

SECOND SUPPLEMENT DATED DECEMBER 22, 2014
TO THE BASE PROSPECTUS DATED JULY 10, 2014



USD 10,000,000,000
US Medium Term Securities Program for the issue of *Obligations Foncières*

This second supplement (the “**Second Supplement**”) is supplemental to, and should be read in conjunction with, the Base Prospectus dated July 10, 2014 (the “**Base Prospectus**”) which was prepared by Compagnie de Financement Foncier (the “**Company**”) with respect to its USD 10,000,000,000 US Medium Term Securities Program (the “**Program**”) and the first supplement dated September 11, 2014 (the “**First Supplement**”). The Base Prospectus, as supplemented, constitutes a base prospectus for the purpose of the Directive 2003/71/EC of November 4, 2003 (as amended by Directive 2010/73/EU) on the prospectus to be published when securities are offered to the public or admitted to trading (the “**Prospectus Directive**”). The *Autorité des marchés financiers* (the “**AMF**”) granted visa No. 14-381 on July 10, 2014 to the Base Prospectus and visa No. 14-494 on September 11, 2014 to the First Supplement.

Terms defined in the Base Prospectus (as supplemented by the First Supplement) have the same meaning when used in this Second Supplement.

Application has been made to the AMF in France for approval of this Second Supplement to the Base Prospectus, in its capacity as competent authority pursuant to Article 212-2 of the *Règlement Général* of the AMF and at the same time for the notification of a certificate of approval released to the *Commission de Surveillance du Secteur Financier* in Luxembourg for Securities issued under the Program to be listed and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange, both such approval and notification being made in its capacity as competent authority under Article 212-2 of the *Règlement Général* of the AMF which implements the Prospectus Directive in France.

Save as disclosed in this Second Supplement and the First Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to the information included in the Base Prospectus which is capable of affecting the assessment of the Securities to be issued under the Program since the publication of the Base Prospectus. To the extent that there is any inconsistency between (a) any statements in this Second Supplement and (b) any other statement in, or incorporated

in, the Base Prospectus, as supplemented by the First Supplement, the statements in (a) above will prevail.

Copies of this Second Supplement (a) may be obtained, free of charge, at the principal place of business of the Company, 4, Quai de Bercy, 94224 Charenton, France, during regular business hours, and (b) will also be made available on the Company's website (www.foncier.fr) and on the website of the AMF (www.amf-france.org).

This Second Supplement has been prepared pursuant to Article 16.1 of the Prospectus Directive and Article 212-25 of the *Règlement Général* of the AMF for the purposes of updating and amending the sub-section entitled "*Recent Developments - Rating*" on pages 112 to 114 of the Base Prospectus.

To the extent applicable and provided that the conditions of Article 212-25 I of the *Règlement Général* of the AMF are fulfilled, investors who have already agreed to purchase or subscribe for Securities to be issued under the Program before this Second Supplement is published shall have the right, pursuant to Article 212-25 II of the *Règlement Général* of the AMF, to withdraw their acceptances by no later than December 24, 2014.

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1. UPDATE OF THE SUB-SECTION "RECENT DEVELOPMENTS – RATING" OF THE BASE PROSPECTUS

The content of the sub-section entitled "*Recent Developments - Rating*" appearing on pages 112 to 114 of the Base Prospectus is deemed to be deleted in its entirety and replaced with the following:

"Rating

After having put France on negative watch on October 14, 2014, Fitch Ratings announced the downgrade of the sovereign credit rating from AA+ to AA on December 12, 2014. This downgrade results from the analysis made by the rating agency on French budgetary efforts and economic outlook in 2015.

Pursuant to its methodology and mainly due to the fact that the downgrade of the sovereign can affect the public sector credit quality, Fitch Ratings downgraded, by one notch the ratings of many French covered bonds' issuers on December 16, 2014. Therefore, the rating agency Fitch Ratings announced on December 16, 2014 that it revised the rating of the Company's *Obligations Foncières* from AA+ to AA with a stable outlook. As a simple mechanical consequence of its recently amended methodology, the Company believes this new rating does not call into question the safety and robustness of the business model of the Company, nor the quality of its asset cover pool.

The following is a press release of Fitch Ratings dated December 16, 2014:

"Fitch Downgrades CoFF's OF To 'AA'; Outlook Stable Ratings Endorsement Policy
16 Dec 2014 10:49 AM (EST)

Fitch Ratings-Paris/London-16 December 2014: Fitch Ratings has downgraded Compagnie de Financement Foncier's (CoFF) Obligations Foncières (OF; French legislative covered bonds) to 'AA' from 'AA+' and removed them from Rating Watch Negative (RWN). The Outlook is Stable.

The rating action follows the downgrade of France's Issuer Default Rating (IDR) to 'AA' from 'AA+' (see 'Fitch Downgrades France to 'AA' Outlook Stable', dated 12 December 2014).

KEY RATING DRIVERS

The downgrade of the OF is driven by the cover pool's large exposure to public sector assets (40.7%), the majority of which (67.3%) are French exposures.

In a stress scenario at or below the level of the French sovereign rating, Fitch models a low expected loss for this French public sector sub-pool, resulting notably from high recovery expectations.

In a 'AA' scenario where the sovereign is not assumed to default, Fitch models a 10.5% credit loss for the entire cover pool. This is the main driver of Fitch's breakeven OC for the 'AA' rating, which stands at 11% and compares with the 16.7% OC (the lowest nominal OC over the last 12 months), which the agency relies on in its analysis.

In a stress scenario above the sovereign rating, Fitch applies an 80% probability of default with minimal recoveries given default (20% in a 'AA+' scenario) for the French public sector sub-pool, resulting in a substantial

increase in the stressed expected loss for the overall cover pool credit analysis. The relied upon OC of 16.7% is therefore no longer sufficient to support a 'AA+' rating on the OF following the downgrade of the French sovereign to 'AA'.

The OF's rating is also based on the Long-term IDR of Credit Foncier de France (CFF; A/Stable), CoFF's 100% parent, acting as reference IDR for the OF rating, and the IDR uplift of 2 assigned to the programme. This results in a floor for the OF rating on a probability of default (PD) basis of 'AA-', irrespective of the actual OC protection available to the OF. CoFF's Discontinuity-Cap (D-Cap) of 4 (moderate) remains unchanged.

The downgrade of the French sovereign rating by one notch to 'AA' does not affect the liquidity gaps and systemic risk component of Fitch's discontinuity analysis for French covered bond programmes. This is because, in countries rated above 'A+', Fitch's base approach focuses on asset liquidity following an idiosyncratic stress of an issuer, while the banking sector as a whole is expected to remain stable and not suffer from a systemic crisis.

RATING SENSITIVITY TO THE SOVEREIGN RATING

The 'AA' rating of the OF would be vulnerable to downgrade if any of the following occurs: (i) CFF's IDR is downgraded by six notches to 'BB' or lower; (ii) the level of OC that Fitch gives credit to in its analysis falls below Fitch's 'AA' breakeven OC of 11%; (iii) France is downgraded below 'AA'.

The Fitch breakeven OC for the OF rating will be affected, amongst others, by the profile of the cover assets relative to outstanding OF, which can change over time, even in the absence of new issuance. Therefore the breakeven OC to maintain the OF rating cannot be assumed to remain stable over time.

Contact:

Primary Analyst
Will Rossiter
Director
+33 1 44 29 91 47
Fitch France S.A.S.
60 rue de Monceau
75008 Paris

Secondary Analyst
Francois-Xavier Deucher
Director
+33 1 44 29 92 72
Committee Chairperson
Cosme de Montpellier
Senior Director
+44 20 3530 1407"

The Program rating of the Company by Standard & Poor's and Moody's remains unchanged with the respective rates of AAA and Aaa, stable outlook.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

As at the date of this present Supplement, each of the credit rating agencies are established in the European Union and registered under the CRA Regulation, as amended by Regulation (EU) No. 513/2011, and included in the list of credit rating agencies registered in accordance with the CRA Regulation published on the European Securities and Markets Authority's website."

2. PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE SECOND SUPPLEMENT TO THE BASE PROSPECTUS

In the name of the Company

We declare, having taken all reasonable care to ensure that such is the case and to the best of our knowledge, that the information contained in this Second Supplement (when read together with the Base Prospectus as supplemented by the First Supplement) is in accordance with the facts and that it contains no omission likely to affect its import.

Compagnie de Financement Foncier
19, rue des Capucines
75001 Paris
France

Duly represented by: Thierry Dufour
Directeur Général / C.E.O.
Duly authorised

Date : December 22, 2014



Autorité des marchés financiers

In accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and with the General Regulations (*Règlement Général*) of the *Autorité des marchés financiers* (AMF), in particular Articles 212-31 to 212-33, the AMF has granted to this Second Supplement the visa No. 14-667 on December 22, 2014. This document, the Base Prospectus and the First Supplement may only be used for the purposes of a financial transaction if completed by Final Terms. It was prepared by the Company and its signatories assume responsibility for it. In accordance with Article L.621-8-1-I of the French *Code monétaire et financier*, the visa was granted following an examination by the AMF of "whether the document is complete and comprehensible, and whether the information it contains is coherent". It does not imply that the AMF has verified the accounting and financial data set out in it. This visa has been granted subject to the publication of Final Terms in accordance with Article 212-32 of the AMF's General Regulations, setting out the terms of the Securities being issued.