities of the Dexia Group the management of loans and securities in their respective countries (Kommunalkredit Austria and Dexia Bank Belgium, former subsidiaries of Dexia, as well as Dexia Crediop and Dexia Credit Local Canada Branch).

General operating expense can be broken down as follows.

	2011	2012
Taxes	(3)	(4)
Other general operating expense*	(90)	(87)
TOTAL	**(93)**	**(91)**

** This item mainly includes the management commissions billed by Dexia Credit Local and other Group companies to Caisse Française de Financement Local under the management contracts they have signed, i.e. EUR 83 million.*

5.4 - GAINS OR LOSSES ON FIXED ASSETS

	2011	2012
Transactions on investment securities	-	(26)
Other transactions	-	-
TOTAL	**-**	**(26)**

5.5 - CORPORATE INCOME TAX

	2011	2012
Income tax for the year	2	(24)
Deferred tax	(21)	(26)
TOTAL	**(19)**	**(50)**

The corporate tax rate in France for 2012 is 36.10%.
The corporate tax rate of the Dublin branch is 12.50%.

Statutory Auditors' report on the financial statements

Year ended December 31, 2012

This is a free translation into English of the Statutory Auditors' report in French, and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by French law and this is presented after the Opinion on the financial statements.

This information includes an explanatory paragraph discussing the auditors' assessment of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. The report also includes information relating to the specific verification of information in the management report. This report should be read in conjunction with French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2012, on:
- the audit of the accompanying financial statements of Caisse Française de Financement Local (previously Dexia Municipal Agency);
- the justification of our assessments;
- the specific verifications and disclosures required by law.

These financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of Caisse Française de Financement Local (previously Dexia Municipal Agency) as of December 31, 2012, and of the results of its operations for the year then ended, in accordance with accounting rules and principles applicable in France.
Without qualifying our opinion, we draw your attention to note 1.1 « Highlights of 2012 and post-closing events » to the annual financial statements that outlines the approval of the plan for the orderly resolution of the Dexia Group (point a).

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L.823-9 of the Code of commerce relating to the justification of our assessments, we bring to your attention the following matters:

Credit risks provision

As described in Note "1.3.a – Client loans" to the annual financial statements, your company records provisions to cover credit risks inherent in any banking activity. As part of our assessment of these accounting estimates, we examined the credit risk review process, the assessment of the irrecoverability risk and the adequacy of specific allowances for loan losses.

Valuation of financial instruments

As described in Note "1.3.b – Securities transactions" to the annual financial statements, your company uses internal models and methods to value financial instruments that are not listed on liquid markets, as well as for the recording of certain provisions. Our procedures consisted in reviewing the control procedures related to the illiquidity assessment of the market, the verification of the models and the determination of the data and assumptions used.
These assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed and which is expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND DISCLOSURES

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.
We have no matters to report regarding the fair presentation and the consistency with the financial statements of the information given in the Management Report of the Executive Board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.
In application of the law, we inform you that the information required by article L.225-102-1 of the Code of commerce does not include the compensation paid and personal benefits granted by the controlling company to the members of your Company's management bodies for their duties in the controlling company, for the reasons presented in the paragraph "Compensation of members of management bodies" in the above-mentioned report.
As a consequence, we cannot attest their fair presentation and accuracy.

Courbevoie and Neuilly-sur-Seine, March 29, 2013
French original signed by The Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS	
Virginie Chauvin	Hervé Helias	Charlotte Vandeputte	José-Luis Garcia

Supplemental Disclosures

Caisse Française de Financement Local was authorized to operate as a *société de crédit foncier* on July 23, 1999, by the *Comité des établissements de crédit et des entreprises d'investissement* (CECEI). It is therefore subject to the regulations governing credit institutions and investment firms.

In addition, *sociétés de crédit foncier* are governed by articles L.515-13 to L.515-33 and R.515-2 to R.515-14 of Book V, Title I, Chapter V, Section 4 of the Monetary and Financial Code.

The regulatory documents for the following ratios were prepared on a consolidated basis by Dexia Credit Local, which owned 99.99% of the capital of Caisse Française de Financement Local as of December 31, 2012:
• capital adequacy ratio;
• control of large credit exposures.

On the other hand, the liquidity ratio is calculated on the basis of data presented in the financial statements of Dexia MA. In 2011, Caisse Française de Financement Local had a monthly liquidity ratio of more than 100%; as of December 31, 2012, it was 567.28%.

Pursuant to the article L.515-20 and the article R.515-7-2 of the Monetary and Financial Code, Caisse Française de Financement Local's total assets must always exceed 102% of the total liabilities benefiting from the privilege referred to in article L.515-19 of the Monetary and Financial Code. As of December 31, 2012, the over-collateralization ratio was 108.30%.

Income for the last five years

	2008	2009	2010	2011	2012
FINANCIAL POSITION					
Share capital EUR thousands	946,000	1,060 000	1,190 000	1,300 000	1,315 000
Number of shares	9,460 000	10,600 000	11,900 000	13,000 000	13,150 000
RESULTS OF OPERATIONS (EUR thousands)					
Revenues [1]	3,741 424	1,562 281	1,996 511	3,269 418	2,182 333
Income before income tax, amortization, depreciation and contingencies net of reversals	205,439	195,766	189,425	91,295	119,177
Income tax	53,123	53,797	65,754	19,482	49,509
Income after income tax, amortization, depreciation and contingencies net of reversals	91,265	98,051	120,057	5,417	37,213
Exceptional distribution	-	-	-	-	-
Dividend[2]	113,520	133,560	110,075	15,080	36,820
PER SHARE DATA (EUR)					
Revenues	395.50	147.39	167.77	251.49	165.96
Income after income tax, before amortization, depreciation and contingencies net of reversals	16.10	13.39	10.39	5.52	5.30
Income tax	5.62	5.08	5.53	1.50	3.76
Income after income tax, amortization, depreciation and contingencies net of reversals	9.65	9.25	10.09	0.42	2.83
Exceptional distribution	-	-	-	-	-
Dividend per share [2]	12.00	12.60	9.25	1.16	2.80

(1) Revenues are comprised of the following items:
- interest and related income, netted of macro-hedging expense;
- commission income;
- net income on foreign exchange transactions;
- other operating income.
(2) Proposed distribution for 2012.

Over-collateralization ratio

Pursuant to article L.515-20 of the Monetary and Financial Code and article 6 of CRBF standard 99-10 of July 27, 1999, the total of the assets of *sociétés de crédit foncier* must always exceed liabilities benefiting from the privilege referred to in article L.515-19 of the Monetary and Financial Code.

Assets covering sources of funds benefiting from the privilege (weighted amounts in EUR millions)	**12/31/2012**
Exposures on public sector entities	59,065.3
Shares in funds or similar entities that meet the conditions of article L.515-16	4,645.7
Securities and secure and liquid deposits	25.1
Other assets	5,147.1
Operations deducted from the assets	-
TOTAL ASSETS	**68,883.2**

Sources of funds benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code (weighted amounts in EUR millions)	**12/31/2012**
Obligations foncières	52,841.6
Other bonds benefiting from the privilege	4,250.7
Liabilities related to these securities	1,172.6
Amounts owed under the contact provided for in article L.515-22 of the Monetary and Financial Code	22.4
Amounts owed for derivatives benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code	5,315.6
Debt attributable to miscellaneous expense mentioned in the last section of article L. 515-19 of the Monetary and Financial Code	1.1
TOTAL LIABILITIES	**63,604.0**

OVER-COLLATERALIZATION RATIO	**108.30**

Statutory Auditors' fees

EUR thousands	**Mazars**				**Deloitte & Associés**			
	Amont (excl. VAT)		**%**		**Amont (excl. VAT)**		**%**	
	2011	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
Audit services rendered								
Audit, certification, examination of company financial statements	146	146	64%	100%	146	149	64%	100%
Other audit tasks	83	0	36%	0%	83	0	36%	0%
Subtotal	**229**	**146**	**100%**	**100%**	**229**	**149**	**100%**	**100%**
Other services								
Legal, tax, labor issues	-	-	-	-	-	-	-	-
Internal audit	-	-	-	-	-	-	-	-
Other (to specify if >10% of audit fees)	-	-	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL	**229**	**146**	**100%**	**100%**	**229**	**149**	**100%**	**100%**

List of bonds issued by Caisse Française de Financement Local

(*obligations foncières*, registered covered bonds)

Obligations foncières **ISIN code**	**Currency**	**Nominal amount in foreign currency**	**Balance**	**Redemption value ***	**Final due date**	**Next call option date**	**Stock exchange**
			EUR millions				
AU0000DXAHB0	AUD	20,000,000	15	11	16-Jan-26		Sydney
AU0000DXAHD6	AUD	200,000,000	157	121	2-Apr-14		Sydney
AU0000DXAHD6	AUD	150,000,000	118	90	2-Apr-14		Sydney
AU0000DXAHD6	AUD	150,000,000	118	90	2-Apr-14		Sydney
AU0000DXAHH7	AUD	200,000,000	157	124	24-Aug-15		Sydney
AU0000DXAHH7	AUD	200,000,000	157	123	24-Aug-15		Sydney
AU0000DXAHH7	AUD	100,000,000	78	58	24-Aug-15		Sydney
FR0010397828	AUD	11,600,000	9	7	20-Mar-14		Unlisted
FR0010503011	AUD	29,400,000	23	19	19-Jun-14		Luxembourg
TOTAL	**AUD**	**1,061,000,000**	**831**	**644**			
FR0010172098	CAD	200,000,000	152	122	9-Mar-20		Luxembourg
FR0010443630	CAD	200,000,000	152	131	9-Mar-29		Luxembourg
FR0010443630	CAD	100,000,000	71	69	9-Mar-29		Luxembourg
FR0010477083	CAD	500,000,000	379	335	30-May-17		Luxembourg
TOTAL	**CAD**	**1,000,000,000**	**754**	**658**			
CH0020643760	CHF	200,000,000	166	128	11-Mar-15		Zurich
CH0020643760	CHF	100,000,000	83	65	11-Mar-15		Zurich
CH0020643760	CHF	150,000,000	125	97	11-Mar-15		Zurich
CH0020643760	CHF	100,000,000	83	64	11-Mar-15		Zurich
CH0020643760	CHF	100,000,000	82	64	11-Mar-15		Zurich
CH0020643760	CHF	50,000,000	41	31	11-Mar-15		Zurich
CH0023984815	CHF	200,000,000	166	129	9-Feb-16		Zurich
CH0023984815	CHF	180,500,000	153	139	9-Feb-16		Zurich
CH0032508563	CHF	165,000,000	137	100	9-Aug-17		Zurich
CH0032508563	CHF	135,000,000	113	81	9-Aug-17		Zurich
CH0032508563	CHF	100,000,000	82	62	9-Aug-17		Zurich
CH0033023216	CHF	200,000,000	167	121	28-Aug-19		Zurich
CH0105994203	CHF	250,000,000	207	165	2-May-18		Zurich
CH0105994203	CHF	160,000,000	135	109	2-May-18		Zurich
CH0106680777	CHF	143,000,000	119	95	12-Aug-19		Zurich
CH0106680777	CHF	125,000,000	103	95	12-Aug-19		Zurich
CH0111862063	CHF	100,000,000	84	70	23-Apr-30		Zurich
FR0010526376	CHF	20,000,000	17	12	15-Oct-27		Unlisted
FR0010535658	CHF	80,000,000	66	48	30-May-13		Unlisted
FR0010555748	CHF	50,000,000	41	30	20-Dec-17		Unlisted
TOTAL	**CHF**	**2,608,500,000**	**2,170**	**1,705**			
FR0000470221	EUR	20,000,000	20	20	3-Oct-14		Luxembourg
FR0000470361	EUR	30,000,000	30	30	30-Sep-14		Luxembourg
FR0000470494	EUR	18,000,000	18	18	22-Oct-14		Luxembourg
FR0000472417	EUR	817,974,000	818	818	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	500,000,000	500	500	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	500,000,000	500	500	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	250,000,000	250	250	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	250,000,000	250	250	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	150,000,000	150	150	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	45,000,000	45	45	20-Feb-13		Luxembourg - Paris
FR0000472417	EUR	55,000,000	55	55	20-Feb-13		Luxembourg - Paris
FR0000472474	EUR	53,000,000	53	53	7-Dec-15		Luxembourg
FR0000473357	EUR	74,820,000	75	75	2-Apr-18		Luxembourg

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call option date	Stock exchange
			EUR millions				
FR0000473522	EUR	140,000,000	140	140	30-Dec-13		Luxembourg
FR0000473589	EUR	25,000,000	25	25	8-Apr-13		Luxembourg
FR0000474256	EUR	25,350,000	25	25	30-Dec-13		Luxembourg
FR0000480329	EUR	300,000,000	300	300	9-Aug-17		Luxembourg
FR0000480329	EUR	100,000,000	100	100	9-Aug-17		Luxembourg
FR0000480329	EUR	50,000,000	50	50	9-Aug-17		Luxembourg
FR0000480329	EUR	131,000,000	132	131	9-Aug-17		Luxembourg
FR0000480329	EUR	40,000,000	40	40	9-Aug-17		Luxembourg
FR0000480329	EUR	44,500,000	44	45	9-Aug-17		Luxembourg
FR0000480329	EUR	168,000,000	168	168	9-Aug-17		Luxembourg
FR0000480329	EUR	30,000,000	30	30	9-Aug-17		Luxembourg
FR0000480329	EUR	50,000,000	50	50	9-Aug-17		Luxembourg
FR0000480329	EUR	77,800,000	77	78	9-Aug-17		Luxembourg
FR0000480329	EUR	20,000,000	20	20	9-Aug-17		Luxembourg
FR0000488132	EUR	750,000,000	745	750	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	100,000,000	101	100	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	150,000,000	153	150	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	150,000,000	153	150	6-Feb-17		Luxembourg - Paris
FR0000488132	EUR	250,000,000	265	250	6-Feb-17		Luxembourg - Paris
FR0000489395	EUR	30,000,000	30	30	29-May-14		Luxembourg
FR0000489411	EUR	30,000,000	30	30	30-May-14		Luxembourg
FR0000489890	EUR	13,000,000	13	13	30-Jun-14		Luxembourg
FR0000499030	EUR	30,000,000	30	30	23-Feb-15		Luxembourg
FR0010007765	EUR	25,000,000	25	25	2-Sep-13		Luxembourg
FR0010014902	EUR	50,000,000	50	50	24-Sep-13		Luxembourg
FR0010018028	EUR	47,000,000	47	47	9-Oct-15		Luxembourg
FR0010018044	EUR	30,000,000	30	30	26-Sep-13		Luxembourg
FR0010019406	EUR	95,000,000	95	95	1-Oct-13		Luxembourg
FR0010019406	EUR	25,000,000	25	25	1-Oct-13		Luxembourg
FR0010033357	EUR	50,000,000	50	50	20-Nov-18		Luxembourg
FR0010034371	EUR	75,000,000	75	75	15-Dec-19		Luxembourg
FR0010039164	EUR	40,000,000	40	40	19-Feb-18		Luxembourg
FR0010039172	EUR	13,000,000	13	13	2-Feb-14		Luxembourg
FR0010051698	EUR	111,500,000	112	112	20-Feb-19		Luxembourg
FR0010053769	EUR	20,000,000	20	20	26-Feb-16		Luxembourg
FR0010054049	EUR	20,000,000	20	20	3-Mar-14		Luxembourg
FR0010060350	EUR	50,000,000	50	50	17-Mar-14		Luxembourg
FR0010060384	EUR	30,000,000	30	30	5-Mar-20		Luxembourg
FR0010061978	EUR	50,000,000	50	50	15-Mar-16		Luxembourg
FR0010061986	EUR	65,000,000	65	65	15-Mar-19		Luxembourg
FR0010063727	EUR	40,000,000	40	40	15-Mar-21		Luxembourg
FR0010063768	EUR	10,600,000	11	11	10-Mar-14		Luxembourg
FR0010068361	EUR	45,000,000	45	45	15-Apr-19		Luxembourg
FR0010068437	EUR	51,500,000	52	52	15-Apr-19		Luxembourg
FR0010070888	EUR	27,000,000	27	27	15-Apr-19		Luxembourg
FR0010071852	EUR	35,000,000	35	35	26-Apr-19		Luxembourg
FR0010081869	EUR	23,000,000	23	23	21-May-14		Luxembourg
FR0010081885	EUR	10,000,000	10	10	21-May-16		Luxembourg
FR0010089839	EUR	90,200,000	90	90	24-Jun-24		Luxembourg
FR0010092908	EUR	10,000,000	10	10	7-Jun-19		Luxembourg
FR0010093336	EUR	50,000,000	50	50	22-Jun-24		Luxembourg
FR0010096131	EUR	63,000,000	63	63	2-Jul-14		Luxembourg
FR0010096818	EUR	37,000,000	37	37	15-Jul-19	15-Jul-14	Luxembourg
FR0010108811	EUR	80,000,000	80	80	1-Sep-19		Luxembourg
FR0010114371	EUR	20,082,322	20	15	24-Sep-24		Luxembourg
FR0010115741	EUR	28,500,000	29	29	30-Sep-14		Luxembourg
FR0010120519	EUR	65,000,000	65	65	21-Oct-19	21-Oct-14	Luxembourg
FR0010125732	EUR	100,000,000	100	100	11-Oct-19		Luxembourg

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call option date	Stock exchange
			EUR millions				
FR0010130435	EUR	200,000,000	200	200	2-Dec-19		Luxembourg
FR0010133645	EUR	100,000,000	100	100	14-Jan-15		Luxembourg
FR0010133645	EUR	75,000,000	75	75	14-Jan-15		Luxembourg
FR0010134577	EUR	120,000,000	120	120	3-Dec-24		Luxembourg
FR0010137489	EUR	50,000,000	50	50	6-Dec-14		Luxembourg
FR0010160911	EUR	20,000,000	20	20	28-Jan-25		Luxembourg
FR0010163394	EUR	230,000,000	222	230	10-Feb-25		Luxembourg
FR0010165696	EUR	60,000,000	60	60	17-Feb-20		Luxembourg
FR0010167304	EUR	50,000,000	50	50	7-Mar-20		Luxembourg
FR0010167312	EUR	50,000,000	50	50	2-Mar-20		Unlisted
FR0010170589	EUR	31,000,000	31	31	10-Mar-20		Unlisted
FR0010170597	EUR	30,000,000	30	30	15-Mar-20		Luxembourg
FR0010170696	EUR	20,000,000	20	20	4-Mar-20		Luxembourg
FR0010172031	EUR	50,000,000	50	50	11-Mar-20		Luxembourg
FR0010172106	EUR	30,000,000	30	30	14-Mar-17		Luxembourg
FR0010173716	EUR	100,000,000	100	100	23-Mar-15		Luxembourg
FR0010173765	EUR	75,000,000	75	75	15-Jul-15		Luxembourg
FR0010175844	EUR	140,000,000	140	140	24-Mar-20		Unlisted
FR0010175869	EUR	76,000,000	76	76	30-Mar-20		Unlisted
FR0010178467	EUR	35,000,000	35	35	22-Apr-15		Luxembourg
FR0010185892	EUR	100,000,000	100	100	29-Apr-22		Luxembourg
FR0010186163	EUR	155,000,000	155	155	6-May-20		Luxembourg
FR0010190066	EUR	100,000,000	100	100	6-May-22		Luxembourg
FR0010190181	EUR	25,000,000	25	25	20-May-20		Luxembourg
FR0010190199	EUR	150,000,000	150	150	27-Apr-20		Luxembourg
FR0010190231	EUR	100,000,000	100	100	13-May-22		Luxembourg
FR0010190264	EUR	25,000,000	25	25	20-May-20		Luxembourg
FR0010194506	EUR	100,000,000	100	100	20-May-22		Luxembourg
FR0010194522	EUR	60,000,000	60	60	19-May-20		Luxembourg
FR0010199984	EUR	10,000,000	10	10	8-Jun-20		Luxembourg
FR0010208587	EUR	10,000,000	10	10	24-Jun-20		Luxembourg
FR0010209940	EUR	15,000,000	15	15	29-Jun-20		Luxembourg
FR0010210005	EUR	10,000,000	10	10	6-Jul-20		Luxembourg
FR0010212977	EUR	22,000,000	22	22	8-Aug-25		Luxembourg
FR0010224402	EUR	50,000,000	50	50	8-Sep-20		Luxembourg
FR0010224410	EUR	50,000,000	50	50	8-Sep-20		Luxembourg
FR0010231357	EUR	1,000,000,000	998	1,000	15-Sep-15		Luxembourg
FR0010231357	EUR	500,000,000	494	500	15-Sep-15		Luxembourg
FR0010231357	EUR	500,000,000	488	500	15-Sep-15		Luxembourg
FR0010231357	EUR	391,500,000	381	392	15-Sep-15		Luxembourg
FR0010231357	EUR	65,000,000	62	65	15-Sep-15		Luxembourg
FR0010235366	EUR	30,000,000	30	30	17-Oct-15	17-Jan-13	Luxembourg
FR0010237032	EUR	50,000,000	50	50	27-Sep-13		Unlisted
FR0010237081	EUR	55,000,000	55	55	3-Oct-20		Luxembourg
FR0010245738	EUR	30,000,000	30	30	26-Oct-22		Unlisted
FR0010248609	EUR	100,000,000	100	100	16-Nov-15		Luxembourg
FR0010248658	EUR	100,000,000	100	100	21-Dec-15		Luxembourg
FR0010249565	EUR	13,377,860	13	13	14-Nov-25	16-Nov-15	Luxembourg
FR0010261412	EUR	277,500,000	278	278	15-Dec-20		Luxembourg
FR0010261412	EUR	155,500,000	156	156	15-Dec-20		Luxembourg
FR0010261412	EUR	100,000,000	100	100	15-Dec-20		Luxembourg
FR0010261412	EUR	98,500,000	99	99	15-Dec-20		Luxembourg
FR0010261412	EUR	35,000,000	35	35	15-Dec-20		Luxembourg
FR0010261412	EUR	20,000,000	19	20	15-Dec-20		Luxembourg
FR0010261412	EUR	30,000,000	29	30	15-Dec-20		Luxembourg
FR0010261529	EUR	50,000,000	50	50	4-Jan-26		Luxembourg
FR0010264093	EUR	50,000,000	50	50	12-Mar-13		Unlisted
FR0010265306	EUR	11,000,000	11	11	28-Jan-13		Unlisted

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Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call option date	Stock exchange
			EUR millions				
FR0010265488	EUR	100,000,000	100	100	5-Jan-26	5-Jan-16	Luxembourg
FR0010279109	EUR	37,462,985	37	37	24-Jan-34		Luxembourg
FR0010289322	EUR	21,500,000	22	22	16-Feb-26		Unlisted
FR0010289397	EUR	15,000,000	15	15	16-Feb-26		Luxembourg
FR0010297242	EUR	100,000,000	100	100	20-Mar-26		Luxembourg
FR0010301796	EUR	15,000,000	15	15	23-Mar-16		Luxembourg
FR0010306068	EUR	50,000,000	50	50	16-Jan-13		Unlisted
FR0010306373	EUR	4,900,000	5	5	31-Mar-16		Luxembourg
FR0010306456	EUR	10,000,000	10	10	7-Apr-25		Unlisted
FR0010306472	EUR	10,000,000	10	10	6-Apr-20		Unlisted
FR0010306480	EUR	20,000,000	20	20	6-Apr-20		Unlisted
FR0010306498	EUR	10,000,000	10	10	7-Apr-25		Unlisted
FR0010306506	EUR	5,000,000	5	5	7-Apr-26		Unlisted
FR0010306514	EUR	5,000,000	5	5	6-Apr-27		Unlisted
FR0010306522	EUR	5,000,000	5	5	5-Apr-30		Unlisted
FR0010306605	EUR	50,000,000	50	50	19-Apr-18		Luxembourg
FR0010318410	EUR	50,000,000	50	50	24-Apr-26		Unlisted
FR0010322792	EUR	65,000,000	65	65	5-May-36		Luxembourg
FR0010333534	EUR	60,000,000	60	60	9-Jun-16		Luxembourg
FR0010342378	EUR	10,000,000	10	10	21-Jun-21		Luxembourg
FR0010342519	EUR	10,000,000	10	10	12-Jul-18		Luxembourg
FR0010347625	EUR	50,000,000	50	50	26-Apr-13		Unlisted
FR0010347815	EUR	50,000,000	50	50	7-Oct-15		Unlisted
FR0010359729	EUR	50,000,000	50	50	27-Feb-13		Unlisted
FR0010359943	EUR	100,000,000	100	100	16-Aug-18		Luxembourg
FR0010363325	EUR	200,000,000	200	200	22-Aug-22		Luxembourg
FR0010363325	EUR	31,000,000	31	31	22-Aug-22		Luxembourg
FR0010363457	EUR	20,000,000	20	20	25-Aug-16		Luxembourg
FR0010363473	EUR	50,000,000	50	50	23-Sep-15		Unlisted
FR0010369231	EUR	50,000,000	50	50	11-May-16		Unlisted
FR0010369306	EUR	891,473,000	891	891	12-Mar-14		Luxembourg
FR0010369306	EUR	250,000,000	248	250	12-Mar-14		Luxembourg
FR0010369306	EUR	200,000,000	200	200	12-Mar-14		Luxembourg
FR0010369306	EUR	150,000,000	150	150	12-Mar-14		Luxembourg
FR0010369306	EUR	150,000,000	149	150	12-Mar-14		Luxembourg
FR0010369306	EUR	150,000,000	150	150	12-Mar-14		Luxembourg
FR0010369306	EUR	30,000,000	30	30	12-Mar-14		Luxembourg
FR0010369330	EUR	50,000,000	50	50	27-Sep-18		Luxembourg
FR0010369546	EUR	50,000,000	50	50	3-Oct-21		Luxembourg
FR0010369645	EUR	30,000,000	30	30	20-Sep-18		Unlisted
FR0010379073	EUR	50,000,000	50	50	10-Oct-21		Luxembourg
FR0010379081	EUR	50,000,000	50	50	27-Feb-15		Unlisted
FR0010385930	EUR	50,000,000	50	50	27-Oct-21		Unlisted
FR0010386078	EUR	50,000,000	50	50	7-Nov-16		Luxembourg
FR0010386086	EUR	55,000,000	55	55	7-Nov-16		Luxembourg
FR0010391110	EUR	12,000,000	12	12	21-Nov-18		Luxembourg
FR0010391334	EUR	51,300,000	51	51	6-Nov-13		Luxembourg
FR0010398115	EUR	1,000,000,000	998	1,000	24-Nov-16		Luxembourg
FR0010398115	EUR	30,000,000	29	30	24-Nov-16		Luxembourg
FR0010398115	EUR	25,000,000	24	25	24-Nov-16		Luxembourg
FR0010412577	EUR	10,000,000	10	10	29-Dec-21		Luxembourg
FR0010412684	EUR	100,000,000	100	100	9-Jan-17		Luxembourg
FR0010422972	EUR	50,000,000	50	50	30-Jan-13		Unlisted
FR0010428003	EUR	20,500,000	21	21	15-Feb-22		Luxembourg
FR0010428185	EUR	1,000,000,000	998	1,000	7-Feb-19		Luxembourg
FR0010428185	EUR	150,000,000	147	150	7-Feb-19		Luxembourg
FR0010428185	EUR	150,000,000	147	150	7-Feb-19		Luxembourg
FR0010428185	EUR	20,000,000	19	20	7-Feb-19		Luxembourg

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Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call option date	Stock exchange
			EUR millions				
FR0010428185	EUR	125,000,000	120	125	7-Feb-19		Luxembourg
FR0010428185	EUR	150,000,000	148	150	7-Feb-19		Luxembourg
FR0010428185	EUR	25,000,000	24	25	7-Feb-19		Luxembourg
FR0010428185	EUR	200,000,000	202	200	7-Feb-19		Luxembourg
FR0010451948	EUR	100,000,000	100	100	26-Jul-13		Unlisted
FR0010455147	EUR	20,000,000	20	20	20-Mar-14		Unlisted
FR0010459230	EUR	44,400,000	44	44	20-Jun-14		Luxembourg
FR0010469809	EUR	19,300,000	19	19	20-Jun-14		Luxembourg
FR0010470914	EUR	20,000,000	20	20	20-Mar-14		Unlisted
FR0010492025	EUR	1,195,800,000	1,194	1,196	3-Jul-17		Luxembourg
FR0010492025	EUR	150,000,000	149	150	3-Jul-17		Luxembourg
FR0010492025	EUR	20,000,000	20	20	3-Jul-17		Luxembourg
FR0010492025	EUR	30,000,000	30	30	3-Jul-17		Luxembourg
FR0010500413	EUR	50,000,000	50	50	17-Jan-17		Unlisted
FR0010501825	EUR	200,000,000	200	200	20-Jul-22		Luxembourg
FR0010504761	EUR	45,000,000	45	45	2-Aug-32		Luxembourg
FR0010505008	EUR	50,000,000	50	50	27-Apr-16		Unlisted
FR0010524488	EUR	50,000,000	50	50	27-Feb-17		Unlisted
FR0010526962	EUR	50,000,000	50	50	13-Feb-15		Unlisted
FR0010539734	EUR	1,468,000,000	1,463	1,468	13-Nov-17		Luxembourg
FR0010581520	EUR	1,827,734,000	1,828	1,828	5-Jun-13		Luxembourg
FR0010584581	EUR	10,000,000	10	10	21-Feb-18		Luxembourg
FR0010594374	EUR	47,500,000	48	48	8-Aug-25		Luxembourg
FR0010611491	EUR	1,000,000,000	999	1,000	27-Apr-15		Luxembourg
FR0010614644	EUR	50,000,000	50	50	16-May-23		Luxembourg
FR0010631762	EUR	153,000,000	153	153	26-Jun-23		Luxembourg
FR0010634527	EUR	300,000,000	300	300	13-Jan-14		Luxembourg
FR0010646216	EUR	10,000,000	10	10	22-Jul-13		Luxembourg
FR0010753814	EUR	32,000,000	32	32	10-Sep-14		Luxembourg
FR0010760769	EUR	10,500,000	11	11	22-May-29	22-May-19	Luxembourg
FR0010762039	EUR	1,500,000,000	1,499	1,500	2-Jun-21		Luxembourg
FR0010762039	EUR	150,000,000	158	150	2-Jun-21		Luxembourg
FR0010766923	EUR	10,000,000	10	10	7-Mar-26		Luxembourg
FR0010775486	EUR	2,000,000,000	1,998	2,000	8-Jul-24		Luxembourg
FR0010781591	EUR	15,000,000	15	15	16-Feb-26		Unlisted
FR0010801068	EUR	1,000,000,000	1,000	1,000	16-Sep-16		Luxembourg
FR0010801068	EUR	750,000,000	750	750	16-Sep-16		Luxembourg
FR0010801068	EUR	250,000,000	253	250	16-Sep-16		Luxembourg
FR0010806752	EUR	25,000,000	25	25	29-Mar-19		Luxembourg
FR0010810408	EUR	100,000,000	100	100	7-Oct-14		Luxembourg
FR0010810424	EUR	50,000,000	50	50	7-Oct-19		Luxembourg
FR0010821074	EUR	10,000,000	10	10	12-Nov-18		Luxembourg
FR0010840108	EUR	150,000,000	150	150	23-Dec-24		Luxembourg
FR0010850982	EUR	1,000,000,000	999	1,000	26-Jan-22		Luxembourg
FR0010850982	EUR	500,000,000	518	500	26-Jan-22		Luxembourg
FR0010850982	EUR	200,000,000	197	200	26-Jan-22		Luxembourg
FR0010850982	EUR	200,000,000	193	200	26-Jan-22		Luxembourg
FR0010857797	EUR	100,000,000	100	100	16-Feb-18		Luxembourg
FR0010859777	EUR	1,000,000,000	997	1,000	26-Feb-18		Luxembourg
FR0010859777	EUR	300,000,000	296	300	26-Feb-18		Luxembourg
FR0010878264	EUR	15,000,000	15	15	26-Mar-19		Luxembourg
FR0010888420	EUR	1,000,000,000	997	1,000	20-Jul-15		Luxembourg
FR0010888420	EUR	200,000,000	201	200	20-Jul-15		Luxembourg
FR0010898338	EUR	300,000,000	300	300	21-May-20		Luxembourg
FR0010912824	EUR	200,000,000	200	200	21-Jun-20		Luxembourg
FR0010921601	EUR	50,000,000	50	50	20-Jul-15		Luxembourg
FR0010923920	EUR	10,000,000	10	10	23-Jul-25		Luxembourg
FR0010925073	EUR	24,000,000	24	24	27-Jul-29		Luxembourg

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Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call option date	Stock exchange
			EUR millions				
FR0010945956	EUR	1,250,000,000	1,250	1,250	25-Jan-16		Luxembourg - Paris
FR0010945964	EUR	705,848,000	700	706	24-Sep-20		Luxembourg - Paris
FR0010945964	EUR	300,000,000	281	300	24-Sep-20		Luxembourg - Paris
FR0010945964	EUR	200,000,000	188	200	24-Sep-20		Luxembourg - Paris
FR0010963859	EUR	11,000,000	11	11	2-Dec-25		Luxembourg
FR0010998039	EUR	1,000,000,000	992	1,000	26-Jan-21		Luxembourg - Paris
FR0010998039	EUR	300,000,000	296	300	26-Jan-21		Luxembourg - Paris
FR0010998039	EUR	150,000,000	147	150	26-Jan-21		Luxembourg - Paris
FR0010998039	EUR	300,000,000	300	300	26-Jan-21		Luxembourg - Paris
FR0010998039	EUR	250,000,000	251	250	26-Jan-21		Luxembourg - Paris
FR0011006907	EUR	67,000,000	67	67	15-Feb-23		Luxembourg
FR0011019462	EUR	12,000,000	12	12	29-Mar-21		Luxembourg
FR0011037977	EUR	10,000,000	10	10	19-Apr-16		Luxembourg
FR0011049782	EUR	1,000,000,000	997	1,000	18-May-16		Luxembourg - Paris
FR0011053222	EUR	450,000,000	450	450	1-Feb-16		Luxembourg
FR0011072826	EUR	250,000,000	249	250	3-Jul-23		Luxembourg
TOTAL	**EUR**	**44,135,422,166**	**44,030**	**44,130**			
FR0000470775	GBP	189,000,000	232	300	22-Nov-17		Unlisted
FR0000486581	GBP	125,000,000	153	205	16-Jul-26		Luxembourg
FR0000487738	GBP	215,000,000	264	345	14-Dec-16		Unlisted
FR0010306803	GBP	100,000,000	123	143	19-Apr-16		Luxembourg
TOTAL	**GBP**	**629,000,000**	**772**	**993**			
FR0000471195	HKD	200,000,000	20	26	5-Dec-17		Luxembourg
TOTAL	**HKD**	**200,000,000**	**20**	**26**			
FR0000486821	JPY	3,000,000,000	26	28	8-Aug-16		Luxembourg
FR0010199802	JPY	10,000,000,000	88	74	14-Jun-17		Unlisted
FR0010225433	JPY	10,000,000,000	88	74	1-Sep-20		Unlisted
FR0010279240	JPY	1,000,000,000	9	7	30-Jan-26		Unlisted
FR0010333526	JPY	600,000,000	5	4	1-Jun-21	1-Jun-13	Unlisted
FR0010347930	JPY	5,000,000,000	44	34	20-Jul-21		Unlisted
FR0010386128	JPY	50,000,000,000	438	336	31-Oct-13		Luxembourg
FR0010412742	JPY	5,000,000,000	44	32	18-Jan-17		Unlisted
FR0010437343	JPY	2,000,000,000	18	13	26-Mar-14		Unlisted
FR0010466086	JPY	1,100,000,000	10	7	26-Mar-14		Unlisted
FR0010468652	JPY	50,000,000,000	438	308	9-May-17		Luxembourg
FR0010469817	JPY	7,600,000,000	67	47	20-Jun-14		Luxembourg
FR0010526475	JPY	5,000,000,000	44	31	18-Oct-17		Unlisted
FR0010629592	JPY	5,000,000,000	44	31	25-Jun-18		Unlisted
TOTAL	**JPY**	**155,300,000,000**	**1,359**	**1,025**			
FR0011006642	NOK	500,000,000	68	64	18-Feb-21		Luxembourg
FR0011056654	NOK	500,000,000	68	64	7-Jun-21		Luxembourg
TOTAL	**NOK**	**1,000,000,000**	**136**	**128**			
FR0010306548	PLN	32,830,810	8	8	12-Apr-25		Unlisted
TOTAL	**PLN**	**32,830,810**	**8**	**8**			
FR0010636423	SEK	1,000,000,000	116	106	29-Jun-15		Luxembourg
FR0010640557	SEK	333,000,000	39	35	8-Jul-15		Luxembourg
TOTAL	**SEK**	**1,333,000,000**	**155**	**142**			
FR0000470239	USD	20,000,000	15	20	12-Sep-17		Luxembourg
FR0010096982	USD	139,200,000	105	115	1-Jul-19		Luxembourg
FR0010130476	USD	127,920,000	97	100	17-Nov-14		Unlisted
FR0010261511	USD	100,000,000	76	85	9-Dec-13		Unlisted
FR0010289488	USD	300,000,000	227	249	30-Jan-14		Unlisted
FR0010306563	USD	200,000,000	151	167	25-Apr-14		Unlisted
FR0010322826	USD	61,800,000	47	50	10-Jun-13		Luxembourg
FR0010363507	USD	100,000,000	76	79	25-Mar-15		Unlisted
FR0010422980	USD	24,020,000	18	19	24-Mar-14		Unlisted
FR0010422980	USD	10,000,000	8	7	24-Mar-14		Unlisted
FR0010437368	USD	895,000,000	676	687	16-Feb-17		Luxembourg

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Obligations foncières ISIN code	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call option date	Stock exchange
			EUR millions				
FR0010452805	USD	100,000,000	76	75	27-Mar-13		Unlisted
FR0010487108	USD	30,000,000	23	22	24-Jun-14		Unlisted
FR0010491597	USD	40,000,000	30	30	20-Jun-14		Luxembourg
FR0010568758	USD	300,000,000	227	204	31-Dec-15		Unlisted
FR0010571109	USD	200,000,000	151	135	18-Dec-17		Unlisted
FR0010572552	USD	250,000,000	189	168	22-Jan-18		Luxembourg
FR0010584805	USD	200,000,000	151	138	15-Feb-13		Unlisted
FR0010611400	USD	51,323,497	39	34	30-Apr-38	30-Apr-13	Luxembourg
FR0010953836	USD	33,087,601	25	24	26-Oct-40	26-Oct-15	Luxembourg
XS0211544746	USD	75,000,000	57	58	4-Mar-15		Luxembourg
XS0211544746	USD	50,000,000	38	42	4-Mar-15		Luxembourg
TOTAL	**USD**	**3,307,351,098**	**2,501**	**2,507**			
TOTAL *OBLIGATIONS FONCIÈRES*			**52,738**	**51,965**			

Registered covered bonds	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call option date	Stock exchange
			EUR millions				
RCB 1	EUR	37,735,849	38	38	15-Aug-24		Unlisted
RCB 2	EUR	26,829,268	27	27	15-Aug-33		Unlisted
RCB 3	EUR	26,190,476	26	26	15-Nov-33		Unlisted
RCB 4	EUR	21,951,220	22	22	15-Aug-33		Unlisted
RCB 5	EUR	21,428,571	21	21	15-Nov-33		Unlisted
RCB 6	EUR	37,735,849	38	38	15-Feb-24		Unlisted
RCB 7	EUR	15,000,000	15	15	15-May-25		Unlisted
RCB 8	EUR	28,947,368	29	29	15-Feb-33		Unlisted
RCB 9	EUR	27,500,000	27	28	16-May-33		Unlisted
RCB 10	EUR	23,684,211	24	24	15-Feb-33		Unlisted
RCB 11	EUR	22,500,000	23	23	16-May-33		Unlisted
RCB 12	EUR	37,735,849	38	38	15-May-24		Unlisted
RCB 13	EUR	37,735,849	38	38	15-Nov-24		Unlisted
RCB 14	EUR	15,000,000	15	15	17-Feb-25		Unlisted
RCB 15	EUR	15,000,000	15	15	15-Aug-25		Unlisted
RCB 16	EUR	15,000,000	15	15	17-Nov-25		Unlisted
RCB 17	EUR	21,000,000	21	21	21-Oct-41	21-Oct-16	Unlisted
RCB 18	EUR	10,000,000	10	10	24-Oct-16		Unlisted
RCB 19	EUR	100,000,000	100	100	6-Nov-23		Unlisted
RCB 20	EUR	30,000,000	30	30	6-Nov-24		Unlisted
RCB 21	EUR	15,000,000	15	15	26-Nov-29		Unlisted
RCB 22	EUR	15,000,000	15	15	26-Nov-29		Unlisted
RCB 23	EUR	15,000,000	15	15	22-Nov-21		Unlisted
RCB 24	EUR	10,000,000	10	10	17-Jan-24		Unlisted
RCB 25	EUR	50,000,000	50	50	17-Jan-24		Unlisted
RCB 26	EUR	15,000,000	15	15	22-Jan-27		Unlisted
RCB 27	EUR	50,000,000	50	50	15-Feb-27		Unlisted
RCB 28	EUR	50,000,000	50	50	15-Feb-27		Unlisted
RCB 29	EUR	50,000,000	50	50	26-Feb-27		Unlisted
RCB 30	EUR	50,000,000	50	50	26-Feb-27		Unlisted
RCB 31	EUR	20,000,000	20	20	28-Feb-17		Unlisted
RCB 32	EUR	10,000,000	10	10	17-Mar-42	17-Mar-17	Unlisted
RCB 33	EUR	10,000,000	10	10	17-Mar-42	17-Mar-17	Unlisted
RCB 34	EUR	20,000,000	20	20	16-Apr-17		Unlisted
RCB 35	EUR	10,000,000	10	10	23-Apr-27		Unlisted
RCB 36	EUR	20,000,000	20	20	24-Apr-17		Unlisted
RCB 37	EUR	15,000,000	15	15	9-May-42	9-May-17	Unlisted
RCB 38	EUR	15,000,000	15	15	9-May-42	9-May-17	Unlisted
RCB 39	EUR	20,000,000	20	20	25-May-27		Unlisted
RCB 40	EUR	15,000,000	15	15	4-Jun-27		Unlisted

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Registered covered bonds	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call option date	Stock exchange
			EUR millions				
RCB 41	EUR	10,000,000	10	10	12-Jun-17		Unlisted
RCB 42	EUR	10,000,000	10	10	12-Jun-17		Unlisted
RCB 43	EUR	2,000,000	2	2	12-Jun-17		Unlisted
RCB 44	EUR	50,000,000	50	50	11-Jun-27		Unlisted
RCB 45	EUR	50,000,000	50	50	11-Jun-27		Unlisted
RCB 46	EUR	20,000,000	20	20	28-Nov-17		Unlisted
RCB 47	EUR	10,000,000	10	10	28-Nov-17		Unlisted
RCB 48	EUR	10,000,000	10	10	26-Jun-17		Unlisted
RCB 49	EUR	10,000,000	10	10	26-Jun-17		Unlisted
RCB 50	EUR	10,000,000	10	10	9-Jul-27		Unlisted
RCB 51	EUR	75,000,000	75	75	14-Aug-26		Unlisted
RCB 52	EUR	10,000,000	10	10	23-Oct-47	23-Oct-17	Unlisted
RCB 53	EUR	1,000,000	1	1	23-Oct-47	23-Oct-17	Unlisted
RCB 54	EUR	1,500,000	2	2	23-Oct-47	23-Oct-17	Unlisted
RCB 55	EUR	1,500,000	2	2	23-Oct-47	23-Oct-17	Unlisted
RCB 56	EUR	1,000,000	1	1	23-Oct-47	23-Oct-17	Unlisted
RCB 57	EUR	20,000,000	20	20	19-Nov-47	16-Nov-17	Unlisted
RCB 58	EUR	10,000,000	10	10	19-Nov-47	16-Nov-17	Unlisted
RCB 59	EUR	1,000,000	1	1	19-Nov-47	16-Nov-17	Unlisted
RCB 60	EUR	25,000,000	25	25	7-Dec-47	7-Dec-17	Unlisted
RCB 61	EUR	25,000,000	25	25	7-Dec-47	7-Dec-17	Unlisted
RCB 62	EUR	11,000,000	11	11	14-Jan-48	14-Jan-18	Unlisted
RCB 63	EUR	5,000,000	5	5	14-Jan-48	14-Jan-18	Unlisted
RCB 64	EUR	2,000,000	2	2	14-Jan-48	14-Jan-18	Unlisted
RCB 65	EUR	2,000,000	2	2	14-Jan-48	14-Jan-18	Unlisted
RCB 66 tranche 1	EUR	15,000,000	15	15	24-Jan-48	24-Jan-18	Unlisted
RCB 66 tranche 2	EUR	5,000,000	5	5	24-Jan-48	24-Jan-18	Unlisted
RCB 67	EUR	10,000,000	10	10	24-Jan-48		Unlisted
RCB 68	EUR	10,000,000	10	10	7-Feb-48	7-Feb-18	Unlisted
RCB 69 ZC	EUR	6,061,341	6	6	15-May-28		Unlisted
RCB 70	EUR	10,000,000	10	10	20-May-48	20-May-18	Unlisted
RCB 71	EUR	10,000,000	10	10	20-May-48	20-May-18	Unlisted
RCB 72	EUR	10,000,000	10	10	16-Jun-23		Unlisted
RCB 74	EUR	20,000,000	20	20	19-Jun-48	19-Jun-18	Unlisted
RCB 73	EUR	50,000,000	50	50	23-Jun-20		Unlisted
RCB 75	EUR	50,000,000	50	50	30-Jul-18		Unlisted
RCB 76	EUR	25,000,000	25	25	6-Aug-25		Unlisted
RCB 77	EUR	20,000,000	20	20	16-Dec-23	16-Dec-14	Unlisted
RCB 78	EUR	10,000,000	10	10	11-Dec-23		Unlisted
RCB 79	EUR	20,000,000	20	20	11-Dec-23		Unlisted
RCB 80	EUR	15,000,000	15	15	20-Dec-24		Unlisted
RCB 81	EUR	5,000,000	5	5	25-Feb-29	25-Feb-19	Unlisted
RCB 82	EUR	1,000,000	1	1	25-Feb-29	25-Feb-19	Unlisted
RCB 83	EUR	14,000,000	14	14	25-Feb-29	25-Feb-19	Unlisted
RCB 84	EUR	2,000,000	2	2	5-Mar-27	5-Mar-18	Unlisted
RCB 85	EUR	10,000,000	10	10	5-Mar-27	5-Mar-18	Unlisted
RCB 86	EUR	8,000,000	8	8	5-Mar-27	5-Mar-18	Unlisted
RCB 87	EUR	20,000,000	20	20	5-Mar-19		Unlisted
RCB 88	EUR	10,000,000	10	10	5-Mar-19		Unlisted
RCB 89	EUR	20,000,000	20	20	17-Mar-26	17-Mar-19	Unlisted
RCB 90	EUR	65,200,000	65	65	1-Apr-24		Unlisted
RCB 91	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 92	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 93	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 94	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 95	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 96	EUR	5,000,000	5	5	8-Apr-22		Unlisted
RCB 97	EUR	50,000,000	50	50	22-Apr-26		Unlisted

** Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Registered covered bonds	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call option date	Stock exchange
			EUR millions				
RCB 98	EUR	10,000,000	10	10	22-Apr-26		Unlisted
RCB 99	EUR	50,000,000	50	50	6-May-22		Unlisted
RCB 100	EUR	50,000,000	50	50	5-May-23		Unlisted
RCB 101	EUR	25,000,000	25	25	5-May-23		Unlisted
RCB 102	EUR	10,000,000	10	10	5-May-23		Unlisted
RCB 103	EUR	50,000,000	50	50	19-May-26		Unlisted
RCB 104	EUR	50,000,000	50	50	19-May-25		Unlisted
RCB 105	EUR	20,000,000	20	20	19-May-26		Unlisted
RCB 106	EUR	20,000,000	20	20	19-May-25		Unlisted
RCB 107	EUR	10,000,000	10	10	19-May-26		Unlisted
RCB 108	EUR	50,000,000	50	50	28-May-27		Unlisted
RCB 109	EUR	25,000,000	25	25	28-May-27		Unlisted
RCB 110	EUR	50,000,000	50	50	26-May-28		Unlisted
RCB 111	EUR	50,000,000	50	50	9-Jun-23		Unlisted
RCB 112	EUR	25,000,000	25	25	9-Jun-23		Unlisted
RCB 113	EUR	15,000,000	15	15	9-Jun-23		Unlisted
RCB 114	EUR	50,000,000	50	50	24-Jun-19		Unlisted
RCB 115	EUR	10,000,000	10	10	24-Jun-19		Unlisted
RCB 116	EUR	50,000,000	50	50	8-Jul-26		Unlisted
RCB 117	EUR	25,000,000	25	25	8-Jul-26		Unlisted
RCB 118	EUR	10,000,000	10	10	8-Jul-26		Unlisted
RCB 119	EUR	50,000,000	50	50	10-Jul-28		Unlisted
RCB 120	EUR	25,000,000	25	25	10-Jul-28		Unlisted
RCB 121	EUR	10,000,000	10	10	10-Jul-28		Unlisted
RCB 122	EUR	20,000,000	20	20	10-Jul-28		Unlisted
RCB 123	EUR	10,000,000	10	10	21-Jul-25		Unlisted
RCB 124	EUR	15,000,000	15	15	21-Jul-25		Unlisted
RCB 125	EUR	50,000,000	50	50	22-Jul-27		Unlisted
RCB 126	EUR	10,000,000	10	10	22-Jul-27		Unlisted
RCB 127	EUR	20,000,000	20	20	20-Jul-29		Unlisted
RCB 128	EUR	15,000,000	15	15	29-Jul-27		Unlisted
RCB 129	EUR	10,000,000	10	10	29-Jul-27		Unlisted
RCB 130	EUR	10,000,000	10	10	31-Jul-23		Unlisted
RCB 131	EUR	15,000,000	15	15	30-Jul-26		Unlisted
RCB 132	EUR	10,000,000	10	10	30-Jul-27		Unlisted
RCB 133	EUR	10,000,000	10	10	12-Aug-24		Unlisted
RCB 134	EUR	50,000,000	50	50	12-Aug-27		Unlisted
RCB 135	EUR	50,000,000	50	50	14-Aug-28		Unlisted
RCB 136	EUR	25,000,000	25	25	14-Aug-28		Unlisted
RCB 137	EUR	15,000,000	15	15	14-Aug-28		Unlisted
RCB 138	EUR	10,000,000	10	10	14-Aug-28		Unlisted
RCB 139	EUR	15,000,000	15	15	14-Aug-24		Unlisted
RCB 140	EUR	10,000,000	10	10	23-Sep-26		Unlisted
RCB 141	EUR	50,000,000	50	50	27-Aug-29		Unlisted
RCB 142	EUR	25,000,000	25	25	27-Aug-29		Unlisted
RCB 143	EUR	50,000,000	50	50	31-Aug-29		Unlisted
RCB 144	EUR	50,000,000	50	50	31-Aug-29		Unlisted
RCB 145	EUR	50,000,000	50	50	31-Aug-29		Unlisted
RCB 146	EUR	5,500,000	6	6	30-Aug-24		Unlisted
RCB 147	EUR	14,500,000	15	15	7-Sep-29		Unlisted
RCB 148	EUR	15,000,000	15	15	14-Sep-21		Unlisted
RCB 149	EUR	50,000,000	50	50	14-Sep-27		Unlisted
RCB 150	EUR	15,000,000	15	15	14-Sep-27		Unlisted
RCB 151	EUR	10,000,000	10	10	14-Sep-27		Unlisted
RCB 152	EUR	5,000,000	5	5	14-Sep-27		Unlisted
RCB 153	EUR	20,000,000	20	20	16-Sep-24		Unlisted
RCB 154	EUR	10,000,000	10	10	17-Sep-29		Unlisted
RCB 155	EUR	5,000,000	5	5	17-Sep-29		Unlisted

** Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Registered covered bonds	Currency	Nominal amount in foreign currency	Balance	Redemption value *	Final due date	Next call option date	Stock exchange
			EUR millions				
RCB 156	EUR	20,000,000	20	20	24-Sep-31		Unlisted
RCB 157	EUR	20,000,000	20	20	26-Sep-33		Unlisted
RCB 158	EUR	10,000,000	10	10	9-Oct-24		Unlisted
RCB 159	EUR	5,000,000	5	5	9-Oct-24		Unlisted
RCB 160	EUR	10,000,000	10	10	22-Oct-24		Unlisted
RCB 161	EUR	20,000,000	20	20	25-Oct-21		Unlisted
RCB 162	EUR	8,000,000	8	8	26-Oct-29		Unlisted
RCB 163	EUR	15,000,000	15	15	21-Dec-28		Unlisted
RCB 164	EUR	10,000,000	10	10	24-May-17		Unlisted
RCB 165	EUR	30,000,000	30	30	21-Jan-30		Unlisted
RCB 166	EUR	100,000,000	100	100	28-Jan-30		Unlisted
RCB 167	EUR	15,000,000	15	15	28-Jan-30		Unlisted
RCB 168	EUR	50,000,000	50	50	28-Jan-30		Unlisted
RCB 169	EUR	25,000,000	25	25	28-Jan-30		Unlisted
RCB 170	EUR	110,000,000	107	110	18-Feb-28		Unlisted
RCB 172	EUR	10,000,000	10	10	26-Feb-30		Unlisted
RCB 173	EUR	5,000,000	5	5	26-Feb-30		Unlisted
RCB 171	EUR	10,000,000	10	10	27-Dec-33	27-Dec-23	Unlisted
RCB 174	EUR	30,000,000	30	30	26-Feb-30		Unlisted
RCB 175	EUR	15,000,000	15	15	26-Feb-30		Unlisted
RCB 176	EUR	20,000,000	20	20	1-Apr-30		Unlisted
RCB 177	EUR	20,000,000	20	20	1-Apr-30		Unlisted
RCB 178	EUR	7,000,000	7	7	3-May-29		Unlisted
RCB 179	EUR	3,000,000	3	3	3-May-29		Unlisted
RCB 180	EUR	5,000,000	5	5	4-Jun-40	4-Jun-20	Unlisted
RCB 181	EUR	10,000,000	10	10	11-Jun-25		Unlisted
RCB 182	EUR	1,000,000	1	1	11-Jun-25		Unlisted
RCB 183	EUR	1,000,000	1	1	11-Jun-25		Unlisted
RCB 184	EUR	10,000,000	10	10	16-Sep-32		Unlisted
RCB 185	EUR	10,000,000	10	10	20-Mar-29		Unlisted
RCB 186	EUR	10,000,000	10	10	28-Feb-21		Unlisted
RCB 187	EUR	40,000,000	40	40	28-Feb-31		Unlisted
RCB 188	EUR	4,000,000	4	4	28-Feb-31		Unlisted
RCB 189	EUR	3,000,000	3	3	28-Feb-31		Unlisted
RCB 190	EUR	27,500,000	28	28	28-Feb-31		Unlisted
RCB 191	EUR	1,000,000	1	1	28-Feb-31		Unlisted
RCB 192	EUR	23,000,000	23	23	28-Feb-31		Unlisted
RCB 193	EUR	28,000,000	28	28	28-Feb-31		Unlisted
RCB 194	EUR	20,000,000	20	20	28-Feb-31		Unlisted
RCB 195	EUR	2,000,000	2	2	28-Feb-31		Unlisted
RCB 196	EUR	500,000	1	1	28-Feb-31		Unlisted
RCB 197	EUR	1,000,000	1	1	28-Feb-31		Unlisted
RCB 198	EUR	10,000,000	10	10	29-Mar-21		Unlisted
RCB 199	EUR	5,000,000	5	5	17-Mar-31		Unlisted
RCB 200	EUR	5,000,000	5	5	17-Mar-31		Unlisted
RCB 201	EUR	10,000,000	10	10	31-Mar-21		Unlisted
RCB 202	EUR	5,000,000	5	5	7-Apr-26		Unlisted
RCB 203	EUR	5,000,000	5	5	7-Apr-26		Unlisted
RCB 204	EUR	5,000,000	5	5	7-Apr-31		Unlisted
RCB 205	EUR	5,000,000	5	5	7-Apr-31		Unlisted
RCB 206	EUR	500,000	0	1	7-Apr-31		Unlisted
RCB 207	EUR	5,000,000	5	5	7-Apr-31	7-Apr-21	Unlisted
RCB 208	EUR	5,000,000	5	5	20-May-30		Unlisted
TOTAL	**EUR**	**4,250,735,851**	**4,246**	**4,251**			
TOTAL REGISTERED COVERED BONDS			**4,246**	**4,251**			
BALANCE SHEET TOTAL			**56,984**	**56,216**			

* *Value determined by the interest rate and currency swaps contracted to hedge the issue of* obligations foncières *and registered covered bonds.*

Report of the Chairman of the Supervisory Board

prepared in accordance with article L.225-68 of the Code of Commerce

This report presents the composition of the Supervisory Board, the application of the principle of balanced representation of men and women as members, the conditions of preparation and organization of the Board's deliberations, as well as the principles of internal control and risk management applied by the Company, specifying in particular the procedures related to the production and processing of accounting and financial data for the annual financial statements.

As a credit institution, Caisse Française de Financement Local refers, in order to draw up this report, to the provisions of the Banking and Financial Regulation Committee Standards Committee (CRBF standard 97-02, modified by the *arrêtés of* March 31, 2005, June 17, 2005, February 20, 2007, July 2, 2007, September 11, 2008, January 14, 2009, May 5, 2009, October 29, 2009 (two *arrêtés*), November 3, 2009, January 19, 2010, August 25, 2010, and December 13, 2010, which defines the roles, principles and organization of internal control, as well as to the reference framework published by the French Financial Markets Authority (AMF).

This report, drawn up by the Chairman of the Supervisory Board of Dexia Municipal Agency, was prepared by the Executive Board, which gathered the necessary information from all the operating departments and support functions concerned, in particular the risk management and permanent control division and the finance division.

This report presents all the principles and procedures applied during the year 2012 at Dexia Municipal Agency has been used and Dexia Credit Local, its parent company. The changes which occurred at the beginning of 2013 should also be noted. In this report, the name Dexia Municipal Agency, has been used whereas the Company changed its name to Caisse Française de Financement Local as of January 31, 2013.

1. Conditions of preparation and organization of the Supervisory Board's governance

The purpose of Dexia Municipal Agency is to finance public sector commitments by issuing *obligations foncières* and raising other funds benefiting from the same privilege, which the rating agencies consider to be of the best credit quality.

The Supervisory Board exercises permanent control of the Company's management by the Executive Board. The number of members has gone from 8 to 6 following the resignation of Stéphane Vermeire and the end of the term of office of Dexia Crediop, who were not replaced. Five of the six members of the board resigned when the shareholding structure changed at the beginning of 2013. The members of the Board are appointed by the Annual Shareholders' Meeting on the basis of their expertise and the contribution they can make to the Company, and their term of office is six years. The Supervisory Board meets at least every three months; the two auditors and the specific controller of the *société de crédit foncier* also attend the meetings. In advance of the meeting, the Chairman of the Supervisory Board and the Chairman of the Executive Board send the Board members an agenda and a file with reports or documents relating to the subjects to be discussed. The Board met six times in 2012. The rate of assiduity was 84%.

The agenda respects a regular format: minutes, business review of the previous quarter and of current trends including issuance conditions, the presentation of the financial statements, and the development of projects for asset acquisition from Dexia Credit Local and foreign entities. Specific topics are added at different times of the year: the report on internal control and the report on risk assessment and surveillance in application of articles 42 and 43 of CRBF standard 97-02 modified; information to be published relating to the quality of assets as well as the level and sensitivity of the interest rate position in application of article 13 of CRBF standard 99-10.

The information and documents forwarded to the members enable the Board to have a full, clear and accurate view of the Company's position, profitability and development.

During Supervisory Board meetings, the Executive Board develops the points on the agenda by comments and synthetic presentations. The Board advises on strategic choices, makes recommendations and, if necessary, requests specific analyses, which are examined in subsequent meetings. The Board pays special attention to transfers of public sector assets to Dexia MA.

It closely monitors the performance of Dexia MA's *obligations foncières* in the primary and secondary markets. The Supervisory Board considers that, independently of market conditions, the optimization of Dexia MA's issuance conditions is linked to investors' perception of the excellent quality of the Company's assets (beyond the ratings by Moody's, Fitch and Standard and Poor's) and its very low risk profile with regard to client and market counterparties, interest rates and liquidity. The Supervisory Board pays particular attention to the reports submitted by the Executive Board on these subjects, and to the transparency of communication to investors.

In 2012, in addition to the questions related to the management of the Company and under its responsibility, the Supervisory Board pays particular attention in its governance to fluctuations in portfolio risks, the situation of liquidity, issue ratings and the planned reorganization of the shareholding structure of Dexia MA.

Information concerning compensation and other advantages granted to members of the management bodies is presented in the section of the management report entitled "Compensation of members of management bodies". None of the managers of Dexia Municipal Agency receives compensation for the work they do for Dexia MA. CRBF standard 97-02 authorizes an entity to refer to the parent company's compensation committee for the definition of its compensation policy. On December 3, 2009, the Supervisory Board of Dexia Municipal Agency decided not to create a spe-

cific committee at the level of Dexia Municipal Agency since there is a compensation committee at the level of Dexia SA, which is responsible for Dexia Credit Local and Dexia Municipal Agency.
The Board has taken note of the legal requirements (Law 2011-103 of January 27, 2011) concerning the balanced representation of men and women on the Board and has committed to implement the law's provisions.
They will be analyzed again following the changes that took place at the beginning of 2013 (cf. above).

2. Dexia Municipal Agency's particular operating structure

Dexia Municipal Agency is a legally independent company with its own Supervisory Board and Executive Board. However, in order to preserve the privilege enjoyed by holders of *obligations foncières* and other privileged debt securities, the law stipulates that a *société de crédit foncier* is not allowed to employ staff directly and must entrust the management of all its operations to a credit institution with which it signs an agreement (article L.515-22 of the Monetary and Financial Code). This is because employees would have a priority that would supersede any other claim in the event of bankruptcy or liquidation, whereas the management agreement, which benefits from the privilege granted by the law on *sociétés de crédit foncier*, is *pari passu* with the holders of *obligations foncières* and other privileged debt securities. Thus, there are divisions, departments and units at Dexia Credit Local that handle transactions conducted in the name of Dexia MA. The management of Dexia MA is, therefore, subject to the procedures and controls usually applicable to Dexia Credit Local, in addition to the procedures and controls specific to the legal standards and rules that govern the management of Dexia MA.
In terms of governance, and in areas that concern it, Dexia MA applies the practices of its parent company.
These arrangements were reviewed at the beginning of 2013, when Société de Financement Local replaced Dexia Credit Local as servicer.

3. Internal control

3.1 – ORGANIZATION OF INTERNAL CONTROL

a. Responsibilities of internal control and the general architecture of internal control

Responsibilities of internal control

As credit institutions, Dexia Municipal Agency and Dexia Credit Local, which manages Dexia MA's operations, are subject to the oversight of the Autorité de contrôle prudentiel (ACP).
The objectives and organization of their internal control are defined within the framework set by the Monetary and Financial Code, and CRBF standard 97-02 modified, the correct application of which is periodically checked by the internal audit division.
The internal control system, according to CRBF standard 97-02 modified, ensures that different control procedures are applied to provide:
- the conformity of internal operations and procedures;
- reliable and quality financial and accounting data;
- security in processing information;
- systems to measure and monitor risks and results;
- the control of essential or important externalized activities.

More specifically, the responsibilities assigned to internal control in effect at Dexia Credit Local and applicable to Dexia MA are designed:
- to verify the efficiency of the risk control system.
  The internal control system aims to guarantee the Executive Board that the risks taken by the Company are in line with the policy defined by the Supervisory Board and the Executive Board;
- to ensure that the financial and accounting data produced is reliable and relevant.
  The main objective of the financial information is to give a true and fair view of the position of Dexia Municipal Agency in a regular, complete and transparent manner. The internal control system is focused on the achievement of this objective;
- to monitor compliance with ethical rules and practices inside and outside the Company.
  The diligent operation of Dexia MA and its branch implies strict respect of legislative and regulatory obligations, as well as of internal standards that have been decided in addition to these obligations. The procedures and controls set up by of Dexia Credit Local and which apply to the operations of Dexia MA make it possible to ensure compliance with these principles;
- to improve the operation of Dexia Municipal Agency while guaranteeing efficient management of available resources.
  The decisions taken by the Executive Board to achieve this goal should be able to be implemented rapidly. The internal control procedures ensure the integrity of information flows, the conformity of measures taken and the control of results.

General architecture of the internal control system

The system's general architecture is based on general principles that apply to all lines of business and all support functions. Dexia Credit Local's internal control system, which applies to Dexia MA, relies on integrated controls of all operating, support, management, accounting and other processes, the oversight of which is a permanent responsibility of management with successive levels of control.
Moreover, there is a transparent separation of functions designed to maintain and ensure a clear distinction between the operators who conduct operations and transactions, and those in charge of validation, control and settlement.
Following this logic, the general architecture of the internal control system of Dexia Credit Local and Dexia MA is grounded on an organization with three levels.
- The first level of control is exercised by each employee and the corresponding chain of command in function of the responsibilities that have been explicitly delegated, the procedures that apply to the activities conducted, and the instructions given.
- The second level of control involves specialized functions that are independent of the activities controlled and report directly to the Management Board of Dexia Credit Local. This second level may also be the responsibility of specialized committees, made up of staff from operating, support and control functions, and chaired by a member of the Management Board, like the compliance and risk management committees.
- The third level of control is represented by the Dexia Group's audit division, which exercises permanent over-

sight of the efficient and effective application of the fist two levels of control in the parent company and in all of its subsidiaries and branches.

Functions of internal control

Relying on the internal control architecture described above, Dexia Credit Local has defined separate functions designed to meet the specific needs of each of its entities (including Dexia MA).

- Permanent control excluding compliance
  This control verifies that the risk control system applied is solid and efficient. It also verifies the quality of financial and accounting data as well as the performance of the information systems. The organization of permanent control excluding compliance is developed below in paragraph 3.1.f.
- Compliance control
  This control verifies that all the standards and procedures are applied on a permanent basis and do not expose the Company, by reason of their absence or non-application, to any risk of administrative or disciplinary sanctions, financial risk, or damage to its reputation. The organization of this function is developed below in paragraph 3.1.g.
- Periodic control or internal audit
  This control, exercised by the internal audit division of Dexia Credit Local, in close coordination with the Dexia Group's internal audit teams, is responsible for monitoring the efficiency and effective application of the controls, in the parent company and all the subsidiaries and branches. The organization of this function is developed below in paragraph 3.1.h.
- Internal references
  In order to ensure that the appropriate information and instructions are available to all the players in internal control, the Dexia Credit Local Group has progressively developed a common set of references. These reference documents may be regrouped in four broad categories.
  - Charters define, for each business line or activity, the reference objectives and policies that the Group has set for itself, and develop a conceptual framework governing organization and operation. This is, for example, the case of the internal audit charter and the compliance charter defined by the Dexia Group.
  - Codes regroup, for a given activity, rules of conduct or best practices that apply to all the employees concerned, independently of their hierarchical or functional reporting lines. The code of compliance and business ethics is distributed to all employees, both at headquarters and in the subsidiaries and branches. It can be easily accessed by all employees *via* the Company's intranet system, under the heading "Compliance".
  - Rules of conduct, also called guidelines, are the first level of operational application of these charters and codes. They set practical standards of quality, define effective limits and organize the delegation system. The rules of conduct drawn up by the Dexia Group's risk management team thus make it possible to determine all the counterparty limits set for the Dexia Credit Local Group and for Dexia MA.
  - Finally, in application of the charters, codes and guidelines, the procedures define the organization, the measures to be taken and the control to be exercised to perform a given activity. All employees in their units or divisions should have a manual of procedures applicable to the position they occupy. For the same reasons, service contracts are signed to formalize the relations between two divisions or two Dexia Group entities in a customer-supplier relationship by specifying the level of service that is expected.

b. Executive Board

The Executive Board of Dexia MA is the front-ranking guarantor of the efficient operation of the Company's internal control procedures. Given the structure of Dexia MA and the management agreement that binds it to its parent company, the Executive Board relies on the organization of internal control in effect at Dexia Credit Local.
The Chief Executive Officer of Dexia Credit Local, who chairs Dexia's Management Board, is the guarantor of the efficient operation of the Company's internal control procedures defines and coordinates the policy of the Dexia Credit Local Group in terms of internal control. He allocates resources and sets deadlines for measures taken within the framework of this policy. He verifies that the objectives are achieved and that the internal control system is adapted to needs. Lastly, he adjusts these needs in function of internal and external developments.
To carry out this assignment, the Chief Executive Officer is assisted by three Deputy Chief Executive Officers, who, with other members of the management team, are permanently involved in the internal control system through their operating responsibilities, their participation in the different monitoring committees, and the reports, especially audits, that are systematically submitted to them.

c. Operating divisions

The managers of the operating divisions guarantee the adaptation and efficiency of internal control in their field of activity. In particular, they are in charge of analyzing the risks involved in all the transactions they have initiated and verifying that internal control procedures in their division are adapted to such risks. If there is a change in the internal or external environment that may have an impact on the system, they should propose or make the adaptations required to maintain proper control of any risks incurred, in function of their level of responsibility.

d. Risk management

The risk management division applies independent risk assessment tools that are integrated for each category of risk. It monitors and manages such risks, identifies them, proactively alerts on potential risks and decides the appropriate amount of provisions.
The risk management division is competent to monitor all the risks generated by banking activities, including credit, market, liquidity and operational risks as defined by CRBF standard 97-02 modified.

The general organization of risk management at Dexia Credit Local reflects that of the Group. The latter went through several stages in 2012 in order to adapt to the Group's new shareholding structure and the location of Dexia's staff. Initially, the risk management activities had to adjust to the transfer of a large number of Dexia SA Brussels employees to Belfius Banque et Assurances. The activities generated by these teams had to be recreated so as to be able to manage the full range of the bank's risks. The teams transferred during this transition period nonetheless provided ongoing services.

Risk management is organized in two main categories. First, on one hand, there is credit risk, market risk, operational risk and permanent control risk. The other focus is risk quantification, assessment, validation and reporting, which combines two cross-division business lines – (1) risk quantification, assessment, and reporting (all the support functions in the risk division) and (2) validation and quality control. The organization is also based on the mutualizing of the existing risk management teams at the level of Dexia SA and Dexia Credit Local, organized as skills centers on which the risk management teams of Dexia Credit Local subsidiaries may depend.
The head of risk management at Dexia Municipal Agency, who also manages risks for Dexia Credit Local, is a member of the Group committee that brings together the heads of the main divisions around the Management Board. He reports to the Deputy Chief Executive Officer of Dexia Credit Local in charge of risks. He has no hierarchical link with the other units. He exercises his role in full independence of the operating divisions and lines.
The heads of risk management of the foreign and French subsidiaries and branches of Dexia Credit Local all report to the risk manager of Dexia Credit Local. The risk manager chairs the credit committees of the main entities.

e. Committees

All operations conducted by Dexia Municipal Agency are subject to control by different committees set up by Dexia Credit Local or the Dexia Group. This control takes into account the particular rules and limits applicable to Dexia MA. A description of the committees follows.

General governance of risk
In order to adapt to its new business structure, Dexia Credit Local has initiated a review and simplification of its governance in terms of risks. The number of committees was reduced, reflecting the merger of committees with similar responsibilities or fields of activity as a result of the decrease in business. This new governance is built around a Risk Committee, made up of members of the Management Board. This committee is responsible for exercising oversight on the most significant transactions in which Dexia Credit Local is involved (credit risk, liquidity risk, impact in income of on the level of equity) as well as on the different policy decisions and guidelines.

Management of credit risk
The management of credit is centered on the Risk Committee, which approves the risk policies for the Dexia Group as a whole and gives an opinion on the most significant transactions with regard to credit risk. The Risk Committee delegates its decision-making power to the credit committees. This delegation is governed by specific rules, by category of counterparty, on the basis of their level of rating and the amount of consolidated exposure.

The Risk Committee remains the ultimate decision-making body for the most significant credit files or those involving a level of risk that is considered sensitive. For every file presented to a credit committee, an independent analysis is made in order to present the main risk indicators, as well as a qualitative analysis of the operation. In general, the activity of the credit committees was highly limited in 2012 as a result of the management until extinguishment of most of the portfolio of Dexia Credit Local.

Parallel to monitoring the credit decision-making process, several committees are in change of supervising specific risks. These committees meet on a quarterly basis. They include the following.
- The Watchlist Committee monitors assets under surveillance.
- The Default Committees qualify and monitor default counterparties in accordance with Basel II regulations.
- The Impairment Committee determines the amount of provisions and monitors the cost of risk.
- The Rating Committee verifies the proper application of internal rating systems and the appropriateness of rating processes with regard to the principles in effect as well as the homogeneous character of these processes in the different entities.

The management of credit risk in all the subsidiaries and branches of Dexia Credit Local focuses on the respective domestic market and takes responsibility for analyzing and overseeing local counterparties.

Market risk management
The Market Risk Committee meets on a monthly basis to discuss the following subjects –definition and review of limits, analysis of reports on risks and triggers of results and corresponding decisions, discussion of directives, governance and standards concerning risks, risk concepts and methods for risk assessment and the quality of processes.

Once every quarter, a Valuation and Collateral Market Risk Committee (V&C MRC) analyzes the indicators related to the management of collateral and to examine the quality of valuation processes for structured products.

The Risk Committee and the executive board of the risk management division validate all of the major changes in the risk profile or risk governance.

Balance sheet management
Balance sheet risks are managed through Dexia Credit Local's Assets & Liabilities Committee (ALCo), which merged with Dexia's ALCo. It meets on a monthly basis. The ALCo decides the general risk framework, sets the limits, and guarantees the consistency of the strategy. The ALCo takes a general decision on the level of exposures in line with the policy defined by the Management Board. ALCos in international entities manage the risks that are specific to their balance sheet within the framework defined by and under the responsibility of the ALCo.

On delegation by the ALCo, the Funding and Liquidity Committee (FLC) centralizes and coordinates the decision-making process concerning liquidity. The FLC is responsible for supervising the liquidity of the Dexia Group and Dexia Credit Local, its trend and its coverage by resources in the short, medium and long term. It monitors the achievement of the liquidity objectives set by the Management Board and helps determine strategies for the financing and divestment of assets, enabling the Dexia Group and Dexia Credit Local to go beyond the depressed scenarios developed in-house or at the request of the regulators. It validates the mechanisms used to determine divestment prices with the Dexia Group. The FLC, which meets weekly, does all it can to improve the liquidity profile of the Dexia Group and Dexia Credit Local.

Management of operational risk

The framework of the operational risks at Dexia Credit Local is based on governance that includes clearly defined responsibilities and roles.

- The Management Board regularly examines the trend in the risk profile of the different activities of Dexia Credit Local and takes the appropriate decisions.
- The Risk Committee approves policy for all Dexia Credit Local entities.
- The Operational Risk Acceptance Committee (ORAC) meets on a quarterly basis to examine the principal risks identified, decide whether or not they are acceptable, and recommend appropriate corrective action. It also validates proposals designed to ensure prevention or improvement with regard to different items (permanent control, computer safety, insurance, etc.). The committee is chaired by the member of the Management Board in charge of risks.
- Intermediary management remains the main guarantee as concerns operational risks. In every field of business, it names a correspondent for operational risks, whose role is to coordinate the collection of data and assess risks with the backing of local operational risk management officers.
- The IT Security committee examines and decides on what action should be taken to ensure ongoing business and the on the application of an IT security policy.

f. Permanent control excluding compliance

Permanent control excluding compliance at Dexia Municipal Agency is the responsibility of the head of operational risks at Dexia Credit Local.
To ensure consolidated oversight, permanent control relies on teams to measure and monitor risks, on decentralized resources in corporate divisions, subsidiaries and branches, and on exchanges of information within the framework of permanent control committees.
Permanent control at the second level is also conducted in the operational risks division by the unit in charge of reviewing and reporting audits. This team works closely with the division of operational risks and the security of information systems in order to muster all possible synergies among the different levels of control.
The architecture of such control is organized on the first two levels of the architecture presented in 3.1.a of this report.
Permanent control is based on a control plan, the results of which are reported quarterly to the Management Board of Dexia Credit Local. These controls cover the main business processes in the bank and were selected together with the operating divisions. The relevance of this choice is reviewed every year when the control plan is subjected to a challenging process based both on the mapping of the operating processes and on the mapping of risks and controls developed within the framework of the management of operational risks. Subsidiaries and branches have organized their permanent control systems taking into account the legislation and regulations of the countries in which they are located while considering their own organization and size.
The head of operational risks and permanent control monitors the execution of the control plan. He verifies that control is consistent and independent by introducing functional links with decentralized resources in the different divisions, subsidiaries and branches. This team produces a comprehensive report and may request justification for any anomalies identified.

g. Compliance control

Compliance control is an integral part of the internal control system of banks and investment firms. The head of compliance at Dexia Credit Local oversees the consistency and efficiency of control procedures at Dexia Municipal Agency to manage the risk of non-compliance.
Compliance is organized in a network that encompasses the whole Dexia Group, from the holding company to foreign subsidiaries of Dexia Credit Local. This unit is independent and functionally operates under the authority of Dexia's General Secretary.

At Dexia Credit Local, the head of compliance reports to the General Secretary, who has been designated as the compliance contact for the Autorité de contrôle prudentiel (ACP). The head of compliance has a functional link with the head of compliance of the Dexia Group. He also acts as the TRACFIN correspondent within the framework of the obligations of banks in the fight against money laundering and the financing of terrorist activities. The head of compliance has professional identification (an RCSI card) from the AMF for Dexia Credit Local and Dexia CLF Banque, both of which provide investment services.
Compliance contributes to the respect for all legal and regulatory requirements. Likewise, it acts in conformity with the practices of the Dexia Group, comprised in particular of charters, codes, guidelines and procedures. In 2012, work continued on issues launched in 2011 (structured financing, conflicts of interest, the fight against money laundering) and on efforts to strengthen control procedures for entities consolidated by Dexia Credit Local within the framework of the implementation of the Dexia Group's orderly resolution plan. Training sessions were organized on compliance issues for all employees, according to a bi-annual plan drawn up by the human resources division.
More specifically, with regard to anti-money laundering and the financing of terrorist activities, the Dexia Group complies with French and European rules and with local rules at each of its international entities. Beyond these basics, the Group has introduced stricter standardized criteria in terms of client acceptability and respectability. The objective is to work only with counterparties whose identity is perfectly established and who share its criteria of integrity and responsibility. The general anti-money laundering and anti-terrorist procedure is accessible to all employees, and has also been made available in the European branches of Dexia Credit Local. Within the framework of anti-money laundering procedures, management conducts periodic verifications to check the existence of proof of client identification when it examines the requests presented in the credit committee and those that have been delegated. "USA Patriot Act" certification for all the Group entities concerned is available on Dexia's Internet site.
A priori, Dexia MA is not generally exposed to the risk of money laundering with regard to its assets, for which its counterparties are public sector entities. Concerning investors in the liabilities, precautions are taken with bank counterparties who act as dealers in the placement of Dexia MA issues. As intermediaries between Dexia MA and investors, they commit, in the documentation of the

EMTN program or other programs, if such are launched, and issue-by-issue in private placements or in stand-alone issues, to obtain and record reliable information on the identity of subscribers, in compliance with the requirements of the anti-money laundering directive, or in compliance with equally strict requirements for those not governed by the European directive. These counterparties commit to alert their respective oversight authorities if they learn or suspect that subscribers are engaged in money laundering or the financing of terrorist activities.

Including all the European entities subject to the MIF directive in the report on MIF monitoring procedures also represents a key issue for compliance officers.
Compliance keeps a watch on the development of regulations updating applicable texts on a permanent basis. The Compliance division is associated in the definition of new rules for the marketing of structured financing products, and steers the introduction of a system to monitor these rules. The head of compliance chairs the CERC (Commercial Risks Evaluation Committee) of Dexia Credit Local and the CEPCoR (Committee of Evaluation and Prevention of Commercial Risks) at the level of the Dexia Group. He is consulted on the marketing of new products and on significant changes to existing products.

Compliance keeps track of changes in applicable legislation and regulation. In particular, Compliance participates in the definition of the new standards applicable to Dexia Credit Local, such as the Dodd-Frank Act in the United States and the EMIR regulations in Europe.

h. Periodic control

Dexia Credit Local ensures the periodic control of Dexia MA, including internal audit and inspection.
As of December 31, 2012, the functions of internal audit and inspection counted 37 auditors and inspectors, for 40 budgeted positions.

Organization and governance of internal audit

Role of internal audit

Internal audit is an independent and objective activity that assures management of the degree of control of its operations, proffers advice on how to improve them and contributes to the creation of value added.
To this end, internal audit apprehends all the organization's objectives, analyzes the risks linked to its objectives and periodically evaluates the soundness of the audits conducted to manage these risks. Internal audit then submits to management an evaluation of residual risks so that management may validate how they dovetail with the overall risk profile that is appropriate for the Dexia Credit Local Group, and if necessary, internal audit suggests how management can bolster the efficiency of these audits. The implementation of these action plans is monitored by internal audit and a report is submitted to the audit committee every six months.
In addition, through the audit committees, internal audit assists the Boards of Directors throughout the Group in their supervisory role.
In keeping with international standards, a common audit charter indicates the fundamental principles that govern internal audit in the Dexia Group by describing its objectives, its role, its responsibilities and its operating procedures.
In order that all Dexia Group employees may understand the importance of the audit function in internal control and assistance to the Dexia Group's management, the audit charter will be published on Dexia's Internet site (www.dexia.com).

Fundamental principles

The strategy, degree of thoroughness and operating rules of internal audit services in the Dexia Credit Local Group are determined by the Management Board of Dexia SA and the Management Board of Dexia Credit Local, within a framework approved by the Board of Directors of Dexia SA and the Board of Directors of Dexia Credit Local through their audit committees. This framework includes the requirements of local legislation and regulations, and instructions from regulatory authorities.

The independence and effectiveness of the audit function are guaranteed by the application of the following principles:

- every audit unit reports to the highest hierarchical level in the entity it audits;
- audit units are not involved in the organization and the operating management of Group entities; management committees may exceptionally ask internal audit for advice or assistance;
- audit units have unconditional, immediate access to information; within the framework of its mission internal audit has access to all information, documents, premises, systems or individuals of the entity under its responsibility, including information about management, minutes and files from meeting of consultative and decision-making bodies. The Dexia Group's internal audit division has access to all information in all Group entities; any infringement of these principles may be reported to the Management Board and, if appropriate, to the Audit Committee;
- audit units are provided with the resources they need to carry out their assignment; the Group's Management Boards provide internal audit with the means required to carry out their assignment in order to be able to respond at any time to changes in the Group' structures and environment.
  At the individual level, every auditor should demonstrate the highest level of professionalism and benefit from constant training in order to master rapid changes in audit, banking, financial, IT and fraud elimination techniques. Training needs are evaluated within the framework of periodic and annual assessments. Auditors must conform to the Dexia Group's ethical principles and to their sector's professional standards. This commitment implies respect for the following principles:
  - the integrity of internal auditors is the basis for the confidence and credibility of their judgments;
  - the auditors demonstrate the greatest professional objectivity when collecting, evaluating and communicating information related to the business or process under examination; the internal auditors fairly evaluate all the relevant items and do not let themselves be influenced in their judgment by their own or someone else's interests;
  - the internal auditors must respect their obligation of professional reserve and discretion; they respect the value and ownership of the information they receive and they do not divulge this information unless they have obtained the required authorization, except when thy are legally or professionally obliged to do so;
  - the internal auditors use and apply the required knowledge, know-how and experience to carry out their audits.

Field of investigation

Internal audit investigates all the activities, processes, systems and entities of the Dexia Credit Local Group with no reserves or exceptions. Its field of investigation includes all processes, whether they be operational, support or managerial as well as related to corporate governance, risk management and control procedures.
The essential externalized activities are also included in the audits, with it being understood that the operational services have the responsibility for determining the conditions of possibility of audits by adding audit clauses to the service contracts.
More specifically, the general auditor of Dexia Credit Local exercises a particular function concerning Dexia MA, as spelled out in article 9 of the management agreement between Dexia MA and Dexia Credit Local: "Dexia Credit Local's internal audit division audits all of the transactions and procedures of Dexia MA, as it does those of Dexia Credit Local and that company's other subsidiaries within the framework of the criteria generally applicable to the Dexia Group. In addition, it acts as Dexia MA's own internal control unit for all that concerns CRBF standard 97-02 modified (control of Dexia MA's transactions and internal procedures, audit tracks, measurement of risks and results, etc.)." The general auditor has direct access to the Chairman of the Supervisory Board of Dexia MA.

Organization of the function

In the Dexia Group, internal audit is organized as an integrated function. This structure is based on the organization of the Group's business lines (asset management, market activities, balance sheet management, risks and finance, operations, information systems and other support functions).

The Dexia Group's internal audit division is under the responsibility of Dexia SA's general auditor, who is also the general auditor of Dexia Credit Local. He is assisted in his task by supervisors and the Audit Management Office (AMO).
Each supervisor is responsible for different segments. Together with the operating officers concerned, the supervisors identify and monitor the risks in their segments. The supervisors are assisted in their assignments by correspondents, audit managers or senior auditors, who are more specifically in charge of monitoring a business sub-sector.

The Audit Management Office defines, maintains and organizes the application of audit methodologies, in cooperation with the Audit Management Committee (AMC). Within the framework of cross-division projects, it advises the support tools used in the main audit processes. It coordinates the audits and/or draws up the different reports produced by the audit services. It defines the audit plan and decides any *ad hoc* audits.

The Audit Management Committee manages audit services. The committee is comprised of the general auditor of Dexia SA, who is also the general auditor of Dexia Credit Local, and the supervisors.
The AMC is responsible for the following objectives:

- to manage the audit activity's human and financial resources;
- to define a methodology for internal audit for use in the Dexia Group and to ensure its full application;
- to define and update the audit universe of the Dexia Group,
- to determine the Group's general audit plan so that it can be presented for approval to the different committees of Dexia SA and the operating entities, and monitor its progress;
- to draw up the best program possible for audits;
- to validate the different reports produced by the audit services, in particular reports on monitoring recommendations and on carrying out an audit plan.

Guidelines in terms of management

The internal audit of Dexia SA and of Dexia Credit Local is carried out by a general auditor. Following the reorganization of the Dexia Group, the functions of the general auditor of Dexia SA and Dexia Credit Local were attributed to the same person.
The general auditor of Dexia Credit Local ensures that there is adequate coverage of risks throughout the consolidated entity Dexia Credit Local (headquarters, network France subsidiaries, branches in France and other countries. It also acts as a local intermediary with management and the local regulator, and isi associated in the oversight of the Dexia Group's internal audit activities.

Guidelines in terms of operations

Internal audits are based on proven methods modeled on international best audit practices. Audits and risk analysis in all Dexia entities rely on common methodologies, which are regularly adapted in order to reflect developments in standards, feedback and structural changes.
Internal audit is organized on the basis of an annual audit plan approved by management as well as by the Audit Committee and the Board of Directors. The risk analysis method targets critical audit units at the origin of key risks or supporting key controls for the objectives of the business lines and the support processes.

The way audits are carried out is common to all Dexia Group entities. The different stages to follow to conduct an internal audit (preparation, conduct, audit report, follow-up on recommendations, etc.), as well as the formats of the documents required at every stage, are described in a procedure that also determines the roles, responsibilities and modalities of review, approval and document storage.
The audit methodology of the Dexia Group can be broken down into four main phases – preparation, audit, restitution and recommendation.

Preparation

After being introduced to the subject to be audited in order to gather and analyze the data available that may allow for a better understanding of activities, the audit team prepares a work program that in particular includes the processes, the risks, the controls usually carried out for the risks identified and the tests to do in order to give an opinion on the appropriateness and efficiency of existing controls to cover the risks identified. A formal letter of assignment informs the individuals concerned of the scope, objectives and program decided.

Audit

Every assignment must be carried out on the basis of work documents created according to a determined model and organized in the audit file. They clearly trace the work done, and the techniques and methods employed to arrive at a justified conclusion. The audit opinion is expressed on the adequate coverage of the risks identified. A causal analysis of weak points and the residual risk is evaluated. Audit activities are supervised and the documents are reviewed by those in charge of the audit (supervisor and/or general auditor).

Restitution

Every assignment is written up for the individuals audited and management. The report includes an evaluation of the risks identified as well as recommendations on measures to attenuate these risks. The audit judges the critical nature of each of the recommendations made.

The recommendations made by internal audit are submitted to the operating divisions concerned, which may either accept the recommendation or solicit the Management Board for the right to "accept the risk". The recommendations accepted by the operating divisions are addressed in a detailed action plan, scheduled to be launched at a date also defined by the division concerned. Internal audit has the right to add its comments for the Management Board on requests for risk acceptance and on the appropriateness of the action plans and the dates proposed.

The action plans and requests for risk acceptance are noted in the draft of the audit report that is presented to the Management Board. The Management Board takes a decision on the recommendations, action plans and their timing, and any requests for risk acceptance. The definite report recapitulates in particular the arbitrages rendered in the event of disagreement about the recommendations between the audit and the unit concerned. Once approved, the recommendations are necessarily implemented.

Follow-up of recommendations

Each assignment results in the formulation of recommendations organized in action plans under the responsibility of the audited individuals. The responsibility for the implementation of the recommendations approved by the Management Board is the responsibility of the units to whom they are addressed. The latter are required to report on the implementation of the action plans on the basis of their progress and of the justifying documents communicated to internal audit through the systems made available by internal audit. On this basis, internal audit conducts a regular review of each of the action plans. Internal audit maintains a database of all the recommendations from the audit reports and has defined a formal procedure to follow to implement the recommendations. This procedure provides for at least two quantitative and qualitative monitoring procedures, the results of which are presented to the Management Board and to the Audit Committee. The Management Board and the Audit Committee validate any request to cancel the recommendations proposed while they are being monitored (e.g. recommendations that are no longer relevant).

Training

In addition to training organized by Human Resources, an audit-specific training program has been added. It includes several training curricula according to the role and seniority of the auditor.

Relations with regulatory authorities and legal auditors

Internal audit maintains regular dialogue with bank oversight authorities and external auditors (accountants, statutory auditors) on subjects of common interest.

Internal audit coordinates and centralizes exchanges, at both the beginning and the end of the project, with different banking oversight authorities whatever the sector concerned. Internal audit also coordinates the inspections of different regulatory authorities. Within this framework, the general auditor is the point of contact for oversight authorities He coordinates the process of collecting data in the entity and responses to inspection reports and to requests for additional information. Internal audit also monitors the recommendations issued by control authorities according to the same procedure as for recommendations made by internal audit.

In order to avoid any duplication of tasks, internal audit maintains regular contact with external auditors on subjects of internal control. These exchanges are devised to allow the two parties to share observations on subjects of internal control and to ensure the complementarity of the work done.

Overall view of business in 2012

In 2012, internal audit focused on the Group's major lines of business:

- market activities through the audit of cash and liquidity management as well as through the audit of the trading and structuring desk;
- accounting through the audit of accounting procedures in balance sheet management;
- risks through the audit of the quality of data and exposure used in the calculation of weighted risks and the production of risk reports (Fermat Data Quality);
- operations and IT through the audit of the governance of the security of IT systems;
- public and wholesale banking through audits of the management of structured loans or the audit of portfolio management activities for outstanding project financing (Crediop, Dexia Sabadell and the New York branch).

  Compliance aspects are regularly reviewed during audits on the group's business lines. In addition, a specific project has addressed the issues of compliance, legal and tax in Group subsidiaries. Different suppliers of externalized essential services, Thales and SFR, were also audited.

Eighty-five percent of the 2012 audit program was accomplished for the consolidated entity Dexia SA / Dexia Credit Local. Local audit programs for the subsidiaries and branches of Dexia Credit Local (conducted in part with auditors from headquarters) also showed a generally satisfactory rate of accomplishment.

Whether through inspections or meetings, contacts with the different regulators of the Dexia Credit Local Group continued to mobilize a significant part of the time of the internal audit team. In assignments, the role of audit consists in tracking the process used by making sure the items requested are correctly transmitted to inspectors, at the end of the assignment, to coordinate the formulation of action plans responding to the recommendations of the regulators (in application of the principle of reinforcing the role of audit in these areas), then to ensure monitoring on the basis of the same criteria as those that respond to their own recommendations.

The inspections conducted by the control authorities at the level of Dexia Credit Local concerned the credit risk linked to the international public sector, A/L management, governance and operating risks as well as Flobail, Dexia Credit Local's lease financing subsidiary.

Inspection unit

Role

Dexia Credit Local's inspection unit contributes in an independent and objective manner to controlling the risk of fraud. It participates in awareness-heightening, persuasion and dissuasion, detection and investigation activities. It also proposes and monitors corrective measures.

Organization and governance

The inspection unit reports to internal audit and is responsible for the accomplishment of its assignments before the general auditor of Dexia Credit Local and Dexia SA.
Inspection plays this role for Dexia SA and Dexia Credit Local as well as for all of their branches, subsidiaries and sub-subsidiaries since they do not have their own inspection team.
An inspection charter lays down the fundamental principles that govern the function by describing the objectives, the roles, the powers, the duties and the responsibilities, the modes of operation and the basic rules that govern it. The inspection charter also sets out control procedures for Compliance with the rules to be respected when accessing data of a personal nature in the different entities.

Overview of activities in 2012

The organization of inspection activities was modified in 2012, following the decision to put an end to the activities conducted by Dexia SA for all the entities in the Group.
Since June 2012, the function has been occupied on a full-time basis by a Dexia Credit Local inspector who reports to the general auditor. The Dexia Credit Local inspector also works for Dexia SA.
In conformity with the principles laid out in the charter, the assignments carried out by the inspection unit in 2012 targeted projects to heighten awareness, prevent and dissuade, monitor and detect fraud. It also undertook investigations on suspected fraud and treated questions of legal authority, legal support or extraction of data.

i. The Dexia Group

Dexia's management body is the Management Board of Dexia SA.
The role of Dexia SA's Management Board consists in steering the Dexia Group and coordinating its various businesses and specialized activities that support them.
The members of Dexia SA's Management Board have particular skills at the Group level, which they share in the Group. The Group's Management Board may also meet in its extended form, and be called the Group's executive committee, which deals with cross-company subjects and matters of a certain importance.
After having made good progress on the implementation of the orderly resolution plan announced in the autumn of 2011, Dexia SA and Dexia Credit Local named an integrated management team on October 10, 2012, which is adapted to the new scope of the Group. If the legal structures of Dexia SA and Dexia Credit Local remain, Group management has been simplified and unified, in particular through common steering of the two main entities. The new governance took effect immediately, subject to the approval of regulators. Integrated steering of the business lines will take place progressively.
Within the framework of the general policy defined by the Board of Directors, the Management Board oversees the effective management of the company and the Group and steers their different activities. It also monitors the decisions of the Board of Directors.

Composed of three members appointed for four years, the Management Board of Dexia SA is chaired by the Chief Executive Officer. The Management Board meets weekly and makes decisions collegially. By-laws determine attributions and operating practices.

As of December 31, 2012, the Management Board was composed of:
- the Chief Executive Officer, Chairman of the Management Board of Dexia SA, and CEO of Dexia Credit Local,
- the three deputy CEOs of Dexia Credit Local.

3.2 - CONTROLS BY THE SPECIFIC CONTROLLER

The Specific Controller of Dexia Municipal Agency is a French professionally certified auditor named by the Company's executive management upon approval of the Autorité de contrôle prudentiel (ACP).

The Specific Controller carries out controls pursuant to articles L.515-30 and L.515-31 of the Monetary and Financial Code as well as its decrees of application and CRBF standard 99-10. He is responsible for ensuring that the Company respects its exclusive corporate purpose and prudential standards. He conducts appropriate audits in cooperation with the Statutory Auditors and is completely independent vis-à-vis the Company's other officers. He is also liable for the negative consequences of any error or negligence committed in the exercise of his functions.
The Specific Controller has access to all information, from management, internal control and internal audit. In addition, operating services and internal control units have been instructed to provide specified information in order to allow the Specific Controller to monitor the over-collateralization ratio, the nature of new assets, interest rate risk management, and the asset/liability duration gap on a regular basis. For every Dexia MA issue contract, he affirms compliance with legal and regulatory standards concerning the over-collateralization ratio of the privileged liabilities by the assets, once the issue has been paid. The Specific Controller certifies the documents that the Company sends to the ACP to meet legal and regulatory requirements for *sociétés de crédit foncier.* He submits an annual report on his activity to the Supervisory Board of Dexia MA, and a copy is forwarded to the Autorité de contrôle prudentiel (ACP).

3.3 - PREPARATION OF ACCOUNTING AND FINANCIAL INFORMATION

a. Financial statements

A company's annual financial statements should give a true and fair view of its assets, financial position and results. For credit institutions, CRBF standard 97-02 modified, on internal control, highlights in its accounting title that the organization adopted should guarantee the existence of procedures called audit tracks. They make it possible to establish a link between any accounting data and the original justification, and *vice-versa*. This principle grounds the organization of accounting practices in the Dexia Credit Local Group and also applies to Dexia MA.

Role and organization of the accounting services

Accounting data is produced at Dexia Municipal Agency by the accounting unit of Dexia Credit Local, within the framework of the management agreement between the two companies. Accounting plays a central role in the organization of Dexia Credit Local. It reports to the Company's Chief Financial Officer (CFO).

Accounting produces basic accounting data and the annual financial statements of Dexia Credit Local and Dexia Municipal Agency. It is also responsible for producing the consolidated financial statements of the Dexia Credit Local Group. A dedicated team ensures that regulatory and prudential standards are respected.

Accounting also plays a role in the analysis and control of the accounting data of French and foreign subsidiaries and branches within the framework of the consolidation process. In particular, it verifies that the information supplied is homogeneous and in compliance with Group practices.

More generally, accounting has varied sources of information to ensure its role in monitoring accounting operations in the broad sense. It participates in committees that may be of interest with respect to its assignments or reports. Its teams maintain regular contacts with local correspondents in order to diffuse the Group's principles and the correct interpretation of the instructions transmitted. It participates in the development of information systems, in order to make sure that its specific needs are taken into account.

The Finance line introduced three centers of competence at Dexia SA, which are linked to the activity of the accounting division. The consolidation, standards, and accounting control teams now report directly to Dexia SA. Dexia Credit Local signed service agreements with its parent company so that these functions might be exercised by central teams under the shared responsibility of the entity's Chief Accounting Officer and CFO. The teams remain close to the local teams and in addition to their work for Dexia Credit Local and Dexia Municipal Agency, they take on a cross-company role at the level of the Dexia Group.

Accounting reserves a team that is responsible for the accounting information system, which allows it to participate actively in the launch of transformation projects and also in the improvement of existing systems that parallel other tools in the Finance line.

This organization makes it possible to improve the quality and efficiency of processes on a constant basis and increase the reliability of the consolidated accounting information produced, in particular in a context of uniform use of IFRS within the Dexia Credit Local Group.

Within this general framework, the annual financial statements of Dexia MA are prepared by a general accounting unit that is specific to the Company, as well as by employees that work only in this capacity in other accounting units. The same manager supervises the general accounting team that prepares the financial statements in French GAAP and IFRS for Dexia MA and Dexia Credit Local.

Preparation of the annual financial statements

In the preparation of the annual financial statements, the accounting system of Dexia Credit Local and Dexia Municipal Agency is in large measure automatically supplied by upstream management systems that manage transactions with customers and market counterparties as well as operating expenses. When data is entered into one of the management systems, it is automatically recorded in accounting according to a pre-defined plan. These entries help constitute the financial statements in a single accounting system based on a double set of references (French GAAP and IFRS EU).

The internal control system guarantees the completeness and accuracy of accounting entries. The team in charge of compliance with standards validates the automated accounting procedures on the basis of the double set of references, as well as complex or unusual operations, which are sometimes accounted for manually, although they are processed using specific internal control procedures.

A first level of control is conducted by accounting teams that are specialized by business line, in particular by analyzing bank reconciliation and technical suspense accounts. Every month, operations recorded in the accounts are compared with management balances, and symmetry controls are conducted on microhedges. Interest expense and income are compared with average outstanding balances, and average rates are compared between periods. These teams also produce a synthesis of their own audits and of points requiring special attention or improved procedures when the next financial statements are produced.

Other accounting teams conduct additional controls at monthly, quarterly and annual closing periods. The work already accomplished in accounting for operations in the business lines is periodically reviewed to ensure that the controls on a formalized checklist have been properly carried out. The memorandum the teams draw up is also reviewed. End-of-quarter accounting results are compared with management results, and their consistency from one period to the next is verified using analytical controls. Major discrepancies are to be explained.

The analysis of these reconciliations was a major focus in the past year. Procedures were automated in 2011 and distributed to corporate teams at the beginning of 2012. This advance made it possible to concentrate efforts on analysis phases, thereby validating over time the level of analysis and explication of the main trends.

Accounting entries generated by these processes are then regrouped and aggregated according to an automated and standardized process to serve as the basis for the annual financial statements of Dexia MA in French GAAP, IFRS and the Company's contribution to the consolidated IFRS financial statements of Dexia Credit Local. The same is true for subsidiaries whose accounts are processed at the head office. Using these statements, and in certain cases data supplied by the management systems, accounting then carries out cross-referenced controls between the syntheses and the notes to the financial statements. During the process, reviews and controls are conducted on the consistency and application of procedures according to hierarchically established delegations. All of the data and analyses are collected in a report, a copy of which is forwarded to a member of Dexia MA's Executive Board.

The same task is done in each of the entities in the Dexia Credit Local Group with a complexity that is in function of the size and business of these entities.

Finalization of the financial statements

The financial statements, balance sheet, income statement and notes are subject to particular scrutiny during the preparatory phase and in their final form by a delegated member of Dexia MA's Executive Board. Dexia MA's Executive Board meets to approve the quarterly financial statements. The Company's two Statutory Auditors attend the meeting and the specific controller is also invited. The period's management report is also examined at this meeting.

The annual report is prepared by Dexia MA's Executive Board in liaison with units of Dexia Credit Local, in particular, general accounting, back office, risk control and the General Secretariat. The Company's Statutory Auditors verify the information it contains. All these documents are presented to Dexia MA's Supervisory Board, and then to the annual general meeting of shareholders.

The Supervisory Board is also informed of its Chairman's report on internal control, which is presented at the annual shareholders' meeting.

Publication of the financial statements of Dexia Municipal Agency

This accounting and financial information is made public in several ways.

In addition to the regulatory publication in the BALO, the quarterly, half-year and annual financial statements, together with the corresponding management reports, are posted on the Internet site www.dexia-ma.com. Half-year and annual financial statements are posted on the site of a financial information wire (HUGIN) registered with the French Financial Markets Authority (AMF) as concerns regulatory information.

Some of this information is also available, with differences in presentation, in the report on the quality of the assets and the management of interest rate risk that is submitted to regulatory authorities and posted on the Internet site of Dexia MA, in compliance with CRBF instruction 2011-I-07.

Role of the Statutory Auditors

Dexia Municipal Agency is audited by two auditing firms, which crosscheck their findings. The Statutory Auditors are consulted throughout the process on the control of financial and accounting data in order to ensure efficiency and transparency. In due diligence, they analyze accounting procedures and evaluate current internal control systems solely to determine the nature, period and extent of their controls. Their audit makes no judgment on the efficiency and reliability of internal control systems. Nevertheless, on this occasion, they may make recommendations on internal control procedures and systems that could influence the quality of financial and accounting information produced.

Their assessment of the Company's internal control is based on substantive procedures, such as obtaining confirmation of a selection of external counterparties.

They issue instructions for the Statutory Auditors of Dexia MA's Dublin branch and centralize the results. They organize meetings to synthesize the results of their audit, and when required, appreciate the interpretation given of legal and regulatory texts by the standards unit. They also review the accounting manuals, as well as instructions issued by Accounting division. They consult internal audit reports, to which they have ready access. Finally, they check the conformity of the management report and the financial statements with all the items they have reviewed and audited.

They employ due diligence to obtain reasonable assurance that the financial statements are free of any material misstatement.

b. Management and segment reporting

The financial statements (balance sheet, off-balance sheet, income statement, cash flow statement and notes) are not the only quantified items of analysis that Dexia Municipal Agency makes public. They are complemented by the activity reports, prospects and risk assessments, which are presented in the annual report.

These items are directly supplied by the operating divisions or the risk management division. Their accuracy is therefore guaranteed by the internal control system of the divisions concerned.

Dexia MA's sole business is the financing or refinancing of public sector debt originated by Dexia's commercial network. Assets are primarily financed by the issue of *obligations foncières*.

Dexia MA works from Paris (and through its Dublin branch). The Company has no direct activity in any other country and is unable to present a relevant breakdown of its results by geographic region. The geographic breakdown of assets according to the counterparty's country of residence is presented quarterly at the end of the management report. This information is prepared by Accounting on the basis of management data reconciled with accounting.

3.4 – IDENTIFICATION OF MAIN RISKS AND SPECIFIC INTERNAL CONTROL PROCEDURES

Banking activity generates four principal types of risk: credit risk, market risk, structural risk (interest rate, foreign exchange and liquidity), and operational risk.

Monitoring all these types of risk is the joint responsibility of dedicated committees and the risk management division, with the help of tools it has developed, in compliance with regulatory and prudential constraints and within the framework of the limits set by the Dexia Group.

Because the Company is an issuer of *obligations foncières*, the risks authorized for Dexia MA are strictly selected and limited. When the Company was created, a distinction was made between risks that are compatible and risks that are not compatible with the legal and regulatory framework of *sociétés de crédit foncier* and with the specific nature of Dexia MA's by-laws and its license granted by the Comité des établissements de crédit et des entreprises d'investissement (CECEI), now merged into the Autorité de contrôle prudentiel (ACP).

The rating agencies imposed restrictions or validated limits for risks compatible with the Company's activity. Subsequently, a policy paper was drafted to make a synthesis of these compatible risks, entitled Principles and Rules for Risk Management at Dexia Municipal Agency. This document received the approval of the rating agencies. These principles have not been modified since that time.

The general approach decided by the Executive Board of Dexia MA and applied in every unit of Dexia Credit Local in charge of the operations concerned involves monitoring:

- that risks not compatible with the activity of Dexia MA are not taken by the Company or are eliminated from the start;

- that risks compatible with the activity are maintained exactly within authorized limits;
- that controls are realized at the level of the front and middle offices of Dexia Credit Local, that they are reported to the Executive Board of Dexia MA, that any anomalies discovered during such controls are reported to the Supervisory Board and, finally, that these results are transmitted to the specific controller and that the data is made available for his review.

Risks compatible with the activity of Dexia MA are subject to the supervision and management of limits. Such oversight and the resources made available by Dexia Credit Local to manage these risks in practice, on a daily basis as well as in exceptional circumstances, are developed below.

a. Credit risk

Definition

Credit risk represents the potential loss (loss in the value of the asset or default of payment) that may affect Dexia MA by reason of a decrease in a counterparty's financial position.
Risk management principles are presented in the management report and the figures on exposure by geographic region and by category of counterparty are presented in the notes to the financial statements according to IFRS.

Approval process

Any commitment that may generate a credit risk must be approved following a decision-making process organized in function of the volume, the rating, and the type of counterparty. The process used by the credit committee is described in paragraph 3.1.e. The approval process also includes a system of delegations for customers in the French public sector and very limited delegations for the Italian and Spanish subsidiaries, again solely for public sector customers.

Determination of limits

In order to manage the general credit risk profile of Dexia Credit Local and limit the concentration of risks, limits are set for each counterparty, representing the maximum exposure to a credit risk that Dexia is willing to accept for a given counterparty. Limits by economic sector and by product may also be imposed. To take into account the most recent events, specific limits may be frozen at any moment by the risk management division.
These limits are controlled *a priori* operation by operation before the lending decision and *a posteriori* in regulatory reports on exposure submitted to the bank's decision-making bodies.

Control of eligibility at Dexia MA

When an asset is transferred or assigned to Dexia MA's balance sheet, eligibility is verified at two successive levels for French assets, as well as for non-French assets. These controls are governed by standardized procedures. For the new production of French loans, these controls are conducted successively:

- by management and middle-office centers of the back office;
- by daily processing at the head office's back office.

For assets from foreign countries, the control is conducted:

- by the entity that originated the assets from a foreign country;
- by a specialized unit of the risk management division dedicated to local public sector risks and possibly, by the legal unit;
- lastly, a final control is also carried out by a member of Dexia MA's Executive Board.

In addition, the specific controller thoroughly and regularly verifies, *a posteriori*, the eligibility of the assets.

Surveillance system and information

The architecture of the surveillance system is based on two levels:

- the first level is the responsibility of the sales teams at headquarters, the branches and subsidiaries within the framework of the permanent monitoring of their counterparties' financial base;
- the second level is the responsibility of the risk management division, which quarterly receives and consolidates exposures, unpaid invoices and non-performing loans, and participates in the determination of the impairment level. It also regularly updates customer analyses and internal ratings.

Every quarter, the Management Board of Dexia Credit Local reviews risks, noting developments in the different risks. For subsidiaries and branches, the consolidated monitoring of risks relies on the risk management practices described above.

Internal rating system

Since Dexia Credit Local uses the IRBA Advanced approach, the assessment of credit risk is mainly based on internal rating systems set up within the framework of Basel II. Each counterparty processed by the advanced method receives an internal rating by credit risk analysts, who employ dedicated rating tools. This internal rating corresponds to an appreciation of the risk of counterparty default expressed through an internal rating scale and represents a key factor in the loan-granting process. The review of ratings on an annual basis makes it possible to identify proactively the counterparties requiring regular monitoring by the Watchlist Committee on the basis of objective criteria or an expert decision. The portfolio processed according to the Basel II standard method is also subject to regular monitoring.

Impairment policy

The risk of default, which is a component of credit risk, is very low on the assets of Dexia MA, which are comprised of commitments on public sector entities or entities they have guaranteed, as defined in articles L.515-15 and following of the Monetary and Financial Code. The credit quality of the assets and strict controls of commitments is reflected in the low level of non-performing commitments and impairments.
An impairment committee is chaired by the risk management division. Every quarter, this committee determines the amount of impairment allocated and determines the cost of risk. Portfolio-based impairment makes it possible to create reserves that can protect the bank in the event of possible mishaps, in compliance with IFRS.
As of December 31, 2012, non-performing loans and compromised non-performing loans amounted to EUR 91.6 million for a cover pool of EUR 61.2 billion. Provisions on non-performing commitments totaled EUR 7.8 million at the end of 2012.

Credit risk on bank counterparties

For Dexia MA, bank counterparty risk concerns:

- on the one hand, securities issued by banks recorded as replacement assets (mainly covered bonds, a category of assets that presents a very low risk);
- on the other hand, counterparties in hedging operations with which the company has signed ISDA or AFB (French banking association) master agreements that meet rating agencies' standards for *sociétés de crédit foncier* (and other issuers of covered bonds). The market risk management division monitors these ratings and any changes; the information is forwarded to a member of Dexia MA's Executive Board.

b. Market risk

Scope

Market risks refer to the risk of loss linked to fluctuations in market prices and interest rates, their interactions and levels of volatility.

Dexia Municipal Agency has a bond portfolio composed of bonds of very high quality. It is a portfolio similar to commercial public sector financing activities. This bond portfolio is managed without exposure to interest rate risk by using appropriate hedges. The only risk run in addition to the risk of the issuer's default is the risk of credit spread, whose movement impacts gains and losses on bonds and other fixed income securities in the IFRS financial statements and gains and losses through profit or loss for the bonds classified as *placement* securities according to French GAAP. The changes in spread for the bonds classified as loans and receivables in IFRS or as investment securities in French GAAP have no influence on income or the reserves.

Bonds in the assets are recorded in investment or *placement* portfolios in French GAAP, and in portfolios of loans or securities available for sale in IFRS. Market risks linked to trading portfolios are not compatible with Dexia MA's activities.

A part of Dexia MA's bond portfolio corresponds to replacement assets, defined by article L.515-17 of the Monetary and Financial Code, which may be issued by credit institutions with the best credit quality rating (minimum AA-, Aa3, AA-) from an external credit assessment organization recognized by the Autorité de contrôle prudentiel (ACP). They may also be issued by entities benefiting from a Step 2 rating (minimum A-, A3, A-), when their maturity does not exceed 100 days. The total amount of these securities and receivables considered as secure and liquid assets that can be mobilized at the central bank must not exceed 15% of the amount of *obligations foncières* and other debt benefiting from the privilege. Replacement assets as of December 31, 2012, totaled EUR 0.5 billion, representing 0.8% of outstanding privileged debt, composed of covered bonds issued by credit institutions in the Dexia Group.

The Company cannot have a derivative instrument in an isolated open position. All derivatives used by Dexia MA are part of a hedging strategy, either micro or macrohedges. The market back office and market accounting units regularly control the symmetry of micro-hedge swaps.

Management of these risks is described in the chapter "Management of balance sheet risks" in the management report, and figures on exposures to interest rate risks are presented in the notes to the IFRS financial statements under "Risk on resetting of interest rates: analysis by time until next interest rate reset date – analysis of assets and analysis of liabilities".

Monitoring risks

Risk assessment is conducted on a regular basis by Market Risk Management, which reports to the risk management division.

The Executive Board of Dexia MA is regularly informed of developments in the Company's risks (exposures, limits, non-respect of limits) and, if such occur, of changes in the monitoring system (modification of assessment methods or of guidelines).

c. Structural risk: interest rate, foreign exchange and liquidity

Definition

Balance Sheet Management (BSM) oversees structural risks linked to the banking book, i.e. exposure to interest rate, foreign exchange and liquidity risks. Cash and Liquidity Management oversees cash management and short-term interest rate risks.

The definitions of the structural and specific interest rate risk are explained in detail in the chapter on market risks.

The liquidity risk measures the capacity to meet current and future needs for cash, both planned and in the event of a financial downturn on the basis of different stress scenarios.

The risk management principles applied are presented in the chapter "Management of balance sheet risks" in the management report, and figures on exposures to interest rate, foreign exchange and liquidity risks are presented in the notes to the IFRS financial statements under "Liquidity risk" and "Foreign exchange risk".

Monitoring risks

The principal objective of Dexia's balance sheet management is to minimize the volatility of income by immunizing the commercial margin and preserving the creation of value of Dexia Credit Local. There is no attempt to create additional income by taking interest rate risks voluntarily. Attention is focused on the general stabilization of the bank's revenues, while preserving overall value.

Interest rate

The overall and partial sensitivities by time interval remain the main indicators of risk according to which the ALM (ALCo) committees manage these risks.

The structural interest rate risk is mainly concentrated on long-term European interest rates and results from the structural imbalance between Dexia's assets and liabilities after covering the interest rate risk.

Foreign exchange

The currency Dexia Credit Local uses for consolidation purposes is the euro, but its assets, liabilities, revenues and costs are also denominated in other currencies. The ALCo Committee opted for risk coverage linked to the trend in these results in foreign currencies. A policy of systematic coverage as such exposures occur is therefore applied.

The structural risks linked to the financing of equity holdings with capital in foreign currencies (limited to the U.S. dollar) as well as the volatility of Dexia Credit Local's solvency ratio are also monitored.

There is no structural foreign exchange risk on the balance sheet of Dexia MA.

Liquidity

Dexia assesses and manages the risk of liquidity according to the internal management process redefined in 2011. The basis of this management process is the Funding and Liquidity Committee (FLC), a central committee of all parties interested in liquidity and funding, who decided to coordinate their efforts. In 2012, it met weekly to monitor changes in the liquidity of the Dexia Group and Dexia Credit Local, and at the initiative of the ALCo Committee, to take structure-related decisions to improve it.

The liquidity management process targets the coverage of Dexia Credit Local's funding needs. Funding needs are evaluated in a prudent, dynamic and exhaustive manner, taking into consideration existing and planned transactions on- and off-balance sheet. Reserves are composed of assets eligible for refinancing by central banks, which Dexia can access.

Different channels have been put in place to keep management informed regularly:

- weekly meetings of the FLC at which changes in the liquidity situation are studied and analyzed in detail;
- regular meetings of the Audit Committee and the Board of Directors.

With the tensions in the liquidity situation in 2012, specific and regular information channels were activated:

- daily, weekly and monthly reports for the members of the Management Committee, State shareholders and guarantors, and regulators. This information also served all the players involved in the management of liquidity in the Dexia Group and Dexia Credit Local, i.e. BSM, Risk Management BSM and TFM;
- a monthly report to State shareholders and guarantors, central banks and regulators with a 12-month projection of liquidity needs and a funding plan;
- a conference call with regulators and French and Belgian central banks (BdF, ACP, BNB).

Dexia MA's specific management rules

General interest rate risk

Dexia MA is subject to specific management, since the goal is to neutralize interest rate exposure as much as possible. Dexia MA uses micro interest rate hedges on a part of the assets and liabilities benefiting from the legal privilege, and macro interest rate hedges on another part of the assets and off balance sheet in order to manage the general interest rate risk. Micro-hedges cover the interest rate risk on a part of assets in the form of debt securities, on certain loans, on *obligations foncières* and on registered covered bonds.

Macro-hedges are basically used to manage interest rate risk on fixed rate loans not covered by micro-hedges and to manage differences in Euribor fixing dates by Eonia hedges.

The method used is based on simple principles and consists in converting assets and liabilities into two masses on a variable index so that they move in a parallel manner under the impact of yield curve movements. Interest rate risk has, in this way, been contained within a set limit of 3% of equity since 2005, with the approval of the rating agencies. For 2012, the limit was EUR 40 million, with the monetary gap limit set at EUR 9 million, and the remainder for the fixed rate gap. Sensitivity was defined as a variation in the gap's net present value (discounted cash flow) under the impact of a parallel 1% (100 basis points) shift in the yield curve.

Management control and the respect of limits are monitored by Dexia Credit Local's BSM team, and at a second level by Market Risk Management The latter entity produces a weekly report. In addition, the back office monitors hedging operations. The market back office, market accounting, client accounting and general accounting verify the symmetry of the micro-hedges.

The Specific Controller receives the report issued by the Dexia Credit Local management team and can judge whether the congruence of interest rates between the assets and the liabilities is sufficient.

Foreign exchange risk

Dexia MA's policy is to have no foreign exchange risk. Market risks related to foreign exchange transactions are eliminated from the start by currency swaps when an asset or liability that is not denominated in euros is recorded on the balance sheet. For each closing date, general accounting verifies that there is no foreign exchange risk.

Liquidity risk, risk of non-compliance with the over-collateralization ratio, risk of insufficient congruence of maturities

The liquidity risk can be defined as the risk that Dexia MA may not settle its privileged debt commitments at the due date owing to the fact that there is too great a gap between the reimbursement of the assets and that of the privileged resources.

To manage this risk, Dexia MA has put a ceiling on its transformation capacity by limiting to three years the maximum duration gap between the assets and the resources benefiting from the privilege. This rule enables the bank to limit the volume of its liquidity needs. From a structural point of view, Dexia MA therefore has little exposure to liquidity risk.

In order to meet its liquidity needs until, Dexia MA January 31, 2013 make use of the backing of its parent company Dexia Credit Local, which has committed in its "declaration of support" so that Dexia "has the financial resources it needs to meet its obligations."

This support takes the following forms:

- a current account, in an unlimited amount, with Dexia Credit Local;
- a firm and irrevocable commitment by Dexia Credit Local to make available to Dexia MA the funds it requires to reimburse *obligations foncières* that reach maturity in the coming 12 months on a sliding scale.

Moreover, Dexia MA has its own solid resources that enable it to cover its temporary liquidity needs. Because of the nature of the assets that make up its cover pool, Dexia MA has a large number of assets that are directly eligible for refinancing by the central bank, so that its cash needs are easily covered, even in the event of the default of its parent company, since any legal proceedings engaged for the bankruptcy or liquidation of its parent company cannot be extended to Dexia MA (article L.515-21 of the Monetary and Financial Code). Thus, since it is a credit institution, Dexia MA can mobilize these eligible assets:

- either by using, in its own name, the refinancing possibilities offered by the European Central Bank through the Banque de France;
- or by using interbank financing in the form of repurchase agreements.

In practice, Dexia MA first uses the financing made available by Dexia Credit Local, but has also managed to demonstrate its real capacity to obtain financing from the Banque de France. Such debt does not benefit from the legal privilege granted to *sociétés de credit foncier*, but is guaranteed by loans and securities assigned in guarantee on Dexia MA's account with the central bank. Dexia MA made use of such financing in the past.
The coverage of long-term liquidity needs is tested in stress scenarios conducted by Dexia MA under the control of the rating agencies. They serve to define the level of over-collateralization that matches a triple A rating. Stress scenarios are practiced on the basis of the extinguishment of assets, i.e. without adding new assets and on outstanding privileged debt. Dexia MA has committed to maintain a minimum safe level of over-collateralization of 5%, but in practice, actual over-collateralization is much higher. Several controls are conducted to ensure that the level of collateral required by the rating agencies is still respected. All planned issuance programs give rise to stress scenario tests to check whether the planned program, without increasing the assets, will satisfy collateral requirements and the rating agencies' objectives of stressed cash flows. Two of the rating agencies systematically give their approval of these planned programs on a monthly basis, thereby enabling the Company to lock in its rating *a priori*.

In addition, Dexia MA manages its liquidity risk through the three following indicators:
- the liquidity ratio for one month (regulatory statement to the Autorité du contrôle prudentiel);
- the duration gap between the assets and the resources benefiting from the legal privilege (limited to three years), which is published quarterly;
- liquidity requirements over the next 180 days: Dexia MA's management enables it 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. In addition, Dexia MA ensures that at any time, its liquidity needs over a period of 180 days are covered by replacement assets, assets eligible for Banque de France financing or by refinancing agreements signed with credit institutions with the best short-term credit quality, in accordance with the law on *sociétés de crédit foncier*.

Lastly, the specific controller receives the information he needs to assess whether the congruence of maturities of the assets and the liabilities is sufficient and to certify for each issue that the company respects the over-collateralization ratio on a permanent basis.

d. Operational risk

Definition

Operational risk represent the risk of financial or non-financial impact resulting from the lack of adaptation or failure on the part of internal processes, staff, systems and also external events. It includes the risks linked to the security of information systems, as well as legal and compliance risks.

Organization and monitoring

Operational risk management policy

As concerns operational risk management, the policy of Dexia Credit Local involves identifying and regularly assessing the different risks and controls in existence, in order to make sure that the level of tolerance defined for each activity is respected. If this is not the case, the governance in effect should lead to the rapid definition of corrective measures or improvements that will make it possible to return to an acceptable situation. This procedure is complemented by a prevention policy, particularly with respect to IT security and a guarantee that operations will continue, and when necessary, by the transfer of certain risks through insurance. All the operating functions exercised by Dexia Credit Local on behalf of Dexia MA respect the same requirement.

Operational risk database

The systematic collection and surveillance of operational incidents was one of the principal requirements of Basel Committee, whatever approach is used to calculate the capital (standard or advanced method). In the committee's view, historical series of losses may provide useful information for the evaluation of exposure to operational risk and the definition of a policy to control and attenuate this risk.
The collection of data on operational incidents enables Dexia Credit Local to comply with regulatory requirements and obtain precious information to improve the quality of its internal control system. In terms of reporting, beyond the threshold for mandatory declaration set at EUR 1,000, rules have been formulated and transmitted throughout Dexia Credit Local, its subsidiaries and branches, in order to ensure that crucial information be promptly forwarded to management. Management receives a report of the main events, including action plans defined by middle management that make it possible to reduce the risks.

Self-evaluation of risks and control

In addition to keeping a register of losses, Dexia Credit Local has mapped its exposure to the main risks. To this end, Dexia Credit Local, its subsidiaries and branches, including Dexia MA, take part in bottom-up self-evaluation activities concerning risks in the context of existing controls. They may give rise to the definition of risk limitation measures. They provide an overview of most of the areas of risk in the different entities and activities, in order to report results to the different levels of management. These exercises are repeated annually.

Defining and monitoring action plans

Middle management defines corrective measures to deal with major incidents, deficient controls or significant risks that have been identified. The operational risk team ensures regular monitoring. This process makes it possible to provide continuous improvement for the internal control system and to reduce the risk in a appropriate manner over time.

Intensive coordination with other functions involved in internal control

Software introduced in 2010 covers most of the items that make up the framework of operational risk management, and make certain key functionalities (links between risks, controls, recommendations and action plans, automatic entry controls, traceability of modifications, etc.) available to other central functions (internal audit, compliance, validation, permanent control and quality control). It makes it possible to use a language and systems of reference common to these functions, and to generate consolidated information for the bank's middle management, in particular as concerns any type of action plan or recommendation to follow over time.

IT security

The IT security policy and its related recommendations, standards and practices are designed to ensure the security of Dexia Credit Local's IT assets. With its security programs and well-defined responsibilities, all activities are secure. The security of Dexia MA's IT systems is managed like that of Dexia Credit Local. As specified in Dexia Credit Local's policy on the continuation of activities, the business lines must draw up impact analyses for critical activities in the event of a failure. They must define and install contingency plans and see to it that these plans are tested and updated at least once a year. On the basis of regular reports the Management Board validates contingency plans, residual risks and action plans to ensure continuous improvement.

Legal risk

Dexia MA's control and monitoring of legal risks, concerning agreements related to assets or liabilities, is under the responsibility of the General Secretariat of Dexia Credit Local. Dexia MA's contractual commitments originate in or are approved by Dexia Credit Local's legal and tax division, in compliance with the Group's general practice.

Insurance of operational risks

Dexia Credit Local insures against traditional risks for its offices and IT systems, vehicles and liability. These policies cover French subsidiaries, including Dexia Municipal Agency.
Dexia Credit Local has also subscribed insurance policies to cover the liability of the members of its management bodies, professional liability, additional operating expenses, and general banking risks, including fraud and the monetary consequences of damage to valuables and/or documents. These guarantees also apply for the French and foreign entities controlled by Dexia Credit Local, including Dexia Municipal Agency.

3.5 - STEERING AND OVERSIGHT OF THE INTERNAL CONTROL SYSTEM

The Executive Board of Dexia Municipal Agency verifies with the management of Dexia Credit Local that the internal control system set up for its own operations and those of Dexia MA is efficient, and that it also covers the legal standards and management guidelines of Dexia MA by appropriate procedures and controls.

a. The Dexia Group

The Dexia Group plays a major role in overseeing internal control at Dexia Municipal Agency. In 2012, several members of the Supervisory Board of Dexia MA were on the Management Boards of Dexia or Dexia Credit Local. They thus had access to cross-company audit reports, which generally concerned Dexia Credit Local and Dexia Municipal Agency, and which were presented to them at Management Board meetings.

b. The Chief Executive Officer and the Management Board of Dexia Credit Local

The Chief Executive Officer, assisted by the Deputy CEOs, plays an essential role in the appreciation of internal control. They have multiple sources of information that allow them to fulfill their responsibilities in this field. There is no potential conflict of interest between the responsibilities of the CEO and the Deputy CEOs with regard to Dexia Credit Local and their private interests and/or other obligations.
The members of the Management Board are all personally entrusted with operating responsibilities by business or by support function. They are thus well aware of the limits and opportunities that exist in their field and can define and then evaluate the efficiency of internal control procedures.
The most significant cross-company committees are chaired by a member of the Management Board, who may then present the main lines to the other members. A system of delegation and reporting was also introduced. It requires the operating divisions to present and approve key indicators that enable it to appreciate the quality and efficiency of the internal control system.
Internal audit is also a privileged source of information for the CEO and the Management Board. They receive all the audit reports, which are discussed and commented on at meetings. They approve the recommendations and action plans. The general auditor presents his recommendations to the Management Board. As well, the CEO and the Deputy CEOs may also ask internal audit to carry out investigations that were not in the year's audit plan, on subjects they believe require immediate attention.

c. External controllers

The Statutory Auditors, within the framework of their assignment, and the regulators (for France, primarily ACP and AMF), within the framework of their inspections, are also led in their reviews to formulate recommendations for the improvement of specific areas identified by internal control. The Management Board initiates measures that will result in the rapid implementation of these recommendations. In 2011, the Autorité de contrôle prudential (ACP) inspected the full range of Dexia MA's activities. The recommendations that resulted from this inspection were transmitted to Dexia MA at the beginning of 2012. An action plan was launched to take the ACP recommendations into account by the end of 2013.

Philippe MILLS
Chairman of the Supervisory Board

Statutory Auditors' report

prepared in accordance with article L. 225-235 of the Code of commerce and dealing with the report of the Chairman of the Supervisory Board of Caisse Française de Financement Local Fiscal year ended December 31, 2012

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Caisse Française de Financement Local and in accordance with article L.225-235 of the Code of commerce, we hereby present our report dealing with the report prepared by the Chairman of your company in accordance with article L.225-68 of the Code of commerce for the financial year ending December 31, 2012.

The Chairman is responsible for preparing and submitting for the approval of the Supervisory Board, a report describing the internal control and risk management procedures implemented by the Company and disclosing other information as required by article L.225-68 of the Code of commerce dealing in particular with corporate governance.

Our own responsibility is to:

- communicate to you any observations we may have as to the information contained in the Chairman's report and relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information; and
- attest that the report includes the other disclosures required by article L.225-68 of the Code of commerce. It should be noted that we are not responsible for verifying the fair presentation of those other disclosures.

We have performed our work in accordance with the professional standards applicable in France.

Information relating to the Company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information

Our professional standards require the application of procedures designed to assess the fair presentation of the information contained in the Chairman's report and relating to the Company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information.

Those procedures involve in particular:

- obtaining an understanding of the underlying internal control and risk management procedures in the area of the preparation and processing of financial and accounting information presented in the Chairman's report, and of the related documentation;
- obtaining an understanding of the work performed as a basis for preparing that information and the existing documentation;
- determining if any major internal control weaknesses in the area of the preparation and processing of financial and accounting information identified by us during the course of our engagement have been appropriately disclosed in the Chairman's report.

On the basis of the procedures performed, we have nothing to report on the information relating to the company's internal control and risk management procedures in the area of the preparation and processing of financial and accounting information contained in the report of the Chairman of the Supervisory Board prepared in accordance with article L.225-68 of the Code of commerce.

Other disclosures

We hereby attest that the report of the Chairman of the Supervisory Board includes the other disclosures required by article L.225-68 of the Code of commerce.

Courbevoie and Neuilly-sur-Seine, March 29, 2013

French original signed by Statutory Auditors

MAZARS		**DELOITTE & ASSOCIÉS**	
Hervé Helias	Virginie Chauvin	José-Luis Garcia	Charlotte Vandeputte

Ordinary and Extraordinary Shareholders' Meeting of May 24, 2013

Statutory Auditors' special report on regulated agreements and commitments

Fiscal year ended December 31, 2012

This is a free translation into English of the Statutory Auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on the information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or that we may have discovered through our engagement, without expressing an opinion on their usefulness and appropriateness, nor seeking the existence of other agreements and commitments. It is your responsibility, pursuant to article R.225-58 of the Code of commerce, to assess the interest involved in respect of the conclusion of those agreements for the purpose of approving them.

In addition, it is our responsibility to communicate to you the information pursuant to article R.225-58 of the Code of commerce concerning the execution, during the year just ended, of any authorized agreements or commitments already approved by the Shareholders' Meeting.

We conducted our procedures in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. Those procedures consisted in verifying the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

In accordance with article L.225-88 of the Code of commerce, we have been notified of the following agreements and commitments that were previously authorized by your Supervisory Board.

Agreements and commitments authorized during the year just ended

Agreement on the termination of Italian securitization transactions by Dexia Crediop per la Cartolarizzazzione ("DCC")

Interested persons: Alain Clot, common director of Dexia Credit Local, Dexia Municipal Agency and Dexia Crediop; Benoît Debroise, common director of Dexia Municipal Agency and Dexia Crediop.

Nature and purpose: The purpose of the agreement is to terminate DCC's securitization transactions, amounting to EUR 3.5 billion, at no loss to Dexia Municipal Agency or Dexia Crediop. The new transaction would be performed at par values, with redemption of securities by DCC and purchase by Dexia Municipal Agency of the underlying asset-backed securities.

The agreement was authorized by your Supervisory Board on June 6, 2012, but has not yet been finalized and signed. It had no impact during 2012.

Agreement on the sale of derivatives

Interested persons: Philippe Rucheton, common director of Dexia Credit Local and Dexia Municipal Agency;
Béatrice Gosserez, common director of Dexia Municipal Agency and Société de Financement Local until January 31, 2013;
Alain Clot, common director of Dexia Credit Local (the parent company of Société de Financement Local and Dexia Municipal Agency at the time of signature of the contract) and Dexia Municipal Agency.

Nature and purpose: On January 11, 2013, your Company signed an agreement with Dexia Credit Local and Société de Financement Local for the sale by Dexia Credit Local to Société de Financement Local, on January 14, 2013, of the rights and obligations associated with transactions governed by the AFB master agreement in respect of derivatives dated October 21, 1999. Dexia Municipal Agency has agreed to that sale.

Dexia Municipal Agency and Société de Financement Local have agreed to submit new derivatives to the provisions of the applicable master agreement published by the FBF (French Banking Federation).

The agreement was authorized by your Supervisory Board on December 12, 2012, but had no impact during 2012.

Agreements and commitments authorized since the balance sheet date

Agreement on the sale of shares in Société de Financement Local

Interested persons: Philippe Rucheton, common director of Dexia Credit Local and Dexia Municipal Agency;
Béatrice Gosserez, common director of Dexia Municipal Agency and Société de Financement Local until January 31, 2013;
Alain Clot, common director of Dexia Credit Local (the parent company of Société de Financement Local and Dexia Municipal Agency at the time of signature of the contract) and Dexia Municipal Agency.

Nature and purpose: The contract for the sale of the shares in Société de Financement Local by Dexia Credit Local to the French State, Caisse des Dépôts et Consignations and La Banque Postale was signed on January 23, 2013, in the presence of Dexia Municipal Agency and Société de Financement Local in order to allow the parties to make use of the contract.

The agreement was authorized by your Supervisory Board on January 14, 2013, and had no impact during 2012.

Termination of agreements between Dexia Credit Local and Dexia Municipal Agency

Interested persons: Philippe Rucheton, common director of Dexia Credit Local and Dexia Municipal Agency;
Alain Clot, common director of Dexia Credit Local (the parent company of Dexia Municipal Agency at the time of signature of the contract) and Dexia Municipal Agency.

Nature and purpose: On January 31, 2013, Dexia Municipal Agency and Dexia Credit Local signed an agreement for termination of the following arrangements:
- the management contract dated September 30, 1999, between Dexia Municipal Agency and Dexia Credit Local, with the understanding that any loan litigation would be subject to an *ad hoc* agreement;
- the current account agreement, the 11 firm and irrevocable financing agreements between Dexia Credit Local (lender) and Dexia Municipal Agency (borrower) signed on January 12, February 13, March 9, April 4, May 25, June 1, July 24, August 30, October 1, November 2, and December 6, 2012 and the loan agreement between Dexia Credit Local and Dexia Municipal Agency;
- the declaration of financial support for the benefit of Dexia Municipal Agency issued by Dexia Credit Local on September 16, 1999.

No compensation for termination of these agreements will be payable by either party.

The agreement was authorized by your Supervisory Board on January 22, 2013 and had no impact during 2012.

Agreement for the management of loan litigation

Interested persons: Philippe Rucheton, common director of Dexia Credit Local and Dexia Municipal Agency;
Béatrice Gosserez, common director of Dexia Municipal Agency and Société de Financement Local until January 31, 2013;
Alain Clot, common director of Dexia Credit Local (the parent company of Dexia Municipal Agency at the time of signature of the contract) and Dexia Municipal Agency.

Nature and purpose: On January 31, 2013, Dexia Municipal Agency, Dexia Credit Local and Société de Financement Local signed an agreement governing the management of litigious loans. This agreement defines all the legal (other than penal) and administrative procedures to manage the loans included in Dexia Municipal Agency's balance sheet at the date of sale of the shares in Société de Financement Local until all the loans have been extinguished.

The agreement was authorized by your Supervisory Board on January 22, 2013, and had no impact during 2012.

Agreement to exit the tax consolidation arrangement with Dexia SA

Interested persons: Philippe Rucheton, common director of Dexia SA and Dexia Municipal Agency;
Alain Clot, common director of Dexia Credit Local (controlled by Dexia SA) and Dexia Municipal Agency.

Nature and purpose: On January 31, 2013, Dexia Municipal Agency signed an agreement to exit, with effect from January 1, 2013, the tax consolidation arrangement with Dexia SA signed on December 13, 2002. The agreement provides as follows:

Financial consequences
In the absence of any direct or indirect fiscal costs associated with termination of the arrangement, it was agreed that no compensation would be payable by Dexia SA to Dexia Municipal Agency.

Tax inspections and assessments
In the event of any tax investigation of Dexia Municipal Agency, or tax proceedings engaged by the tax administration in respect of any tax or tax credit within the scope of the tax consolidation arrangement, section 8.9 of the agreement for the sale of shares in Société de Financement Local (cf. the 1.2.1 of the present report) would apply. In the event of any adjustment of Dexia Municipal Agency's taxable results for its period of tax consolidation, Dexia Municipal Agency would be required to pay Dexia SA any additional tax it would have been required to pay even in the absence of the tax consolidation arrangement.

Payment of taxes for 2012 and payments on account of taxes for the year of exit

The taxes payable by Dexia Municipal Agency for 2012 will be those the Company would have paid even in the absence of the tax consolidation arrangement.

Payments on account of taxes for the year of exit will be paid by Dexia SA on behalf of Dexia Municipal Agency; the Company has undertaken to advance Dexia SA the requisite funds two working days prior to each due payment date.

The agreement was authorized by your Supervisory Board on January 22, 2013 and had no impact during 2012.

Agreement to exit the Irish tax consolidation arrangement with Dexia Credit Local

Interested persons: Philippe Rucheton, common director of Dexia Credit Local and Dexia Municipal Agency;
Alain Clot, common director of Dexia Credit Local (the parent company of Dexia Municipal Agency at the time of signature of the contract) and Dexia Municipal Agency.

Nature and purpose: On January 31, 2013, Dexia Municipal Agency signed an agreement to exit, with effect as of January 1, 2013, the Irish tax consolidation arrangement with Dexia Credit Local.

The agreement was authorized by your Supervisory Board on January 22, 2013, and had no impact during 2012.

Delegation

Interested persons: Philippe Rucheton, common director of Dexia Credit Local and Dexia Municipal Agency;
Alain Clot, common director of Dexia Credit Local (the parent company of Société de Financement Local and Dexia Municipal Agency at the time of signature of the contract) and Dexia Municipal Agency.

Nature and purpose: On January 31, 2013, Dexia Municipal Agency authorized, with Dexia Credit Local, Société de Financement Local and Caisse des Dépôts et Consignations, a delegation covering arrangements for:

- the sale of shares in Société de Financement Local;
- the loans granted to Société de Financement Local by Caisse des Dépôts et Consignations for the purposes of meeting Dexia Municipal Agency's requirements;
- the credit agreement dated January 31, 2013, between Dexia Municipal Agency and Société de Financement Local;
- the reimbursment to CDC of a certificate of deposit issued by Dexia Credit Local for the purposes of prefinancing the acquisition of Société de Financement Local.

The agreement was authorized by your Supervisory Board on January 22, 2013, and had no impact during 2012.

Bilingual FBF master agreement with Société de Financement Local governing derivative transactions

Interested persons: Béatrice Gosserez, common director of Dexia Municipal Agency and Société de Financement Local until January 31, 2013;
Alain Clot, common director of Dexia Credit Local (the parent company of Dexia Municipal Agency at the time of signature of the contract) and Dexia Municipal Agency.

Nature and purpose: On January 31, 2013, Dexia Municipal Agency and Société de Financement Local signed an FBF master agreement governing derivative transactions. The agreement has the following characteristics:

- it applies to derivative transactions as defined by article L.221-1-I-4 of the French Monetary and Financial Code (Code monétaire et financier);
- all transactions undertaken are treated as an indivisible whole in the event of termination or extinction of the agreement.

The agreement was authorized by your Supervisory Board on January 22, 2013 and had no impact during 2012.

Financing agreement with Société de Financement Local

Interested persons: Béatrice Gosserez, common director of Dexia Municipal Agency and Société de Financement Local until January 31, 2013;
Alain Clot, common director of Dexia Credit Local (the parent company of Dexia Municipal Agency at the time of signature of the contract) and Dexia Municipal Agency.

Nature and purpose: On January 31, 2013, Société de Financement Local granted Dexia Municipal Agency, for general financing purposes:

- a EUR 50 million current account overdraft facility;
- a renewable euro facility in the form of medium-or long-term advances, the applicable rates for which will be defined by Société de Financement Local for each new utilization and depending on Société de Financement Local's own refinancing cost.

The agreement was authorized by your Supervisory Board on January 22, 2013, and had no impact during 2012.

Declaration of support by Société de Financement Local

Interested persons: Béatrice Gosserez, common director of Dexia Municipal Agency and Société de Financement Local until January 31, 2013;
Alain Clot, common director of Dexia Credit Local (the parent company of Dexia Municipal Agency at the time of signature of the contract) and Dexia Municipal Agency.

Nature and purpose: On January 31, 2013, Société de Financement Local signed a declaration of support for Dexia Municipal Agency under which Société de Financement Local and the French State, the Company's reference shareholder, declared they will ensure that Caisse Française de Financement Local (previously Dexia Municipal Agency) always be able to pursue its activity in an ongoing manner and honor its financial commitments and in compliance with the requirements of the applicable banking regulations currently in effect.

The agreement was authorized by your Supervisory Board on January 22, 2013, and had no impact during 2012.

Management agreement between Société de Financement Local and Caisse Française de Financement Local

Interested person: Philippe Mills, common director of Société de Financement Local and Caisse Française de Financement Local since January 31, 2013.

Nature and purpose: The agreement governs the performance by Société de Financement Local of the following services on behalf of Caisse Française de Financement Local, in accordance with the requirements of article L.515-22 of the Monetary and Financial Code:
- management and collection of loans;
- management and collection of investments;
- treasury management and hedging;
- financial and accounting services;
- risk management;
- tax and legal services;
- compliance;
- internal audit;
- third party reporting;
- back office;
- archiving.

The agreement was authorized by your Supervisory Board on January 31, 2013, and had no impact during 2012.

Agreement signed by La Banque Postale, Société de Financement Local and Caisse Française de Financement Local for the sale of loans by La Banque Postale to Caisse Française de Financement Local

Interested person: Philippe Mills, common director of Société de Financement Local and Caisse Française de Financement Local since January 31, 2013.

Nature and purpose: The agreement signed on January 31, 2013, provides for La Banque Postale to offer for acquisition by Caisse Française de Financement Local all the eligible loans granted by La Banque Postale or the joint venture created by La Banque Postale and Caisse des Dépôts et Consignations, on the basis described in the agreement.
The agreement was authorized by your Supervisory Board on January 31, 2013, and had no impact during 2012.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE SHAREHOLDERS' MEETING

Agreements and commitments approved in prior years with an impact on the year just ended

Pursuant to article R.225-57 of the Code of commerce, we have been advised that the following agreement, authorised by the Shareholders' Meeting in the past, remained in effect during the year just ended.

Declaration of financial support from Dexia Credit Local

The "declaration of financial support" by Dexia Credit Local dated September 16, 1999, in favor of Dexia Municipal Agency, ratified by the Shareholders' Meeting held on January 10, 2000, benefits the holders of bonds issued by Dexia Municipal Agency. It stipulates that Dexia Credit Local will hold over 95% of Dexia Municipal Agency's equity capital on a long-term basis. In addition, Dexia Credit Local will ensure that Dexia Municipal Agency pursues its activities in compliance with the provisions of articles L.515-13 to L.515-33 of the Monetary and Financial Code concerning sociétés de crédit foncier and has the financial resources it needs to meet its obligations.
The agreement had no impact during 2012 and was terminated with effect as of January 31, 2013 (cf. 1.2.2 above).

Courbevoie and Neuilly-sur-Seine, March 29, 2013

French original signed by The Statutory Auditors

MAZARS		DELOITTE & ASSOCIÉS	
Hervé Helias	Virginie Chauvin	José-Luis Garcia	Charlotte Vandeputte

Observations of the Supervisory Board

Pursuant to the provisions of article L.225-68 of the Code of Commerce, we hereby state that we have no comment to make on the management report of the Executive Board or on the financial statements for the year ended December 31, 2012.

The Supervisory Board wishes to thank the Executive Board for the initiatives taken and the results achieved during the year ended December 31, 2012.

The Supervisory Board

Resolutions proposed to the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2013

To the Ordinary Shareholders' Meeting

First resolution
Approval of the financial statements

The Ordinary Shareholders' Meeting, after hearing the reports of the Executive Board, the Chairman of the Supervisory Board and the Statutory Auditors, as well as the observations of the Supervisory Board, approves the financial statements for the year ended December 31, 2012, as presented, with all the transactions that generated these financial statements or are mentioned in the above reports, showing net income of EUR 37,213,078.75.

Second resolution
Approval of regulated agreements and commitments

After hearing the Statutory Auditors' special report on regulated agreements and commitments, governed by article L.225-86 of the Code of Commerce, the Ordinary Shareholders' Meeting approves the agreements and commitments mentioned therein, under the conditions of article L.225-88 of the same Code.

Third resolution
Discharge to members of the management bodies

By virtue of the adoption of the first two resolutions, the Ordinary Shareholders' Meeting gives full discharge to the members of the management bodies for the performance of their duties during the year ended December 31, 2012.

Fourth resolution
Allocation of net income

The Ordinary Shareholders' Meeting resolves to allocate net income for the year as follows:

ALLOCATION OF NET INCOME	EUR
Net income for the year	37,213,078.75
Legal reserve (5%)	(1,860,653.94)
Retained earnings	3,178,218.19
2012 income available for distribution	**38,530,643.00**
Dividends distributed	(36,820,000.00)
Retained earnings after allocation	**1,710,643.00**

Each share will receive a dividend of EUR 2.80 eligible for a rebate of 40% according to article 158.3-2 of the French General Tax Code (Code Général des Impôts).

The dividend will be paid as of May 30, 2013.

The Ordinary Shareholders' Meeting recalls, pursuant to article 243bis of the French General Tax Code, that the following dividends were paid in the previous three years.

EUR	2009	2010	2011
Net dividend per share	12.60	9.25	1.16
Amount per share eligible for rebate (article 158.3-2 of the French General Tax Code)	12.60(1)	9.25(1)	1.16(1)
Total amount per share eligible for rebate (article 158.3-2 of the French General Tax Code)	133,560,000(1)	110,075,000(1)	15,080,000(1)

(1) Rate 40%.

Fifth resolution
Certification of the financial statements

In application of article L.822-14 of the Code of Commerce, the Ordinary Shareholders' Meeting takes note that the financial statements for the year ended December 31, 2012, were certified by the Statutory Auditors:
- Hervé Hélias, Partner, and Virginie Chauvin, Partner, representing the firm Mazars on the one hand,
- José-Luis Garcia, Partner, and Charlotte Vandeputte, Partner, representing the firm Deloitte & Associés, on the other hand.

To the Extraordinary Shareholders' Meeting

Sixth resolution
Capital increase in the amount of EUR 25 million via the creation of new shares in cash

The Extraordinary Shareholders' Meeting, after hearing the Executive Board's report and noting that the capital stock is entirely paid up, decides to increase share capital by EUR 25 million from EUR 1.315 billion to EUR 1.340 billion via the creation of 250,000 new shares in cash with a par value of EUR 100 each.
The new shares are issued at par and will be fully paid up at subscription in cash. They will be created with effect as of January 1, 2013, whatever the date of the capital increase, and will be completely assimilated to existing shares and subject to all the provisions of the by-laws and decisions of the Shareholders' Meetings from their creation.

Subscriptions will be received at the Company's registered office from May 24, 2013, to June 10, 2013, included. The funds for the subscription will be deposited in a bank in which the Company has an account.

Seventh resolution
Subsequent amendment of article 6 of the by-laws

The Extraordinary Shareholders' Meeting, with the suspensive condition that there is, in fact, a capital increase, decides to amend article 6 of the Company's by-laws as follows:

Article 6: Share capital
"Share capital is set at the sum of EUR 1,340,000,000. It is divided into 13,400,000 shares."

The accomplishment of the capital increase will be sufficiently evidenced by the certificate of deposit of funds issued by the bank in which the funds have been deposited.

Eighth resolution
Powers

The Shareholders' Meeting gives full powers to the bearer of an original, a copy or an excerpt of the minutes of this meeting to carry out all legal formalities, in particular to notify the Tribunal de Commerce de Nanterre of any changes in registration.

Legal and administrative information

General Information

Corporate name
The name Caisse Française de Financement Local was chosen to replace that of Dexia Municipal Agency at the Ordinary and Extraordinary Shareholders' Meeting of January 29, 2013, under the suspensive condition of the full transfer of all the shares of Société de Financement Local to the French State, Caisse des Dépôts et Consignations and La Banque Postale, which took place on January 31, 2013.

Registered office
The Company's registered office is located at:
1, passerelle des Reflets – La Défense 2
92913 La Défense Cedex

Legal structure
Société anonyme à Directoire et Conseil de Surveillance, a joint-stock corporation with an Executive Board and a Supervisory Board.

Official CECEI approval
The Company was approved by the Comité des établissements de crédit et des entreprises d'investissement (CECEI) on July 23, 1999, as a *société financière – société de crédit foncier*. This approval became definitive on October 1, 1999.

Applicable legislation
A corporation under the provisions of articles L.210-1 and following of the Code of Commerce, articles L.511-1 and following of the Monetary and Financial Code and articles L.515-13 and following of the Monetary and Financial Code.

Incorporation date
The company was created on December 29, 1998, for a period of 99 years.

Corporate purpose (article 2 of the by-laws)
The Company's exclusive purpose is:
- to grant or acquire loans to public sector entities as defined in article L.515-15 of the Monetary and Financial Code as well as assets considered as loans as defined in article L.515-16 of the same code;
- to hold assets defined by decree as replacement assets;
- in order to finance the above-mentioned loans, to issue obligations foncières benefiting from the privilege defined in article L.515-19 of the Monetary and Financial Code and to raise other funds, under issue or subscription contract referring to the privilege.

The Company may also fund the above-mentioned activities by issuing bonds or other sources of financing that do not benefit from the privilege defined in article L.515-19 of the Monetary and Financial Code.
Pursuant to the law of January 2, 1981, facilitating corporate borrowing, the Company may assign all the assets it owns, whatever their nature (whether professional or not).

Company registration and APE business identification code
Caisse Française de Financement Local is registered as a corporate entity under the designation NANTERRE 421 318 064 (Registre du Commerce et des Sociétés). Its APE code is 6492Z.

Availability of information
Legal documents concerning Caisse Française de Financement Local may be consulted at the Company's registered office:
1, passerelle des Reflets – La Défense 2
92913 La Défense Cedex

Fiscal year (article 39 of the by-laws)
The Company's fiscal year begins on January 1 and ends on December 31.

Exceptional events and legal proceedings
The change in the shareholding structure at the beginning of 2013 led to no significant modification in the Company's financial or commercial situation compared with the previous year's financial statements (financial statements as of December 31, 2011).
With regard to litigation at the end of 2012, 57 clients had brought suit against Dexia Credit Local for sensitive loans the bank had granted them and which were on the balance sheet of Caisse Française de Financement Local. On February 8, 2013, in three legal decisions handed down by the Tribunal de Grande Instance de Nanterre, the court rejected the claims of the Département de la Seine-Saint-Denis for the cancellation of the three contested loan agreements (loans in the cover pool of Caisse Française de Financement Local) and for compensation. It however estimated that the faxes exchanged before the signing of the agreements could be considered as "loan agreements" and that the lack of mention of the annual percentage rate of charge (Taux Effectif Global – TEG) implied the application of the legal interest rate. If these decisions were to be confirmed, Caisse Française de Financement Local would bear the financial consequences of the decrease in the interest rate. These decisions may, however, be appealed.

Allocation of income (article 40 of the by-laws)
Income available for distribution comprises net income for the year minus any prior year losses and any allocations to reserves pursuant to current legislation, plus any retained earnings carried forward from previous years.
From the available surplus, the Ordinary Shareholders' Meeting, voting on a recommendation of the Executive Board, may allocate all or a part of the remaining income to retained earnings.
There are no priority shares or dividends.

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Annual Shareholders' Meetings

Calling of meetings (article 28 of the by-laws)

Annual shareholders' meetings are called as required by current legislation. They are held at the Company's registered office or any other location specified in the notice of meeting.

All shareholders have the right to obtain copies of the documents required to make an informed decision concerning the overall management and control of the Company.

The types of documents concerned and the terms of their availability and dispatch are determined by the applicable legislation and regulations.

Right to attend annual shareholders' meetings (article 29 of the by-laws)

All shareholders are entitled to attend the meetings upon presentation of proof of identity, provided that their shares have been paid up to the extent called and are registered in their name at least five days prior to the date of the meeting.

Shareholders may give proxy to another shareholder.

Proxies must be deposited at the company's headquarters at least five days prior to the date of the meeting.

Voting rights (article 32 of the by-laws)

The voting rights attached to the shares are proportional to the percentage of capital the shares represent. Each share conveys one voting right. At annual shareholders' meetings, the number of votes that may be cast by each shareholder corresponds to the number of shares held plus the number of shares for which the shareholder holds proxy.

Capital

Amount of the capital

Share capital currently stands at EUR 1,315,000,000 represented by 13,150,000 nominative shares with no stated par value.

There are no other securities that grant rights to shares in the capital of Caisse Française de Financement Local.

Shareholding structure in the last five years

Date of the Shareholders' Meeting	Date of the capital increase	Amount of the capital increase EUR	Cumulated capital EUR
5/26/08	5/28/08	70,000,000	946,000,000
5/26/09	6/9/09	114,000,000	1,060,000,000
5/26/10	5/28/10	130,000,000	1,190,000,000
5/26/11	6/7/11	110,000,000	1,300,000,000
5/24/12	5/30/12	15,000,000	1,315,000,000

Breakdown of capital	2008	2009	2010	2011	2012
Dexia Credit Local	99.99%	99.99%	99.99%	99.99%	99.99%
Individual and corporate investors	0.01%	0.01%	0.01%	0.01%	0.01%

At the Ordinary and Extraordinary Shareholders' Meeting of May 24, 2012, there were 13,000,000 voting rights in existence.

Since January 31, 2013, Caisse Française de Financement Local is 99.9%-owned by Société de Financement Local, and 0.01% of its capital is in the hands of private investors (individuals, members of the Supervisory Board, to whom Société de Financement Local has lent shares).

Declaration of financial support

On January 31, 2013, Société de Financement Local formalized a declaration of financial support for its subsidiary Caisse Française de Financement Local.

"Société de Financement Local acquired Caisse Française de Financement Local, previously called Dexia Municipal Agency, a société de crédit foncier, *governed by articles L.515-13 and following of the Monetary and Financial Code.*

"Société de Financement Local will hold more than 99% of the capital of Caisse Française de Financement Local on a long-term basis.

"Société de Financement Local and the French State, its reference shareholder, will ensure that Caisse Française de Financement Local always be able to pursue its activity in an ongoing manner and honor its financial commitments, in compliance with the requirements of banking regulations currently in effect."

Statement by the person responsible

I, Gilles Gallerne, Chairman of the Executive Board of Caisse Française de Financement Local,

hereby affirm that to the best of my knowledge, the financial statements have been prepared in conformity with applicable accounting standards and present fairly, in all material aspects, the assets and liabilities, financial position and results of Caisse Française de Financement Local, and that the management report presents a fair image of trends in the Company's business, results and financial position, as well as a description of the main risks and uncertainties it faces.

La Défense, March 29, 2013
Gilles Gallerne
Chairman of the Executive Board

List of information published or disclosed

in the last 12 months (in application of article L.451-1-1 of the Monetary and Financial Code and of article 222-7 of the general regulations of the French Financial Markets Authority – AMF)

Nature of the information	Publication or announcement
I – ACTIVITY AND RESULTS	
Quarterly financial report as of December 31, 2012	BALO 3/8/2013
Quarterly financial report as of September 30, 2012	BALO 11/21/2012
Semi annual financial report as of June 30, 2012	BALO 10/15/2012
Quarterly financial report as of June 30, 2012	BALO 8/15/2012
Report on asset quality as of December 31, 2011	BALO 12/14/2012
Approval of 2011 annual financial statements	BALO 6/15/2012 + BALO Addendum 12/7/2012
Quarterly financial report as of March 31, 2012	BALO 5/11/2012
II – CORPORATE ORGANIZATION	
Modified registration – Appointment of a member of the Supervisory Board	Les Petites Affiches 3/4/2013
Modified registration – Change in composition of the Supervisory Board and the Executive Board - Change in corporate name	Les Petites Affiches 2/15/2013
Modified registration – Change in composition of the Supervisory Board	Les Petites Affiches 1/24/2013
Modified registration – Resignation of a member of the Executive Board – Chief Executive Officer	Les Petites Affiches 11/23/2012
Modified registration – Non-renewal of a member of the Supervisory Board - Capital increase	Les Petites Affiches 6/5/2012
III – OTHER INFORMATION	
Caisse Française de Financement Local – Report on asset quality as of December 31, 2012	HUGIN(1) 2/14/2013
The three main rating agencies grant triple A rating to Caisse Française de Financement Local	Press release 2/7/2013
Dexia Municipal Agency – Report on asset quality as of September 30, 2012	HUGIN 11/14/2012
Dexia Municipal Agency – Financial Report as of June 30, 2012	HUGIN 8/31/2012
Dexia Municipal Agency – Report on asset quality as of June 30, 2012	HUGIN 8/14/2012
Dexia Municipal Agency – Report on asset quality as of March 31, 2012	HUGIN 5/15/2012
Dexia Municipal Agency – Annual Report 2011	HUGIN 3/30/2012

** Professional wire for regulatory information, AMF registered.*

Caisse Française de Financement Local
Société anonyme à directoire et conseil de surveillance
A French credit institution with an Executive Board and a Supervisory Board
Capital of EUR 1,315,000,000
R.C.S. NANTERRE 421 318 064

Headquarters
1, passerelle des Reflets
La Défense 2
92913 La Défense Cedex
Tel. (33) 1 71 02 90 90
www.caissefrancaisedefinancementlocal.fr

Investor relations
E-mail: financial-communication@sfil.fr
Ralf Berninger
Tel. (33) 1 71 02 93 42
E-mail: ralf.berninger@sfil.fr

Jérôme Gyss
Tel. (33) 1 71 02 97 05
E-mail: jerome.gyss@sfil.fr

This annual report is available in French and in English at
www.caissefrancaisedefinancementlocal.fr

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