MOODY'S
INVESTORS SERVICE

NEW ISSUE REPORT

Caisse Française de Financement Local

Covered Bonds / France

Closing Date

1999

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Definitive Ratings

Cover Pool as of 30/06/2014 (in €)	Ordinary Cover Pool Assets	Covered Bonds as of 30/06/2014 (in €)	Rating
62,570,149,866	Public-sector debt	52,031,297,531	Aaa

The ratings address the expected loss posed to investors. Our ratings address only the credit risks associated with the transaction. They do not address other non-credit risks, which could have a significant effect on yield to investors.

Transaction Summary

We have assigned Aaa ratings to all of the covered bonds (*the "Covered Bonds" or "Obligations Foncières"*) issued by Caisse Française de Financement Local (the "Issuer", a "Société de Crédit Foncier") under the terms of the €75 billion Euro Medium Term Note Programme for the issue of Obligations Foncières (the programme). The Issuer is fully owned by Société de Financement Local (the sponsor bank, Aa2 negative/Prime-1).

The ratings take into account the following factors:

» The credit strength of Société de Financement Local (the sponsor bank, Aa2 negative/Prime-1). The structure of the programme enables the issuer to benefit from the credit strength of the sponsor bank whose involvement in and commitment to the programme are also evidenced by the various functions and services performed and provided to the issuer. The reference point for Moody's expected loss (EL) analysis and timely payment indicator (TPI) for this covered bond programme (currently Probable-High) will be the covered bond (CB) anchor[1] of the sponsor bank (see CB anchor paragraph below);

» A cover pool including mostly claims against regional and local governments in France or debt related to French local governments – initially originated by Dexia Credit Local. All new assets added to the cover pool are originated by La Banque Postale, one of the sponsor bank's shareholders. As of 30 June 2014, the cover pool included (i) public-sector exposures (93.4%), all eligible for inclusion in the cover pool pursuant to articles L.513-3 *et seq*. of the French Monetary and Financial Code and (ii) substitute assets (6.6%);

» The strengths of the French covered bond law, particularly articles L.513-2 to L.513-27 of the French Monetary and Financial Code, along with the regulatory framework (together, the Société de Credit Foncier (SCF) Law).

As of 30 June 2014, the over-collateralisation (OC) in place was 20.3% on a nominal value basis, 5.0% of which we consider to be "committed", as required by the SCF Law. The minimum OC that is consistent with the current Aaa rating was 4.5%. We have assigned a TPI of Probable-High to the public-sector covered bonds of Caisse Française de Financement Local, in line with the other public-sector deals in France.

We consider the transaction to be linked to the credit strength of the sponsor bank, particularly from a default probability perspective. Should the sponsor bank's credit strength deteriorate, all other variables being equal, the rating on the covered bonds would likely come under pressure.

In the event of deterioration of the sponsor bank's credit strength or the pool quality, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. Failure to increase the OC under these circumstances would potentially lead to negative rating actions.

The principal methodology used in rating the issuer's covered bonds is Moody's Approach to Rating Covered Bonds, published in March 2014.

Opinion

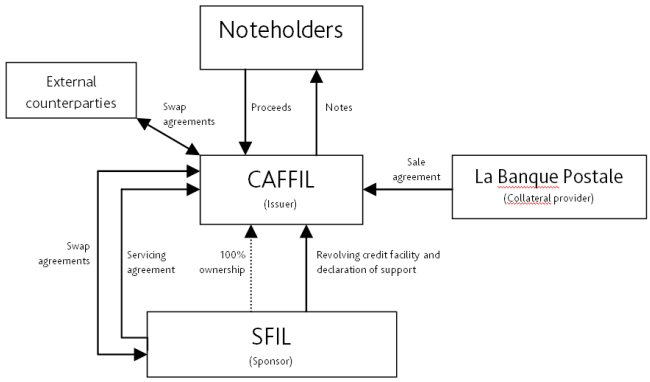
Strengths of the transaction

Sponsor bank:

Investors will benefit from the credit strength and support of the sponsor bank, owing to (1) a declaration of support signed on 31 January 2013 by the sponsor bank, and (2) the revolving credit facility pursuant to which the sponsor bank shall make available to the issuer any amount it may need in order to achieve its corporate object.

EXHIBIT 1

Transaction Structure



The French legal framework:

We favourably regard a number of provisions set out in the SCF Law. These provisions include, but are not limited to, the following:

- The status of SCF and specialized credit institution that applies to the issuer.
- *Assets eligibility criteria*. Only assets that satisfy certain eligibility criteria can be included in the cover pool. The sponsor bank, as servicer, and the specific controller must check that only eligible assets are transferred to the issuer.
- *Segregation, non-consolidation in case of insolvency of the parent company*. The SCF Law precludes the extension of insolvency proceedings with respect to the parent company of an SCF to the SCF itself.
- *Statutory privilège*: Principal and interest of the covered bonds will benefit from the so called "*privilège*" (priority right of payment). As a consequence, and notwithstanding any legal provisions to the contrary, all amounts payable to the issuer with respect to the cover pool and hedging instruments are allocated in priority to the payment of any sums due with respect to the covered bonds and swap counterparties.
- *OC*. The SCF Law requires a minimum OC of 5%.
- *Liquidity buffer*. The SCF Law requires the SCF to cover, at all times, its treasury needs over a period of 180 days, taking into account the forecasted flows of principal and interest on its assets, net flows related to derivative financial instruments, substitute assets and repo-eligible assets.
- *Withholding of covered bonds*: *SCF* are authorised to withhold their own covered bonds (up to 10% of the issuance size) and use them as collateral for liquidity operations with the central banks.
- An SCF is not allowed to hold shares in other companies.

Credit quality of the cover pool:

- The majority of cover pool consists of claims against regional and local governments in France or debt related to French local governments, which on average have very good credit quality.
- The public sector pool is very granular with currently 53,662 loans made to 18,382 borrowers (as of 30 June 2014).

Refinancing risk:

For the purposes of assessing the refinancing risk, we favourably regard the following features:

» The SCF Law and the relevant provisions aimed at avoiding interruptions in i) assets and corporate servicing and ii) cash flows management.

» Following the insolvency of the issuer, the covered bonds would continue to be paid according to their original scheduled maturity dates, in accordance with the SCF Law.

Set-off risk:

The sponsor bank and the issuer are not deposit-taking institutions so losses arising as a result of the borrowers exercising their set-off rights appear remote.

Supervision:

The issuer is a licensed financial institution that the *Autorité de Contrôle Prudentiel et de Résolution* (ACPR) regulates. Pursuant to the SCF Law, the issuer must appoint a specific controller (*contrôleur spécifique*) with the approval of ACPR, whose tasks are described below under *Structure and Legal Aspects – The Issuer*.

Weaknesses and mitigants

Issuer discretion:

As with most covered bonds, until the CB anchor event,[2] the issuer can materially change the nature of the programme. For example, the issuer can add new assets to the cover pool, issue new covered bonds with varying promises and enter into new hedging arrangements. These changes could affect the credit quality of the cover pool as well as the overall refinancing risk and market risks. **Mitigants**: (1) the rating of the sponsor bank (Aa2 negative/Prime-1); (2) the issuer can only acquire assets that are eligible assets under the SCF Law; (3) the SCF Law limits substitute assets to 15% of the liabilities benefiting from the *privilège*; and (4) the true-sale nature of the assignment of the assets by the sponsor bank to the issuer somewhat mitigates the risk of reverse adverse selection in a distressed scenario.

Credit quality of the cover pool:

» As of 30 June 2014, the cover pool had the following concentrations: (i) geographical concentration: the majority of the claims are against public-sector entities situated in France; and (ii) obligor concentration: the 10 largest obligors account for 9.3% of the total loan balance of the public-sector loans of the cover pool. These facts increase the probability of significant losses. **Mitigants**: The obligors are generally of high credit quality. Furthermore, our collateral model takes into account the impact of concentration on borrower, regional and country levels.

» The sponsor bank does not directly originate the new loans included in the cover pool. La Banque Postale originates the loans, which are then sold to the issuer via a transfer form (*bordereau*) that is specific to SCF in accordance with Article L.513-13 of the French Monetary and Financial Code. **Mitigants:** (1) La Banque Postale committed to propose to the issuer all the loans that would be eligible for its cover pool; (2) before the loan is originated, the two entities (La Banque Postale and the issuer) simultaneously carry out an initial analysis of the customer. The loans that do not meet the credit criteria of the issuer will not be transferred to its balance sheet;

» Exposure to the sponsor bank group: The cover pool is directly exposed to the credit quality of the sponsor bank group through €4.1 billion long-term loans granted by the issuer to Société de Financement Local. **Mitigants:** (1) these loans are guaranteed by loans and securities; (2) the rating of the sponsor bank (Aa2 negative/Prime-1).

Refinancing risk:

General: Following a CB anchor event, in order to achieve timely principal payment, covered bondholders may need to rely on proceeds being raised through the sale of, or borrowing against, assets in the cover pool. Following a CB anchor event, the market value of these assets could be subject to high volatility. **Mitigants**: (1) the rating of the sponsor bank (Aa2 negative/Prime-1), and (2) non-acceleration of the covered bonds following issuer insolvency.

Repo: 71% (€41.5 billion) of the assets currently included in the cover pool are repo-eligible. There is no certainty that the assets that are currently repo-eligible will remain repo-eligible in the future. **Mitigants**: (1) the stressed refinancing margins that we apply in our modeling; and (2) certain requirements of SCF Law including liquidity buffer; (3) the SCF can withhold its own covered bonds.

Interest-rate and currency mismatches:

While the hedging arrangements contain a number of provisions designed to reduce the likelihood of the swaps terminating upon the default of the issuer or of the sponsor bank, such termination remains a possibility. **Mitigants:** (1) most of the swaps are external; (2) contractual provisions included in the swap agreements designed to reduce the termination events under the swap; (3) the "specialist issuer" nature of the issuer, which may continue to operate as a solvent entity even after bankruptcy of the sponsor

bank; (4) the strength of the sponsor bank (Aa2 negative/Prime-1); and (5) Moody's EL model assumes that the hedging arrangements may terminate upon a CB anchor event.

Time subordination:

After issuer insolvency, later-maturing covered bonds are subject to time subordination. Use of principal cash collections is on a first-come, first-served basis, with payment on earlier-maturing covered bonds prior to later-maturing covered bonds. This time subordination could lead to the erosion of OC before any payments to later-paying covered bonds. **Mitigants**: (1) the amount of OC, which the issuer must maintain over time; (2) given the nature of the corporate object of the issuer and the provisions of the SCF Law, the likelihood of such bankruptcy proceedings being commenced against the issuer appears relatively remote; and (3) since May 2014, the SCF Law provides additional requirements to strengthen the maturity matching obligations (average maturity mismatch not to exceed 18 months and coverage level assessment).

Structure Summary

Issuer:	Caisse Française de Financement Local (not rated)
Sponsor Bank:	Société de Financement Local (Aa2 negative, Prime-1)
Covered Bond Type	Public-Sector Covered Bonds (*Obligations Foncières*)
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	Provisions of the French and Monetary Code applicable to *Sociétés de Crédit Foncier*, in particular articles L.513-3 et seq. of the French Monetary and Financial Code
Main Originator(s):	La Banque Postale
Main Servicer(s):	Société de Financement Local
Intra-Group Swap Provider:	Société de Financement Local
Monitoring of Cover Pool:	Fidus (Specific Controller)
Trustees:	n/a
Timely Payment Indicator (TPI):	Probable-High
TPI Leeway:	4 notches

CB Anchor

Entity used in Moody's expected loss and TPI analysis	Société de Financement Local
SUR[3]	Aa2 (long term deposit rating)
Adjusted BCA	n/a
Debt Ratio	<5% (Bail-in-able cushion for covered bond anchor)
CB Anchor	SUR + 0
Senior unsecured claim	No

Covered Bonds Summary

Total Covered Bonds Outstanding:	€52,031,297,531
Currency of Covered Bonds:	Euro (87.5%)
Extended Refinance Period:	No
Principal Payment Type:	Hard bullet (no extension period)
Interest Rate Type:	Fixed-rate covered bonds (79.6%), variable-rate covered bonds (20.4%)

Collateral Summary* (see Appendix 1 for further information)

Size of Cover Pool:	€58,468,536,937
Main collateral type in Cover Pool:	Public-sector debt (100%)
Main Asset Location:	France (74.3%); Italy (11.1%); Switzerland (5.4%)
Loans Count:	53,662
Currency:	Euro (89.3%)
Concentration of 10 Biggest Borrowers:	9.3%
WA Remaining Term:	165 months
Interest Rate Type:	Fixed-rate assets (57%)
"Committed" OC:	5%
Current OC:	20.3% (on a nominal value basis) including substitute assets, 12.4% otherwise
Collateral Score:	7.7%
Cover Pool Losses:	13.5%
Further Details:	See Appendix 1
Pool Cut-Off Date:	30 June 2014

*This excludes €4.101 billion of substitute assets

Structural and Legal Aspects

The SCF Law governs Caisse Française de Financement Local's public-sector covered bonds.

A more detailed analysis of the general French legal framework is available in France - Legal Framework for Covered Bonds, published in July 2014, and of the changes to the SCF Law implemented in May 2014 is available in Changes to French Covered Bond Law are Credit Positive.

The issuer is a wholly owned subsidiary of Société de Financement Local. The ACPR has licensed it as a specialised credit institution (*établissement de credit specialisé*) and as acting as an SCF. SCFs may grant or acquire either secured loans or exposures to public-sector entities or other eligible securities and issue covered bonds in the form of *obligations foncières* or incur other forms of borrowings in order to finance these assets. The SCF Law allows SCFs to issue ordinary bonds or raise funds, which do not benefit from the *privilège*.

Typically, a SCF may acquire the following types of assets:

» Residential or commercial real estate loans, either (i) secured by a first-ranking mortgage or equivalent real estate security interest; or (ii) guaranteed by a recognised credit institution or insurance company up to 35% of the total pool. The SCF Law limits the portion of the loans that can be financed by covered bonds to (i) 60% of the property value for commercial real estate loans; and (ii) 80% for residential home loans.

» Public-sector loans to, or guaranteed by, a state, municipality or any other public-sector entity, subject to certain restrictions linked to the credit quality of such entities according to a recognised rating agency. Loans must have a direct or an indirect recourse to governmental institutions or central banks from the following countries: European Economic Area, USA, Switzerland, Japan, Canada, Australia, New Zealand or any country benefiting from the highest or second-highest credit quality according to a recognised rating agency.[4]

» Notes issued by securitisation vehicles, subject to certain limits and provided that the notes have the highest level of credit quality according to a recognised rating agency and that at least 90% of the underlying assets are real-estate loans or public-sector loans subject to the above mentioned requirements.

» Mortgage promissory notes (*billets à ordre*) up to 10% of the cover pool.

The SCF law provides for a regime that derogates in many ways from the French legal provisions relating to insolvency proceedings:

» *Privilège / No acceleration of covered bonds as a result of insolvency of an SCF*: In the event of an insolvency proceeding of the SCF (safeguard procedure, judicial reorganisation or liquidation), all claims benefiting from the *privilège* (including interests) must be paid on their due dates and with priority over all other claims. Until payment in full of all such preferred claims, no other creditors may take any action against the assets of the SCF.

» *No nullity during hardening period*: Clawback provisions under general insolvency laws are not applicable to transactions that an SCF enters, provided that such transactions have been made in accordance with the issuer's exclusive legal purpose and without fraud.

» *Option to terminate ongoing contracts with insolvent counterparties*: In case of the opening of any insolvency procedure against the credit institution, which is acting as the servicer of the cover pool, the SCF may immediately terminate any servicing contract.

» *No consolidation:* The SCF Law precludes the extension of any insolvency procedure with respect to the SCF's shareholders to the SCF itself.

The specific controller monitors legal requirements (including asset eligibility, asset cover test, rate and maturity matching requirements). He is independent from both the issuer and the sponsor bank

The issuer has appointed a specific controller (*contrôleur spécifique*) and a substitute specific controller (*contrôleur spécifique suppléant*). Pursuant to the SCF Law, the specific controller acts as an independent special inspector, is a licensed statutory auditor and its appointment for a duration of four years is subject to the ACPR's approval. It should not be the statutory auditor of the issuer or of any entity belonging to the same group as the issuer (in particular, the sponsor). The specific controller's role is to ensure that the issuer pursues its activities in accordance with the law, to review the risk assessment methods and to inform the ACPR of any potential non-compliance of the issuer with its legal obligations. The specific controller also (1) monitors, on a quarterly basis, the calculation of the legal asset cover test; (2) reviews any rate or maturity mismatch as well as the coverage plan on an annual basis, and must alert the issuer and the ACPR if the covered

bondholders incur excessive risks; and (3) provides a detailed annual report to the issuer and the ACPR.

The specific controller remains liable for the issuer and third parties and for any loss they suffer as a result of his misconduct or negligence in performing his legal duties.

Moody's Rating Methodology

Details of the approach that we use to rate covered bond transactions is in our rating methodology.[5] Below, we discuss the impact of the issuer's credit strength, the quality of the collateral and market risks.

Credit strength of the sponsor bank

The issuer is 100% owned by Société de Financement Local, incorporated on January 2013 at the French government's initiative with a view to providing financing to French local governments and hospitals. The French State (75%), the Caisse des Depots et Consignations (20%) and La Banque Postale (5%) jointly own the Société de Financement Local.

For more information on the fundamental credit quality of the Sponsor Bank, please see "Related Research".

The credit quality of the cover pool

As of 30 June 2014, the majority of the claims were against French regional or local governments or debt guaranteed by those entities. The cover pool assets total €62.6 billion, and back €52.0 billion in covered bonds (both numbers on a nominal basis). The OC on a nominal value basis is 20.3%.

See Appendix 1 for more information on the cover pool.

Public-sector debt

From a credit perspective, we view the following characteristics of the public-sector debt as positive:

» The obligors are generally of high credit quality.

» The highest concentration of assets is in the Ile-de-France region (20.1%).

» 71% of the loans are repo-eligible.

From a credit perspective, we view the following portfolio characteristics of the public-sector debt as negative:

» Obligor concentration: The 10 largest obligors account for around 9.3% of the cover pool assets. **Mitigants**: (i) The overall credit quality of the obligors, including the largest obligors in the cover pool, is high; and (ii) in our modelling, we have considered the obligor concentration.

» Geographical concentration: The majority of the obligors of the debt in the cover pool are located in France. **Mitigants**: (i) The overall credit quality of the obligors is high; and (ii) in our modelling, we have considered the impact of concentration on obligor, regional and country levels.

Summary collateral analysis: Collateral score

The result of the cover pool analysis is the collateral score.[6] We calculate a collateral score based on the credit quality of the cover pool assets as described above. In addition, the collateral score published in this report reflects all adjustments made, and therefore includes the cushion built in to address the aforementioned factors.

The collateral score of the current pool is 7.7%, which is below average for public-sector covered bonds rated by us.

For further information on the cover pool, see Appendix 1.

Refinancing risk

Following a CB anchor event, where investors cannot rely on the "natural" amortisation of the cover pool assets alone to repay the principal, funds must be raised against the cover pool at a discount if covered bondholders are to receive timely principal payment. If the portion of the cover pool that is potentially exposed to refinancing risk is not contractually limited, our expected-loss analysis typically assumes that this amount exceeds 50% of the cover pool.

After a CB anchor event, the market value of these assets could be subject to certain volatility. Examples of the stressed refinance margins we use for different types of prime-quality assets are available in our rating methodology (see Related Research: Moody's Approach to Rating Covered Bonds, March 2014).[7]

Refinancing-positive aspects of this covered bond programme include:

» Please see TPI positives.

Refinancing-negative aspects of this covered bond programme include the following:

» The programme does not benefit from any contractual provisions to allow for an extension of a principal refinancing period.

» The collections under the cover pool assets do not match the payment liabilities under the covered bonds.

» Please see TPI negatives.

Interest-rate and currency mismatches

As with the majority of European covered bonds, there is potential for interest-rate and currency mismatches. For example, following a CB anchor event, covered bondholders could be exposed to interest-rate risk, which could arise from the different payment promises and durations made on the cover pool and the covered bonds.

Following a CB anchor event, our covered bond model separately assesses the impact of increasing and decreasing interest rates on the expected loss of the covered bonds, taking the path of interest rates that leads to the highest loss. The interest and currency stressed rates used over different time horizons are available in our rating methodology (see Moody's Related Research: Moody's Approach to Rating Covered Bonds, March 2014).

Aspects specific to this programme that are interest rate mismatch-positive and currency mismatch-positive include the following:

» Most swaps are external.

» The swap arrangements contain a rating-based hedge counterparty replacement trigger and collateral posting requirements.

» The OC maintained in the pool mitigates market risks.

Aspects specific to this programme that are interest rate mismatch-negative and currency mismatch-negative include the following:

» It is possible that a replacement for the hedge counterparty is not found. Should this be the case, investors may become exposed to market risk if the OC proves to be insufficient to absorb the negative impact of any adverse rate movement (which may be material).

» A CB anchor event may impair the issuer's ability to comply with its obligations under the hedging arrangements. Accordingly, a CB anchor event could result in the termination of the hedging arrangements.

A CB anchor event could adversely affect the issuer's ability to manage the cover pool and comply with its contractual obligations.

Linkage

All covered bonds are linked to the issuer. For the following reasons, the covered bonds will come under rating stress if the credit strength of the issuer or its parent deteriorates:

» Refinancing risk: Following a CB anchor event, if principal receipts from cover pool collection are insufficient to meet the principal payment on a covered bond, funds may need to be raised against the cover pool. However, the fact that a CB anchor event has occurred may negatively affect the ability to raise funds against the cover pool.

» The exposure to decisions made by the issuer in its discretion as manager of the covered bond programme. For example, before a CB anchor event, the issuer may add new assets to the cover pool, issue further bonds and enter new hedging arrangements. These actions could negatively affect the value of the cover pool.

» More generally, the incorporation of the strength of the issuer is in accordance with our rating methodology.

As a result of this linkage, the probability of default of the covered bonds could be higher than expected for a senior unsecured debt with the same rating. However, our primary rating target is the expected loss, which also takes severity of loss into account; in this case, the expected loss is consistent with the covered bond rating.

Timely payment indicator

Our TPI[8] reflects the probability of timely payments to covered bondholders following a CB anchor event. This indicator determines the maximum rating a covered bond programme can achieve with its current structure while allowing for the addition of a reasonable amount of OC.

TPI-positive aspects of this programme include:

» The SCF legal framework, which guarantees that an insolvency of the issuer will not accelerate payments under the covered bonds.

» The issuer's entitlement to sell assets/enter into new financing arrangements following a CB anchor event. Furthermore, the issuer is a repo-eligible counterparty and the cover pool includes repo-eligible assets.

» The liquidity requirements of the management rules and SCF Law. Since May 2014, additional requirements under the SCF Law have strengthened the maturity-matching obligations (average maturity mismatch not to exceed 18 months and coverage level assessment).

» The SCF Law provisions designed to ensure continuity of the corporate and of the assets servicing after the default of the sponsor banks (and prior to the default of the issuer).

TPI-negative aspects of this programme include the following:

- About 19% of the total hedging agreements are internal.
- The maturity date of the covered bonds cannot be extended.
- A proportion of the eligible loans have specialised lending features/servicing requirements (e.g. non-resident borrowers), which may mean sale or refinancing of such loans is less straightforward than for a loan portfolio without such features.
- A portion of the cover pool is made of an exposure to the sponsor bank (see "Credit Quality of the Cover Pool" in section entitled "Weaknesses with Mitigants").

In line with other public-sector covered bonds issued under the SCF Law, we have assigned a TPI of Probable-High to this transaction. The TPI leeway measures the number of notches by which we might lower the CB anchor before downgrading the ratings on the covered bonds because of TPI framework constraints. Based on the current TPI of Probable-High, the TPI leeway for this programme is four notches.

Monitoring

We expect that the issuer will continue to deliver certain performance data to us on an ongoing basis. The issuer's failure to do so would potentially (1) impair our ability to monitor the ratings, (2) negatively affect the ratings and/or (3) limit our ability to continue to rate the covered bonds.

Appendix 1: Cover pool information

Public Sector Assets

Overview		Specific Loan and Borrower characteristics	
Asset type :	Public Sector	Repo eligible loans / bonds :	71.0%
Asset balance :	58,468,536,937	Percentage of fixed rate loans / bonds :	57.0%
WA remaining Term (in months) :	165	Percentage of bullet loans/ bonds :	14.5%
Number of borrowers :	18,382	Loans / bonds in non-domestic currency :	10.7%
Number of loans / bonds :	53,662	**Performance**	
Exposure to the 10 largest borrowers :	9.3%	Loans / bonds in arrears (≥ 2months - < 6months) :	0.1%
Average exposure to borrowers :	3,180,749	Loans / bonds in arrears (≥ 6months - < 12months) :	0.1%
		Loans / bonds in arrears (≥ 12months) :	0.0%
		Loans / bonds in a foreclosure procedure :	0.0%

n/d : information not disclosed by Issuer

n/a : information not applicable

EXHIBIT A

Borrower type by country

	France	Italy	Switzerland	Other	Totals
Direct claim against supranational	0.0%	0.0%	0.0%	0.0%	**0.0%**
Direct claim against sovereign	1.6%	1.2%	0.0%	0.7%	**3.5%**
Claim with guarantee of sovereign	0.3%	0.2%	0.8%	0.2%	**1.5%**
Direct claim against region/federal state	13.2%	5.8%	0.0%	3.7%	**22.7%**
Claim with guarantee of region/federal state	1.9%	0.0%	0.0%	1.9%	**3.8%**
Direct claim against municipality	41.7%	3.9%	4.5%	2.5%	**52.6%**
Claim with guarantee of municipality	3.3%	0.0%	0.0%	0.1%	**3.4%**
Others	12.4%	0.0%	0.0%	0.2%	**12.6%**
	74.3%	**11.1%**	**5.4%**	**9.3%**	

EXHIBIT B

Percentage of public sector assets

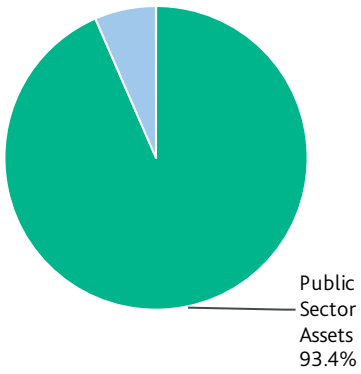


EXHIBIT C

Borrower concentration

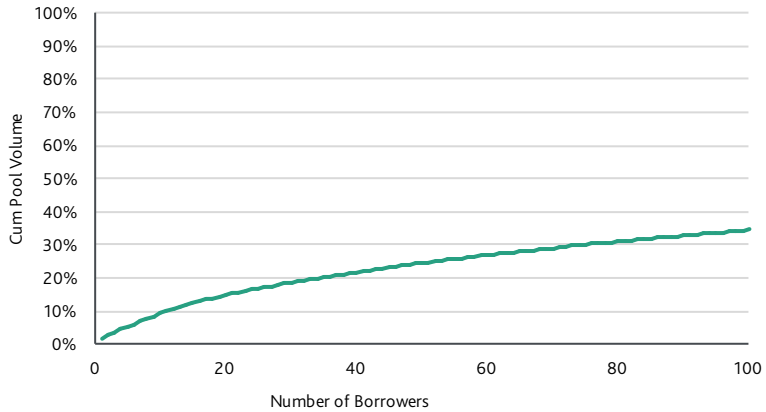


EXHIBIT D

Pool distribution by country exposure rating

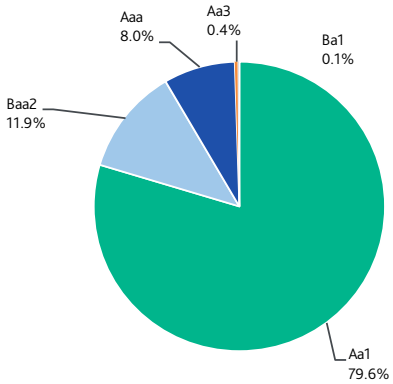


EXHIBIT E

Main country regional distribution

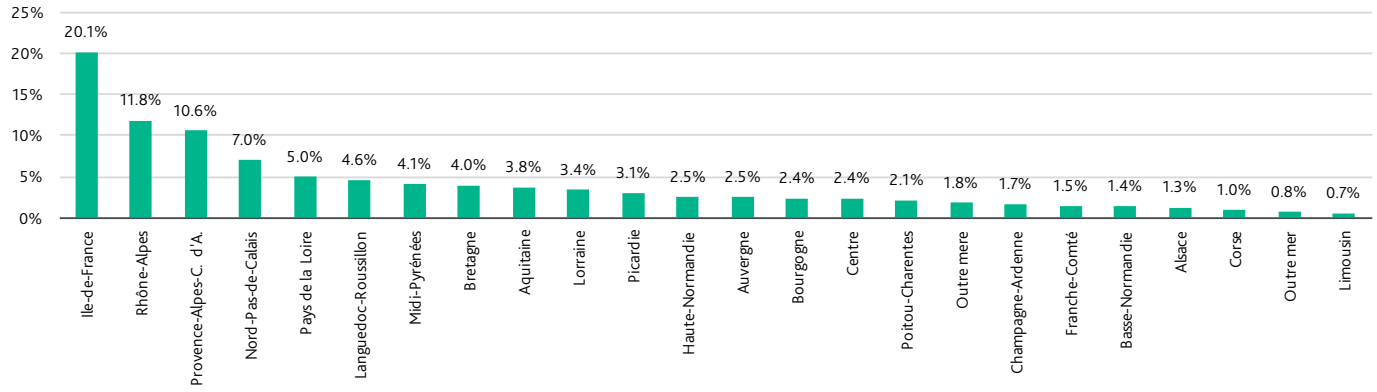
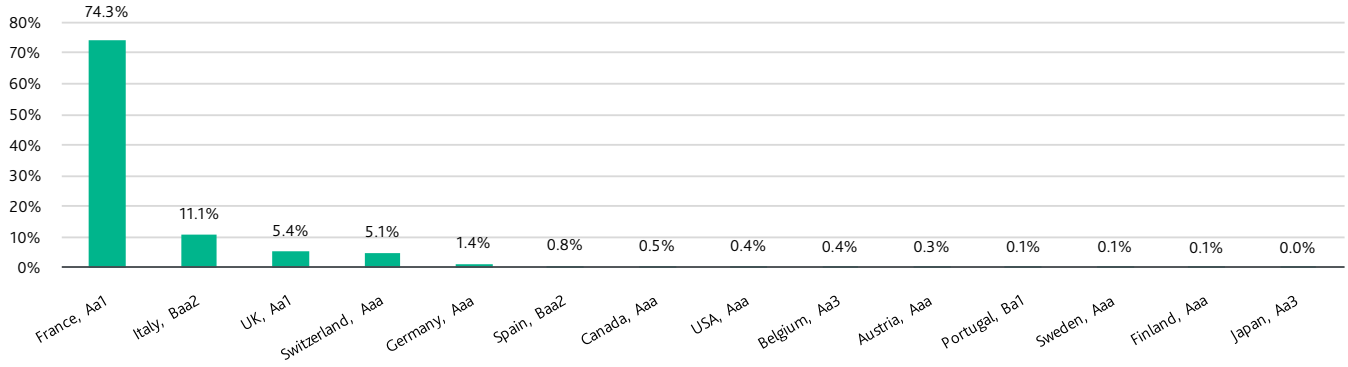


EXHIBIT F

Distribution by country exposure, rating



Qualitative collateral information

All pool characteristics are actual levels (rather than assumed levels) based on reports from the issuer.

Moody's Related Research

For a more detailed explanation of our approach to this type of transaction as well as similar transactions, please refer to the following reports:

Rating Methodology:

» Moody's Approach to Rating Covered Bonds, March 2014 (SF345822)

Special Reports:

» 2014 Outlook - Global Covered Bonds, December 2013 (SF347563)

Special Comments:

» Moody's Global Covered Bonds Monitoring Overview: Q1 2014, August 2014 (SF376198)

» France - Legal Framework for Covered Bonds, July 2014 (SF374949)

» European Covered Bond Legal Frameworks: Moody's Legal Checklist, December 2005 (SF66418)

» Changes to French Covered Bond Law are Credit Positive, June 2014 (SF369956).

» French Interest Rate Law Is Credit Positive for SFIL and Covered Bonds Issued by CAFFIL, August 2014 (173917)

Performance Overview Report:

» Performance Overview Report, Q2 2014 (SF379519)

Credit Opinion:

» Societe de Financement Local

Announcement:

» Moody's: Ruling affecting regulation of France's lenders and covered bond issuers is credit positive, January 2014

Rating Action:

» Moody's upgrades to Aaa from Aa2 covered bonds of Caisse Francaise de Financement Local, February 2013

Webpage:

» www.moodys.com/coveredbonds

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

[1] For more details on the CB anchor, see Related Research: Moody's Approach to Rating Covered Bonds, published in March 2014.

[2] A CB anchor event occurs when the issuer ceases making payment under the covered bonds and the sponsor bank ceases providing support to the issuer in making payments under the covered bonds. For more details on the CB anchor event, see Related Research: Moody's Approach to Rating Covered Bonds, published in March 2014.

[3] We could use a senior unsecured rating or a deposit rating, depending on a case-by-case analysis of the most appropriate reference rating for the CB anchor.

[4] For Moody's ratings, the highest and the second-highest level of credit quality corresponds to Aa3 or above and A3 or above, respectively.

[5] See Related Research: Moody's Approach to Rating Covered Bonds, March 2014.

[6] The collateral score is the amount of risk-free enhancement necessary to protect a Aaa rating from otherwise unsupported assets. Therefore, the stronger the credit quality of the collateral, the lower the collateral score. The collateral score only considers the credit deterioration of the assets and ignores any risk from any market risks (see Moody's Approach to Rating Covered Bonds, March 2014).

[7] See Related Research: Moody's Approach to Rating Covered Bonds, March 2014; press release Moody's announces update of covered bond refinance stresses following credit crisis, February 2008; and press release Moody's increases refinancing margins for European covered bonds, April 2009.

[8] See Related Research: Moody's Approach to Rating Covered Bonds, March 2014.

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