

# COMPAGNIE DE FINANCEMENT FONCIER

## Update to the 2014 Registration document

including the 2015 half-year financial report





*This is a free translation into English of Compagnie de Financement Foncier 2015 half-year report issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails.*

*Only the French version of the update of the Registration document as of June 30, 2015, has been submitted to the AMF. It is therefore the only version that is binding in law.*

*This update of the Registration document was filed with the French Financial Markets Authority on 25 August 2015, and registered under the number D.15-0329-A01, in compliance with Article 212-13 of its general regulation. It completes the Registration document filed with the French Financial Markets Authority on 13 April 2015, in accordance with Article 212-13 of its general regulations, and registered under No. D.15-0329. It may be used to support a financial transaction if accompanied by a securities note approved by the French Financial Markets Authority. This document was drawn up by the issuer and is the responsibility of its signatories.*

*Copies of this document are available at Compagnie de Financement Foncier; 4, quai de Bercy – 94224 Charenton-le-Pont, on Compagnie de Financement Foncier's website: [www.foncier.fr](http://www.foncier.fr) under the heading "Financial communication/annual reports" and on the website of the Autorité des marchés financiers: [www.amf-france.org](http://www.amf-france.org).*

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Abbreviations used in this document:  
Billions of euros: €bn  
Millions of euros: €m  
Thousands of euros: €K



# Activity report

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## Profile

Compagnie de Financement Foncier is a credit institution licensed as a specialised credit institution and a *société de crédit foncier* (a French legal covered bonds issuer).

A wholly-owned subsidiary of Crédit Foncier rated [A- (*dev. outlook*)/A2 (*stable*)/A (*stable*)]<sup>(1)</sup>, it is affiliated with BPCE [A (*neg. outlook*)/A2 (*stable*)/A (*stable*)]<sup>(1)</sup>, the Company's sole purpose is to finance the mortgage and public sector lending activities of both its parent company and Groupe BPCE as a whole, through the issuance of *obligations foncières* rated [AAA (*stable outlook*)/Aaa (*stable*)/AA (*stable*)]<sup>(1)</sup>.

Compagnie de Financement Foncier's *obligations foncières* are French legal covered bonds that comply with the European

directives UCITS<sup>(2)</sup> 52-4 and CRD, as well as with the Article 129 of the European Capital Requirements Regulation (CRR). All *obligations foncières* issued in euro are eligible for European Central Bank refinancing program.

Since 2012, Compagnie de Financement Foncier is a member of the ECBC Covered Bond Label. This label was created in order to meet the expectations of covered bonds market players for improving standards and increasing transparency, especially by providing investors with regular and harmonized information.

## Economic environment

The improvement in the world economy should confirm in 2015 as global GDP growth is on track to reach 2.8% in 2015, up from 2.6% in 2014<sup>(3)</sup>. This encouraging outlook should gather momentum in advanced economies, supported by a combination of positive factors, notably the slump in oil prices started in 2014, together with accommodating monetary policies of the main central banks. France is expected to benefit from lower oil prices and the ECB's monetary policy, as well as from the gradual introduction of economic reform measures. The International Monetary Fund<sup>(4)</sup> and the Banque de France predict that the French economy will achieve 1.2% in 2015<sup>(5)</sup>. However, the recovery could be affected by a number of negative factors such as exchange rate volatility, the slowdown in the Chinese economy and developments in the Greek crisis in Europe.

In the covered bonds market, Euro benchmark covered bonds totalled €61 billion in the first six months of the year, down by 11.6% compared with the same period in 2014<sup>(6)</sup>. However, the supply is in line with the forecasted covered bond issuance of €116.5 billion for the full-year 2015<sup>(7)</sup>.

This weak supply is accentuated by the ECB's intervention especially via a number of its Covered Bond Purchase Programs launched in September 2014 and pursued in 2015. Total purchases under this programme accounted for €95 billion at the end of June 2015, €65.5 billion of which were purchased in 2015, with 80% of transactions carried out in the secondary market, reflecting the scarcity in the primary market<sup>(8)</sup>.

## Activity

Compagnie de Financement Foncier raised €4 billion in excluding exceptional operations (buy-back and intra-groupe placement) during the first half of 2015. This includes three benchmarks: a 10-year €1 billion issuance in January, a 5-year €1 billion issuance in February and a 3-year €1.5 billion issuance in June. In addition to the €4 billion of raised resources, a further €0.6 billion was

issued under cash-out buy-back programmes, and €0.8 billion in issuances subscribed by Vauban Mobilisations Garanties as part of intragroup placement transactions.

The volume and conditions of issuances as of 30 June 2015 are in line with the provisional financing plan of the groupe Crédit Foncier.

(1) Standard & Poor's/Moody's/Fitch Ratings, updated to the filing date of the Update to the 2014 Registration document.

(2) UCITS: Undertakings for Collective Investment in Transferable Securities.

(3) World Bank, *Global economic prospects*, June 2015.

(4) International Monetary Fund, *World Economic Outlook*, April 2015.

(5) Banque de France, *Macroeconomic Projections, France*, June 2015.

(6) Natixis Research, *Covered bond weekly*, June 2015.

(7) Natixis Research, *Covered Bond outlook*, November 2014.

(8) European Central Bank data.

# Key figures

## CHARACTERISTICS OF THE ISSUER

**Issuer:** Compagnie de Financement Foncier, affiliated with Groupe BPCE

**Parent company:** Crédit Foncier (100%), a subsidiary of BPCE (100%)

**Type of bonds issued:** obligations foncières

**Issuance programmes:** EMTN, AMTN & USMTS

**Sole service provider:**

Crédit Foncier [A- (dev. outlook)/A2 (stable)/A (stable)]<sup>(1) (2)</sup>  
a subsidiary of BPCE [A (neg. outlook)/A2 (stable)/A (stable)]<sup>(1) (2)</sup>

Ratings of obligations foncières <sup>(2)</sup>	Long-term rating	Outlook
Standard & Poor's	AAA	Stable
Moody's	Aaa	Stable
Fitch Ratings	AA	Stable

(1) Standard & Poor's/Moody's/Fitch Ratings.

(2) Rating updated to the filing date of the Update to the Registration document.

## SIMPLIFIED ECONOMIC BALANCE SHEET AT 30 JUNE 2015 AND 31 DECEMBER 2014

Assets (by type of exposure)	At 30 June 2015		At 31 December 2014	
	€bn	%	€bn	%
<b>Mortgage loans</b>	<b>40.6</b>	<b>47.1%</b>	<b>40.4</b>	<b>45.9%</b>
Mortgage loans and related items	40.6	47.1%	40.4	45.9%
<b>Public sector exposures</b>	<b>34.9</b>	<b>40.5%</b>	<b>36.4</b>	<b>41.4%</b>
French Public Sector *	25.1	29.5%	25.5	29.0%
International Public Sector	9.8	11.0%	10.9	12.4%
<b>Replacement values and other assets</b>	<b>10.7</b>	<b>12.4%</b>	<b>11.1</b>	<b>12.7%</b>
Replacement values	6.9	7.9%	6.9	7.9%
Other assets	3.8	4.5%	4.2	4.8%
<b>TOTAL ASSETS</b>	<b>86.2</b>	<b>100.0%</b>	<b>87.9</b>	<b>100.0%</b>

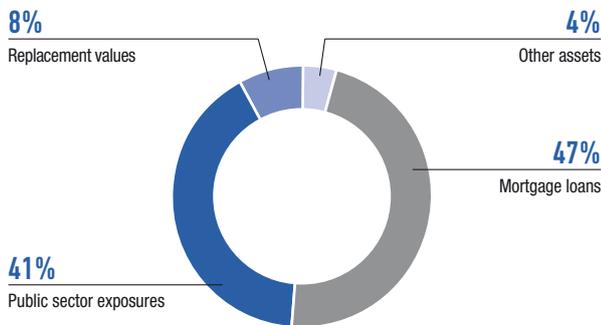
\* Including short-term loans and deposits with the Banque de France amounting to €2.0 billion at the end of June 2015 and €1.2 billion at the end of 2014.

Liabilities	At 30 June 2015		At 31 December 2014	
	€bn	%	€bn	%
<b>Privileged resources</b>	<b>68.9</b>	<b>79.9%</b>	<b>70.6</b>	<b>80.3%</b>
Obligations foncières	70.2	81.4%	71.1	80.9%
Foreign exchange difference on obligations foncières	-1.6	-1.8%	-0.8	-0.9%
Other privileged resources	0.3	0.3%	0.3	0.3%
<b>Translation difference associated with hedging balance sheet items</b>	<b>1.7</b>	<b>2.0%</b>	<b>1.0</b>	<b>1.2%</b>
<b>Non-privileged resources</b>	<b>15.6</b>	<b>18.1%</b>	<b>16.3</b>	<b>18.6%</b>
Unsecured debt	10.1	11.7%	10.8	12.3%
Subordinated debt and similar debt	3.7	4.3%	3.7	4.2%
• of which redeemable subordinated notes (RSN)	2.1	2.4%	2.1	2.4%
• of which super-subordinated notes	1.4	1.6%	1.4	1.5%
Shareholders' equity, provisions and FRBG	1.8	2.1%	1.9	2.1%
<b>TOTAL LIABILITIES</b>	<b>86.2</b>	<b>100.0%</b>	<b>87.9</b>	<b>100.0%</b>

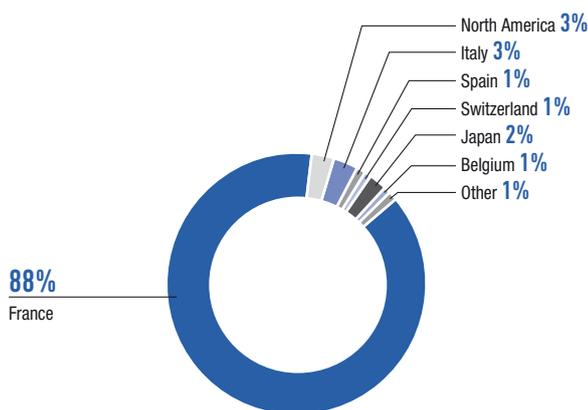
Regulatory capital or equivalent 4.7 5.5% 4.9 5.6%

**BREAKDOWN OF ASSETS: €86.2 BILLION**

**By type of assets**



**By region**



**PERFORMANCE INDICATORS**

**€4.0 billion**

Obligations foncières issued at 30 June 2015 <sup>(1)</sup>

**€74.7 million**

Net income

**€185.2 million**

Net banking income

**€4.7 billion**

Regulatory capital

**120.2%**

Regulatory overcollateralisation ratio

**19.7%**

Non-privileged resources/privileged resources ratio

**73.2%**

Average LTV of mortgage loans

**9.7%**

Common Equity Tier-1 ratio

**27.1%**

Solvency ratio <sup>(2)</sup>

**Outstanding privileged liabilities at 30 June 2015**

€70.2 billion of obligations foncières.

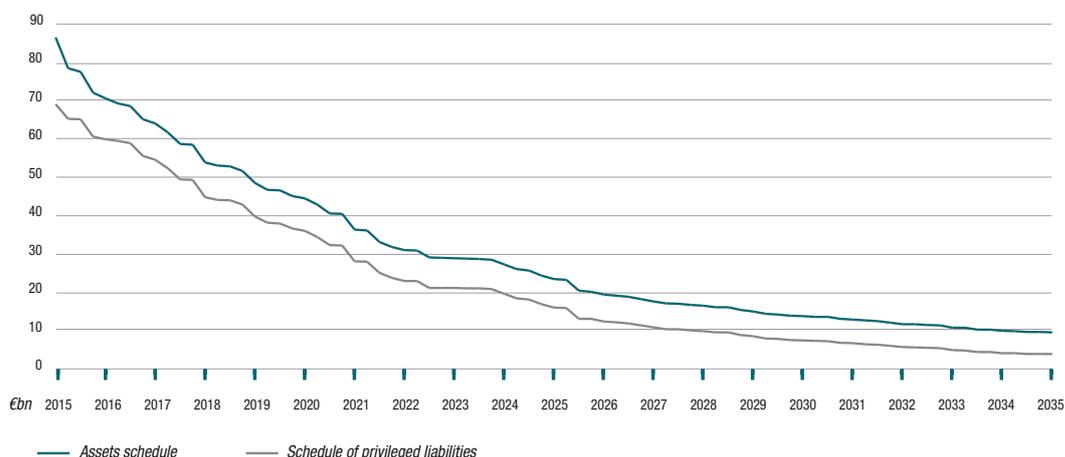
**Positioning**

One of the leaders in the covered bonds segment in Europe.

<sup>(1)</sup> Excluding non-recurrent operations (buy-back and intra-group placements).

<sup>(2)</sup> Calculated according to the standard method.

**Amortisation of assets and privileged liabilities**





# Financial report

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# Management report at 30 June 2015

During the 1<sup>st</sup> half of 2015, Compagnie de Financement Foncier's business activity remained in line with Crédit Foncier's strategic guidelines and its own management commitments. At 30 June

2015, the balance sheet total was €86 billion, down by almost €2 billion over the period, and net income amounted to €75 million for the half-year.

## 1. Main transactions carried out over the period

In keeping with Crédit Foncier's strategic guidelines, the semester's main transactions made it possible to:

- fund the mortgage loans granted by Crédit Foncier to its individual customers for a total of €3.2 billion, of which €2.5 billion through direct acquisition (outstanding including a part not yet released) and €0.6 billion through mobilisation by mortgage notes. Nearly two thirds of the receivables purchased are also backed by French state guarantees through the FGAS guarantee fund;
- further reduce the balance sheet total through the sale of international assets amounting to €1.3 billion. Compagnie de Financement Foncier thus liquidated all its positions in Austria (nominal of €443 million including 3 lines of bonds issued by HETA), Cyprus (nominal of €50 million), Hungary (nominal of €35 million) and Germany (nominal of €495 million made up of short-term securities issued by Landesbanks). Compagnie de Financement Foncier also reduced other European exposures,

mainly in Spain (nominal of €167 million) and Slovenia (nominal of €50 million);

- limit off-balance sheet commitments by reducing the swaps entered into with Crédit Foncier in respect of a notional amount of €4.5 billion, thereby generating payment of €46 million in termination fees.

At the same time, Compagnie de Financement Foncier issued covered bonds (*obligations foncières*) for a gross amount of €5.4 billion, breaking down as follows:

- €4.0 billion in new issuances on the market;
- €0.8 billion in securities placed within the groupe Crédit Foncier;
- €0.6 billion in respect of debt restructuring operations (buy-back of old lines and their replacement with securities having longer maturities).

Compagnie de Financement Foncier also completed three public issuances during the semester: a 10-year issuance of €1 billion in January, a 5-year issuance of €1 billion in February and a 3-year issuance of €1.5 billion in June.

## 2. Changes in assets

### ■ Breakdown of assets by guarantee rank

	06/30/15		12/31/14	
	€M	% balance sheet	€M	% balance sheet
<b>Secured loans articles L. 513-3, L. 513-5 and L. 513-6</b>	<b>40,636</b>	<b>47.1%</b>	<b>40,390</b>	<b>45.9%</b>
State-subsidised mortgage loans	167	0.2%	196	0.2%
Mortgage loans secured by the FGAS	16,119	18.7%	15,818	18.0%
Other mortgage loans	15,588	18.1%	16,133	18.3%
Mortgage notes	7,938	9.2%	7,323	8.3%
Guaranteed loans	823	1.0%	920	1.0%
<b>Exposures to public authorities articles L. 513-4 and L. 513-5</b>	<b>34,908</b>	<b>40.5%</b>	<b>36,399</b>	<b>41.4%</b>
State-subsidised public loans	112	0.1%	123	0.1%
Other public loans *	26,514	30.7%	26,819	30.5%
Public entity securities	8,282	9.6%	9,457	10.8%
<b>Other assets (interests on IFAT, accrual accounts, other)</b>	<b>3,838</b>	<b>4.5%</b>	<b>4,214</b>	<b>4.8%</b>
<b>Replacement values articles L. 513-7</b>	<b>6,852</b>	<b>7.9%</b>	<b>6,946</b>	<b>7.9%</b>
<b>TOTAL ASSETS</b>	<b>86,234</b>	<b>100.0%</b>	<b>87,949</b>	<b>100.0%</b>

\* Including deposits with the Banque de France amounting to €2.0 billion at 30 June 2015 and €1.2 billion at 31 December 2014.

Transactions for the half-year period led to a balance sheet decrease of €1.7 billion, reflecting contrasting trends, depending on the business segment:

- slight increase in mortgage loans outstandings, as acquisitions more than offset portfolio amortisation, despite the acceleration caused by the historically high level of early repayments of loans to private individuals. In particular, mortgage loans backed by two guarantees (mortgage and state FGAS guarantee) increased by €0.3 billion;
- decrease in public exposures. Excluding deposits with the Banque de France, loans to governments and local authorities (or loans guaranteed by these public entities) declined by €2.3 billion following the disposals recorded during the period and, to a lesser extent, contractual amortizations;
- increase in available cash. Consisting of replacement values mainly for fully collateralized loans to BPCE and deposits with the Banque de France, this cash increased from €8.1 billion to €8.8 billion over the period;

- change in "Other assets" mainly due to the significant foreign exchange rate fluctuations observed over the period.

Concerning the geographical breakdown of assets, the period's transactions further increased exposure to France. At 30 June 2015, nearly 88% of the balance was exposure to France, compared with 87% at the end of 2014. Mainly focused on the public sector, international exposures amount to €10.6 billion (€9.8 billion of public sector exposures and €0.8 billion of mortgage loans) and concern the following:

- 4 main countries: Italy with €3.0 billion, the United States with €2.0 billion, Japan with €1.5 billion and Switzerland with €1.3 billion,
- 4 countries with moderate exposure: Belgium with €0.8 billion, Spain with €0.7 billion, Canada with €0.5 billion and Poland with €0.3 billion,
- 5 countries with low exposure: Slovenia with €151 million, Ireland with €122 million, Portugal with €107 million, the Netherlands with €65 million and Iceland with €15 million.

### 3. Changes in liabilities

#### ■ Breakdown of liabilities by guarantee rank

	06/30/15		12/31/14	
	€M	% balance sheet	€M	% balance sheet
<b>Privileged resources</b>	<b>68,884</b>	<b>79.9%</b>	<b>70,579</b>	<b>80.3%</b>
Obligations foncières on the reporting date	70,196	81.4%	71,135	80.9%
Foreign exchange difference on obligations foncières	-1,558	-1.8%	-804	-0.9%
Other privileged resources	246	0.3%	248	0.3%
<b>Translation difference associated with hedging balance sheet items *</b>	<b>1,757</b>	<b>2.0%</b>	<b>1,012</b>	<b>1.2%</b>
<b>Non-privileged resources</b>	<b>15,593</b>	<b>18.1%</b>	<b>16,357</b>	<b>18.6%</b>
Unsecured debt	10,064	11.7%	10,810	12.3%
Subordinated debt and similar debt	3,689	4.3%	3,696	4.2%
• of which redeemable subordinated notes (RSN)	2,100	2.4%	2,100	2.4%
• of which super-subordinated notes	1,367	1.6%	1,350	1.5%
Shareholders' equity, provisions and FRBG	1,841	2.1%	1,852	2.1%
<b>TOTAL LIABILITIES</b>	<b>86,234</b>	<b>100.0%</b>	<b>87,949</b>	<b>100.0%</b>
Regulatory capital according to CRR/CRD IV:	4,743	5.5%	4,923	5.6%
• of which Common Equity Tier-1	1,698	2.0%	1,728	2.0%
• of which additional Tier-1 capital	945	1.1%	1,080	1.2%
• of which Tier-2 capital	2,100	2.4%	2,116	2.4%

\* In 2013 and 2014, Compagnie de Financement Foncier reviewed the treatment of swaps for the purposes of determining its regulatory coverage ratio. For the purposes of this calculation, assets and liabilities are now recognised at historical cost, i.e. after taking into account their initial currency hedging and accrued interest on swaps after netting for each counterparty. These changes, which only affect this regulatory ratio, required adjustments in the above presentation of liabilities, and the creation of the item "Translation difference associated with hedging balance sheet items".

The decrease of €1.7 billion in the balance sheet over the half-year was mirrored in the portfolio of privileged liabilities. This change is due to the following:

- gross issuances amounting to €5.4 billion (nominal value);
- buy-back of *obligations foncières* amounting to €0.6 billion;
- contractual reimbursements of €6.1 billion;
- the remaining difference stems from the changes in accrued interest recorded at 30 June 2015 compared with 31 December 2014.

As for the other items, the situation was the following:

- a €0.6 billion reduction in deposits received from swap counterparties recognized in the unsecured debt item;
- subordinated debt and shareholders' equity remained stable. Calculated in accordance with the capital requirements regulation and directive, CRD IV and CRR, regulatory capital amounted to €4.7 billion, i.e. 5.5% of the balance sheet total, remaining stable over the period; the sole Common Equity Tier 1 capital accounted for 2% of the balance sheet total.

## 4. Prudential ratios

The regulations applicable to *sociétés de crédit foncier* require the monitoring of specific prudential ratios that must be respected at any time.

First, Compagnie de Financement Foncier measures the coverage ratio that corresponds to the ratio between weighted assets and privileged debt, which must remain above 105% at all times.

In the case of Compagnie de Financement Foncier, restatements for 2014 as well as 2015 concerned on one side the mortgage loans held directly or through mobilisation by mortgage notes for the portion exceeding the LTV threshold and, on the other side, the assets sold under repurchase agreements.

As a matter of fact, regulation limits the outstanding loans financed with *obligations foncières* to the fraction of outstanding loans with a LTV ratio (equal to the outstanding principal in relation to the present value of the collateral) lower than 100% for loans guaranteed by FGAS, lower than 80% for residential loans granted to individuals and lower than 60% for other mortgage loans.

At the end of June 2015, overruns of the LTV threshold amounted to €396 million, versus €537 million at the end of December 2014, still well below the overruns for non-privileged assets standing at €15,593 million for the period. Overruns of the LTV were €537 million at 31 December 2014.

In addition, assets used to secure other transactions are deducted from the assets recognised on the balance sheet. Thus, the outstanding amount of securities sold to Crédit Foncier under repurchase agreements of a nominal value of €1.5 billion at 30 June 2015 and €1.7 billion at 31 December 2014, was not included for the purposes of calculating the ratio.

Also in 2015, the implementation of the new intra-group exposure threshold established by the Order of 26 May 2014 did not entail any restatements, as Compagnie de Financement Foncier's exposure to Groupe BPCE is mostly collateralized.

As a result, the overcollateralisation ratio was 120.2% at the end of June 2015, including any associated currency hedging for assets and liabilities (result that will be definitively certified by the Specific Controller in September). At 31 December 2014 this ratio stood at 120.0%.

Regardless of the minimum ratio required by law and recently raised to 105%, Compagnie de Financement Foncier already committed to maintain at any time a level of non-privileged liabilities higher than 5% of privileged liabilities (both considered after currency swaps). At 30 June 2015, this ratio was 19.7%, close to the 20.4% level reached six months earlier.

As part of its risk monitoring and management rules, Compagnie de Financement Foncier tracks the LTV of mortgage loans that it holds directly or as a guarantee for mortgage notes.

Taking into account all outstanding mortgage loans, the average LTV at the end of June 2015 came to 73.2% for a total outstanding amount of €40.3 billion, breaking down as follows:

- 80.6% on loans guaranteed by FGAS amounting to €19.1 billion;
- 67.6% on other mortgage loans to individuals, with €20.6 billion outstanding;
- 37.4% on mortgage loans to corporates amounting to €0.7 billion.

These results are close to those recorded six months earlier (even showing a slight increase) when this portfolio totalled €40.1 billion with an average LTV of 73.6%.

Compliance with the various holding limits applicable to certain assets is also verified. Notably, at 30 June 2015:

- guaranteed loans amount to 3.4% of total assets, still well below the legal limit of 35%; this calculation includes directly-held guaranteed loans (1.0%) as well as loans used to guarantee mortgage notes (2.5%);
- mortgage notes, which may not exceed more than 10% of the balance sheet, represent 9.2% of the latter;
- replacement values have an outstanding amount equal to 5.8% of the nominal amount of privileged resources, below the mandatory limit of 15%;
- the hedging of cash requirements, taking into account cash flow forecasts, is secured over a period of 180 days.

Moreover, Compagnie de Financement Foncier monitors its liquidity ratios, which remain well above the minimum requirements set by banking regulations.

The other prudential ratios applicable to credit institutions are monitored by Crédit Foncier at the consolidated level.

However, Compagnie de Financement Foncier determines solvency ratios within its own scope only. Since 1 January 2014, it has been doing so in accordance with the CRD IV directive and the CRR regulation and reports them to the French Prudential and Resolution Authority (ACPR).

Consequently, at the end of June 2015, according to the standard Basel III method, its CET1 ratio was 9.7%, its Tier-1 ratio was 15.1% and its solvency ratio was 27.1%. Risk exposures (RWA) amounted to €17.5 billion, corresponding to an average risk weighting of 19% of outstanding assets subject to credit risk.

The implementation of these new rules lead Compagnie de Financement Foncier to review the characteristics of its subordinated debts. Studies were initiated during the 1<sup>st</sup> half of 2015 and should result, before the end of the year, in a change of the distribution between equity and subordinated debts.

## 5. Analysis of net income

### NET BANKING INCOME

Net banking income amounted to €185 million at the end of June 2015, compared with €360 million for 2014 as a whole and €172 million for the 1<sup>st</sup> half of 2014.

Net banking income mainly consists of the net interest margin, which was €146.2 million for the first half of 2015, compared with €327.3 million for 2014 as a whole and €149.1 million for the first half of 2014. Net interest includes capital gains or losses on securities arising from buy-backs of *obligations foncières*, and the related termination balances on swaps used to hedge interest rates or exchange rates, which amounted to €1.5 million in 2015 versus €12.2 million for full-year 2014 and €8.3 million for the 1<sup>st</sup> half of 2014.

Stripping out these transactions, the net interest margin was €145 million at the end of June 2015, up slightly in comparison with the 1<sup>st</sup> half of 2014 at €141 million, but down in comparison with 2014 as a whole when the net interest margin was €315 million.

Over the period, the net interest margin was penalised by the accelerated amortisation of premiums recorded on loan acquisitions, due to the numerous early repayments recorded, especially in the 2<sup>nd</sup> quarter. Compagnie de Financement Foncier purchases its assets under market conditions, therefore with a premium when the loans have a higher interest rate than that prevailing on the date of their acquisition. The continuous drop in interest rates over recent months has led to a sharp increase in early repayments, thus requiring the early amortisation of related premiums in the accounts of Compagnie de Financement Foncier. Over the half-year, the average early repayment rate for loans to private individuals was 11.4% versus 6.5% observed in 2014.

However, this change also generated an increase in the early repayment penalties recorded under fees and commissions, thereby generating additional income for Compagnie de Financement Foncier: €38 million for the first half of 2015 versus €23 million for the first half of 2014 and €45 million for 2014 as a whole.

In 2015, no significant change was recorded in the trading book, unlike in 2014 when a provision of €10.7 million had been recorded to cover the risk linked to the swaps hedging HETA securities at the time of closing the 2014 annual accounts.

### GROSS OPERATING INCOME

There was no significant change in operating expenses in the first half of 2015, which amounted to €55 million, compared with €53 million for the first half of 2014 and €105 million for 2014 as a whole.

The fees and commissions paid to Crédit Foncier for its supply of services to Compagnie de Financement Foncier, mainly in respect of assets and liabilities management, and the Company's administrative, legal accounting and financial management, dropped slightly: €30 million for the 1<sup>st</sup> half of 2015 (however, this amount includes a €3 million adjustment in favour of Compagnie de Financement Foncier for the year 2014) versus €35 million for the 1<sup>st</sup> half of 2014 and €69 million for 2014 as a whole.

Conversely, retrocessions of a portion of the early repayment penalties on individual loans to Crédit Foncier increased in 2015, in line with the early repayment trends observed during the period: €12.5 million for the 1<sup>st</sup> half of 2015, €7.1 million for the 1<sup>st</sup> half of 2014 and €13.5 million for 2014 as a whole.

It should also be noted that taxes increased due to the first-time recognition of contributions to the Single Resolution Fund (SRF) and Single Resolution Council (SRC), amounting to €3.1 million.

Gross operating income was €130 million in the first half of 2015, compared with €254 million in the prior year and €118 million for the 1<sup>st</sup> half of 2014.

### COST OF RISK

The cost of risk amounted to a gain of €3.7 million in the first half of 2015, versus a loss of €127.8 million for 2014 as a whole and €13.8 million for the 1<sup>st</sup> half of 2014. In June 2015, like in 2014, this cost was mainly reflecting the changes linked to the HETA securities.

Compagnie de Financement Foncier decided to recognise in its accounts closed on 31 December 2014 the impact of the moratorium applying to a significant part of the debt of Heta Asset Resolution AG, formerly called Hypo Alpe Adria Bank International AG, which was decreed by the Austrian Financial Market Authority on 1 March 2015. Compagnie de Financement Foncier held an outstanding amount of €260 million in nominal value in securities concerned by this decision—which were covered by the guarantee granted by the State of Carinthia. Consequently, as of the financial statement closed on 31 December 2014, Compagnie de Financement Foncier reclassified the full exposure as doubtful and provisioned 40% of the nominal, as well as all the risks associated with the related receivables and hedging swaps. The €104 million impairment on these securities was recognised in cost of risk. A charge of €10.7 million was booked corresponding to the swaps and accrued interest. After the disposal of these securities in June 2015, at a higher price than the value after impairment recorded in the 2014 accounts, Compagnie de Financement Foncier finally recognised a gain of €12.2 million.

Excluding HETA securities, the cost of risk remained under control and relatively low considering the outstanding volume; it amounted to €8.5 million at the end of June 2015 versus €23.8 million at the end of December 2014 and €13.8 million at the end of June 2014. The previous financial year had also recorded special expenses due to the change in the treatment of loans in litigation at the end of 2013, with the establishment of a systematic write-down of the loan collateral upon the launch of the litigation process. The review of outstanding loans according to this new principle had then led to recording a €10 million provision at the beginning of 2014. Excluding this non-recurring provision, the cost of risk was then €13.8 million for the full year 2014, of which €3.8 million for the first half of 2014.

In the end, the current cost of risk thus slightly increased, in line with the increase in doubtful loans.

## NET INCOME

Gains or losses posted on disposals of assets are normally deducted from operating income. Disposals of international securities amounting to €1 billion in 2015 (excluding HETA securities) generated losses of €15.7 million. In 2014, disposals concerned smaller volumes and resulted in a gain of €1.4 million.

After deducting income tax, which takes into account the decision adopted in 2010 to recognise deferred taxes, the net income of Compagnie de Financement Foncier for the 1<sup>st</sup> half of 2015 was €75 million, versus €64 million for the first half of 2014 and €84 million for the whole of 2014, which was affected by the impairment of HETA securities.

## 6. Credit risk analysis

The balance sheet consists of two main categories of assets: assets financed by privileged debts in the form of loans or securities and cash invested in the short-term in safe liquid securities. These assets meet differentiated approaches as to the measuring and monitoring of their credit risk:

- loans granted to private individuals (€40 billion at 30 June 2015) and loans to business customers mainly in the public sector (€25 billion at 30 June 2015):

These loans are acquired either directly by Compagnie de Financement Foncier or mobilised through Crédit Foncier or any other entity of Groupe BPCE, in the form of mortgage notes or loans guaranteed under Article L. 211-38 for public sector loans. Subsidised loans benefiting from the guarantee of the French State were transferred to Compagnie de Financement Foncier when it was created in 1999; and in a run-off mode since, their value at the end of June 2015 was low, at €0.3 billion.

The assessment of credit risk is performed through Basel ratings and the main indicators are the amounts of doubtful loans and provisions;

- public sector securities, which mainly comprise Compagnie de Financement Foncier's international exposure (€8 billion at 30 June 2015).

These securities are qualified by their external ratings obtained from approved credit rating agencies, Standard & Poor's, Moody's and Fitch Ratings;

- cash (€9 billion at 30 June 2015) consisting of deposits with the Banque de France and investments with credit institutions that have the highest external rating, recorded as replacement values. For Compagnie de Financement Foncier, this last category of assets is mainly composed of loans with maturities of less than two months to Groupe BPCE, secured by a portfolio of assets provided as collateral.

The credit risk analysis is also examined in detail in the risk management report of this document.

## DOUBTFUL LOANS AND PROVISIONS

In the 1<sup>st</sup> half of 2015, the doubtful loan trend was marked by:

- an increase in doubtful loans, which went from €1,191 million at the end of 2014 to €1,273 million at the end of June 2015, despite a €1 billion reduction in the portfolio over the period (€65 billion versus €66 billion six months earlier). These outstandings are still mainly concentrated on the portfolio of loans to private individuals, as these amounted to €1,159 million at the end of June versus €1,080 million six months earlier. The most sensitive category of loans to private individuals, i.e. mortgage loans that are not covered by the additional guarantee provided by the FGAS, recorded a slight increase in the percentage of doubtful loans, which went from 3.4% at the end of 2014 on outstandings of €16.5 billion to 3.7% at the end of June 2015 on outstandings of €16.0 billion.

Along with this trend, impairments on all customer receivables were revised upwards to €66 million at 30 June 2015, versus €59 million at 31 December 2014; these impairments mainly concern loans to private individuals;

- the reset of doubtful securities to zero following the sale of HETA securities during the semester. At the end of December 2014, HETA securities still amounted to €263 million, fully recognised as doubtful and impaired in the amount of €104 million.

The €9.8 billion international assets portfolio, composed of securities (€7.9 billion) and loans (€1.9 billion), generally shows the same spread of Basel ratings as that observed at the end of 2014, for outstandings that then amounted to €10.9 billion, i.e. 32% of level-1 ratings, 27% of level-2 ratings, 32% of level-3 ratings and 6% of level-4 ratings.

## RISK CHARGE

The overall risk expenses include both the share in capital recorded as cost of risk and the share of interests recorded as net banking income.

The total cost of risk was a gain of €0.6 million for the first half of 2015, compared with a loss of €15.0 million in the first half of 2014 and a loss of €140.6 million for 2014 as a whole.

Excluding transactions relating to HETA securities (disposal in 2015 recorded as a gain and provision recorded in 2014), the current cost of risk was €9.1 million for the first half of 2015, €25.5 million for the whole of 2014 and €15.0 million for the first half of 2014. Taking into account the provision recorded in the 2014 accounts

following the change in the treatment of loans going into litigation, the cost of risk observed in the 1<sup>st</sup> half of 2015 increased slightly in comparison with the previous year, but remained low considering Compagnie de Financement Foncier's volume of outstanding loans; it only represents 1.2 basis point of the assets invested on the long term (€73.6 million).

For the half-year, the cost of risk accounts for the following:

- net charge to provisions and impairments of €8.2 million;
- losses covered by provisions of €1.7 million;
- uncovered losses of €3.3 million;
- gains on receivables written off of €2.4 million.

## 7. Financial risk analysis

### INTEREST RATE AND FOREIGN EXCHANGE RISK

During the first half of 2015, acquisition and issuance activities of Compagnie de Financement Foncier were subject to interest and exchange rate hedge transactions, in accordance with its management rules. In addition, Compagnie de Financement Foncier carried out a number of macro hedging transactions to maintain its interest rate position over the remaining term of outstanding loans within the narrow limits it had committed to respect.

However, transactions aimed at restructuring the derivatives portfolio carried out since 2011 to meet the new requirements imposed by regulations or the rating agencies led to swaps being cancelled or assigned for a notional amount of €4.5 billion.

Lastly, at 30 June 2015, outstandings in micro and macro hedging instruments consisted of €55 billion in interest rate swaps and €27 billion in currency swaps; this compared with €58 billion and €28 billion at 30 June 2014 and €57 billion and €27 billion at end-2014.

### LIQUIDITY RISK

The extremely prudent liquidity management policy was continued in the 1<sup>st</sup> half of 2015; at 30 June 2015, Compagnie de Financement Foncier had available cash of nearly €9 billion, consisting of €2.3 billion in cash including deposits of €2.0 billion with the Banque de France and €6.6 billion in short-term loans (less than 2 months) to BPCE fully guaranteed by a portfolio of assets.

Furthermore, Compagnie de Financement Foncier has a very large volume of assets that are eligible for the ECB's refinancing

operations. At 30 June 2015, outstandings eligible for these operations amounted to more than €36.5 billion in nominal terms, broken down as:

- €6.7 billion in public sector loans;
- €1.4 billion in securities; and
- €28.5 billion in mortgage loans to private individuals, meeting the criteria set out by the Banque de France after the ECB's decision of 9 February 2012 to expand, on a temporary and national basis, the conditions under which a receivable may be accepted as a guarantee of refinancing operations by the Eurosystem.

After applying a cautious haircut calculation, the additional financing that could be provided by the ECB can be estimated at €15 billion, while keeping the overcollateralisation ratio above its regulatory limit of 105%.

The liquidity situation can also be measured by the gap between the average maturity of assets and liabilities, which Compagnie de Financement Foncier has undertaken to limit to two years. At 30 June 2015, the average maturity of assets was 7.5 years versus 8.4 years for liabilities; at 31 December 2014, these maturities were 7.5 years and 8.3 years respectively.

Since the Order of 26 May 2014, the average maturity for assets used to calculate the overcollateralisation ratio must not exceed those of privileged liabilities by more than 18 months, knowing that only the assets ensuring the 105% minimum ratio are used for the calculation. At 30 June 2015, all of Compagnie de Financement Foncier's assets, without limiting them to the regulatory threshold, had an average maturity of 7.5 years, exceeding that of the outstanding privileged liabilities by 0.4 years (5 months), while this gap was 0.6 year at the end of 2014.

# Condensed interim financial statements

## BALANCE SHEET *(in thousands of euros)*

■ Assets	Notes	06/30/15	06/30/14	12/31/14
Cash and amounts due from central banks		1,973,463	5,342,541	1,200,069
Treasury bills and equivalent	3	2,743,137	3,464,909	3,175,674
Loans and receivables due from credit institutions	1	20,200,626	16,837,606	20,790,892
<i>Demand</i>		252,101	92,056	346,995
<i>Term</i>		19,948,526	16,745,549	20,443,897
Customer transactions	2	44,001,293	41,558,395	44,963,602
<i>Other facilities granted to customers</i>		44,001,293	41,558,395	44,963,602
Bonds and other fixed income securities	3	13,477,675	14,433,483	13,604,518
Intangible assets and property, plant and equipment				
Other assets	4	64,868	208,264	92,195
Accrual accounts	5	3,773,198	3,839,718	4,122,040
<b>TOTAL ASSETS</b>		<b>86,234,260</b>	<b>85,684,916</b>	<b>87,948,990</b>

■ Liabilities	Notes	06/30/15	06/30/14	12/31/14
Central banks				
Amounts due to credit institutions	6	4,994,212	3,081,566	5,034,721
<i>Demand</i>			1,432	3,621
<i>Terme</i>		4,994,212	3,080,134	5,031,100
Amounts due to customers	7	2,891	848	19,967
<i>Demand</i>		2,891	848	19,967
Debt securities	8	70,346,706	71,277,687	71,288,157
<i>Interbank market instruments and negotiable debt securities</i>		150,504	151,102	152,882
<i>Bonds (obligations foncières)</i>		70,196,202	71,126,585	71,135,275
Other liabilities	9	3,046,083	3,123,199	3,610,586
Accrual accounts	10	2,536,909	2,911,567	2,693,545
Provisions	11	15,110	16,488	26,334
Subordinated debt	12	3,466,492	3,468,264	3,450,258
Fund for general banking risks		20,000	20,000	20,000
Equity excluding fund for general banking risks	13	1,805,857	1,785,298	1,805,423
<i>Subscribed capital</i>		1,187,460	1,187,460	1,187,460
<i>Additional paid-in capital</i>		343,002	343,002	343,002
<i>Reserves</i>		107,843	103,626	103,626
<i>Regulated provisions and investment subsidies</i>				
<i>Retained earnings</i>		92,901	87,007	87,007
<i>Income to be allocated</i>				
<i>Net income for the period</i>		74,650	64,203	84,328
<b>TOTAL LIABILITIES</b>		<b>86,234,260</b>	<b>85,684,916</b>	<b>87,948,990</b>

**OFF-BALANCE SHEET** *(in thousands of euros)*

	Notes	06/30/15	06/30/14	12/31/14
<b>COMMITMENTS GIVEN</b>	14			
Financing commitments				
• Commitments given to credit institutions				
• Commitments given to customers		1,089,450	2,264,257	1,704,582
• Other securities pledged as collateral		1,674,885	1,671,332	1,673,247
Guarantee commitments				
• Commitments given to credit institutions				
• Commitments given to customers				
Commitments on securities				
• Other commitments given			80,000	
<b>COMMITMENTS RECEIVED</b>	15			
Financing commitments				
• Commitments received from credit institutions		4,466,840	4,466,357	4,468,030
• Other securities received as collateral from the Group		26,953,663	23,470,449	26,560,675
Guarantee commitments				
• Commitments received from credit institutions		5,263,278	4,824,327	5,482,474
• Commitments received from customers		34,755,127	34,544,367	36,194,828
Commitments on securities		53,624		
<b>RECIPROCAL COMMITMENTS</b>				
• Sale and purchase of foreign currencies	16	27,033,470	28,277,338	27,186,282
• Other financial instruments	17	57,870,318	60,293,699	59,637,169

## INCOME STATEMENT *(in thousands of euros)*

	Notes	06/30/15	06/30/14	12/31/14
Interest and similar income	18	1,637,370	1,778,856	3,446,672
Interest and similar expenses	18	-1,491,185	-1,629,737	-3,119,359
<b>Net interest margin</b>		<b>146,185</b>	<b>149,119</b>	<b>327,313</b>
Fees and commissions income	19	39,833	23,083	45,555
Fees and commissions expenses	19	-1,139	-1,251	-4,225
Net gains or losses on trading book transactions	20	398	566	-10,341
Other banking income	21	27	81	1,307
Other banking expenses	21	-64	-14	-57
<b>Net banking income</b>		<b>185,239</b>	<b>171,585</b>	<b>359,551</b>
Payroll costs	22	-91	-100	-233
Taxes	22	-9,572	-7,315	-15,080
External services and other expenses	22	-45,736	-46,062	-90,052
Amortisation				
<b>Total operating expenses</b>		<b>-55,399</b>	<b>-53,478</b>	<b>-105,366</b>
<b>Gross operating income</b>		<b>129,841</b>	<b>118,107</b>	<b>254,185</b>
Cost of risk	23	3,680 *	-13,842	-127,816 *
<b>Operating income</b>		<b>133,521</b>	<b>104,265</b>	<b>126,369</b>
Gains/losses on long-term investments	24	-15,722	1,115	1,362
<b>Income before tax</b>		<b>117,799</b>	<b>105,380</b>	<b>127,731</b>
Non-recurring income				
Income tax	25	-43,149	-41,177	-43,403
<b>NET INCOME</b>		<b>74,650</b>	<b>64,203</b>	<b>84,328</b>
Earnings per share ** (in euros)		1.01	0.87	1.14
Diluted earnings per share (in euros)		1.01	0.87	1.14
		-8,521		-23,816

\* Cost of risk excluding the impact of the HETA securities

\*\* Earnings per share are calculated by dividing net income by the average number of shares outstanding in the period.

The notes on the following pages are part of the half-year separate financial statements.

## Notes to the financial statements of Compagnie de Financement Foncier

### 1. GENERAL FRAMEWORK

Compagnie de Financement Foncier is approved to operate as a *société de crédit foncier* under the Act of 25 June 1999 on savings and financial security. As such, it is subject to Articles L. 513-2 to L. 513-33 of the French Monetary and Financial Code.

It is a credit institution accredited as a specialised credit institution under the Act n° 2013-544 of 27 June 2013 on credit institutions and financing companies, in force starting from 1<sup>st</sup> of January 2014, which transposes into French legislation the European regulation (CRR) and directive (CRD IV). As such, it must comply with the regulation 99-10 of the French Banking and Financial Regulation Committee (*Comité de réglementation bancaire et financière* or CRBF) as amended, which specifically concerns *sociétés de crédit foncier* and notably:

- the valuation of real property that is financed by eligible loans that can be held as assets by *sociétés de crédit foncier*;
- the valuation of the assets and liabilities of such companies;
- their specific management policies.

Compagnie de Financement Foncier is affiliated with Groupe BPCE. As such, it is protected by the guarantee and liquidity facilities of Groupe BPCE. As an affiliate, Compagnie de Financement Foncier does not contribute to the guarantee mechanism of Groupe BPCE and will not be called upon to cover the default of a Banque Populaire or a Caisse d'Épargne.

### 2. HIGHLIGHTS OF THE FIRST HALF 2015

#### 2.1. COMMERCIAL ACTIVITY

In the first half of 2015, Compagnie de Financement Foncier acquired receivables from Crédit Foncier amounting to €2,312.8 million, including related receivables, in addition to €236.5 million in loans not yet released and recognised under "Financing commitments given".

Under Article L. 211-38 of the French Monetary and Financial Code, which allows an institution to grant a loan to another financial institution, the repayment of which is secured by a cover pool of receivables, Compagnie de Financement Foncier has arranged for a number of years several credit lines with its parent company, Crédit Foncier, amounting to €9,597.8 million at 30 June 2015, and with certain Caisses d'Épargne or Banques Populaires banks, amounting to €227.8 million at 30 June 2015. The same facility was also granted to BPCE SA, amounting to €8,920 million at 30 June 2015 excluding related receivables. These loans were collateralised for €18,933.9 million.

Replacement values of Compagnie de Financement Foncier, defined according to Decree 2007-745 of 9 May 2007 on the solvency of credit institutions, investment firms and *sociétés de crédit foncier* and amending the French Monetary and Financial Code, amounted to €6,851.6 million. In addition to the working cash balances, replacement values essentially comprise loans granted under Article L. 211-38 of the French Monetary and Financial Code.

Regarding funding activities, Compagnie de Financement Foncier issued €5,375 million in *obligations foncières* in the first half of 2015 (exchange rate value at date of issuance), as part of the annual issuance programme. It also has the right to access the refinancing facilities of the Banque de France under the comprehensive guarantee management mechanism or *Gestion Globale des Garanties* (3G pool). No securities are currently pledged to the ECB as collateral.

Furthermore, given the current environment of low interest rates, an impact of early repayments on the balance sheet's decrease accounts for €1.8 billion.

#### 2.2. DISPOSAL OF EXPOSURES TO HETA BANK

Compagnie de Financement Foncier held €260 million in HETA securities (formerly Hypo Alpe Adria Bank) as at 31 December 2014.

Following the debt moratorium on HETA's debt repayments announced on 1 March 2015, this exposure was provisioned for up to 40% of the nominal amount as of the accounting position on 31 December 2014, in accordance with the accounting rules applicable to post balance sheet events. The accrued interest and the negative impact of the value of hedging swaps was also provisioned, giving a total of € -115.1 million, of which € -104 million relates to the nominal amount. Additional interest from the 1 January 2015 till the disposal date, not yet received at the disposal date, is recognised as loss in the Net interest margin.

In the second quarter, in accordance with its risk management policy, Compagnie de Financement Foncier disposed of its entire exposure to HETA. In the financial statements for first-half 2015, the sale of the securities fetched a higher price than the value used to calculate the provision as at 31 December 2014; accordingly the gain on the disposal is allocated to the cost of risk in the amount of €12.2 million.

#### 2.3. MARKET DISPOSALS

In the framework of its 2011 strategic plan, the Group continued to reduce its international exposure in the first half of 2015.

In particular, Compagnie de Financement Foncier holds no more exposures to Austria as of 30 June 2015.

In general, disposals amounted to a total of €1.04 billion (excluding HETA securities). These sales together with the cancellation of the associated hedging swaps generated net capital losses before tax of €-15.7 million in the first half of 2015, versus a net gain of €1.1 million in the first half of 2014, posted to the income statement under "Net gains/losses on fixed assets".

#### 2.4. BUY-BACK OF OBLIGATIONS FONCIÈRES

During the first half of the year, Compagnie de Financement Foncier repurchased a part of its own bonds issued on the market. The securities were bought back for a nominal amount of €624.5 million, the exchange value on the repurchase date. All premiums or discounts arising from these buy-backs were booked directly to income as "Interest and similar income" or "Interest and similar expenses" in compliance with regulations. Gains or losses arising out of the cancellation of hedges associated with the cancelled issuances were directly booked to profit or loss under the same headings, "Interest and similar income" or "Interest and similar expenses".

The net income impact before taxes arising out of these buy-backs in the first half of 2015 was a gain of €1.5 million.

#### 2.5. OFF-BALANCE SHEET RESTRUCTURING

In order to meet the twofold objective of reducing off-balance sheet commitments, in order to minimise the amount of capital allocated to derivatives, and of limiting counterparty exposures, Compagnie de Financement Foncier performed an interest rate derivative restructuring transaction.

Thus, several interest rate hedging swaps were cancelled, representing a total amount of €4,479 million. Compagnie de Financement Foncier paid a net termination balance of € -46,2 million.

All of these net termination payments, as well as the unamortised balance at the termination date of the initial termination payments, were deferred and reported to the income statement according to the maturity of the underlying assets under "Interest and similar income" or "Interest and similar expenses".

### 3. POST BALANCE SHEET EVENTS

No subsequent event liable to have a significant impact on the financial statements at 30 June 2015 occurred between the reporting date and 25 August 2015, the date on which the Board of Directors approved the half-year accounts.

### 4. ACCOUNTING PRINCIPLES AND METHODS

#### 4.1. ACCOUNTING AND VALUATION METHODS

The condensed half-year financial statements of Compagnie de Financement Foncier are prepared and presented in accordance with the rules defined by BPCE, in compliance with the regulation No. 2014-07 of the French national accounting standards authority (*Autorité des normes comptables* – ANC).

#### 4.2. CHANGES IN ACCOUNTING METHODS

No changes were made to the accounting policies used to prepare the financial statements for the first half of 2015.

#### 4.3. ACCOUNTING PRINCIPLES AND VALUATION METHODS

The financial statements for the fiscal year are presented in an identical format as that used for the previous fiscal year. Generally accepted accounting principles have been applied on a prudent basis and in accordance with the following underlying assumptions:

- business continuity;
- consistency of accounting policies over time;
- independence of financial years;

and in accordance with the general rules on the preparation and presentation of half-year financial statements.

The accounting principles and methods applied are identical to those used to prepare the annual financial statements. In particular, the revenues and expenses for the six-month period were determined by respecting the principle of the exercises' separation.

**NOTE 1. LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS**

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Demand loans to credit institutions</b>	<b>252,101</b>	<b>92,056</b>	<b>346,995</b>
Current accounts with overdrafts	42,490	23,319	240,691
Overnight loans			
Unallocated items	209,610	68,738	106,304
Related receivables			
<b>Term loans to credit institutions</b>	<b>19,948,526</b>	<b>16,745,549</b>	<b>20,443,897</b>
Term accounts and loans	1,180,761	1,188,128	1,186,995
Loans guaranteed under L. 211-38 <sup>(2)</sup>	18,745,635	15,533,150	19,210,340
Securities bought under repurchase agreements			
Subordinated loans and participating loans			
Related receivables	22,129	24,271	46,563
<b>Doubtful loans and receivables</b>			
<b>GROSS AMOUNT OF LOANS AND RECEIVABLES</b>	<b>20,200,626</b>	<b>16,837,606</b>	<b>20,790,892</b>
Impairment of doubtful loans			
<b>Impairment of doubtful loans</b>			
<b>NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS <sup>(1)</sup></b>	<b>20,200,626</b>	<b>16,837,606</b>	<b>20,790,892</b>
<i>(1) Of which subsidised sector</i>	19	95	40
<b>BREAKDOWN OF TERM ACCOUNTS (GROUP/NON-GROUP)</b>			
Term accounts and loans			
• of which group transactions	499	419	460
• of which non-group transactions	1,180,262	1,187,709	1,186,535
Loans guaranteed by securities received under repurchase agreements			
• of which group transactions	18,745,635	15,533,150	19,210,340
• of which non-group transactions			
Related receivables			
• of which group transactions	18,668	18,794	21,213
• of which non-group transactions	3,461	5,477	25,349
<b>Group loans</b>	<b>18,764,802</b>	<b>15,552,363</b>	<b>19,232,013</b>
<b>Non-group loans</b>	<b>1,183,723</b>	<b>1,193,186</b>	<b>1,211,884</b>
<b>TOTAL</b>	<b>19,948,526</b>	<b>16,745,549</b>	<b>20,443,897</b>
<b>BREAKDOWN OF DEMAND ACCOUNTS (GROUP/NON-GROUP)</b>			
Demand accounts and loans			
• of which group transactions	38,955	18,911	236,626
• of which non-group transactions	3,536	4,407	4,065
Related receivables			
• of which group transactions			
• of which non-group transactions			
Unallocated items			
• of which Group transactions (at Crédit Foncier's scope)	209,566	68,718	106,292
• of which non-Group transactions	44	20	12
<b>Group loans</b>	<b>248,521</b>	<b>87,629</b>	<b>342,918</b>
<b>Non-group loans</b>	<b>3,579</b>	<b>4,427</b>	<b>4,077</b>
<b>TOTAL</b>	<b>252,101</b>	<b>92,056</b>	<b>346,995</b>

*(2) Replacement values issued by Groupe BPCE entities with guarantees under L. 211-38 (see note 1 bis).*

## NOTE 1 BIS. BREAKDOWN OF OUTSTANDING TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

<i>(in thousands of euros)</i>	06/30/15			06/30/14	12/31/14
	Gross amount	Write-downs	Net amount	Net amount	Net amount
<b>TERM LOANS</b>					
Refinancing of subsidised residential property	19		19	95	40
Refinancing of unsubsidised residential property	182		182	368	272
Public entities	1,183,523		1,183,523	1,192,724	1,211,572
Other loans to credit institutions *	18,764,802		18,764,802	15,552,363	19,232,013
Doubtful term loans					
<b>NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>19,948,526</b>		<b>19,948,526</b>	<b>16,745,549</b>	<b>20,443,897</b>
* <i>Of which:</i>					
<i>Replacement values pursuant to L. 211-38, in respect of replacement values, with BPCE</i>	6,600,000		6,600,000	6,600,000	6,600,000
<i>Loans guaranteed by local authority receivables pursuant to L. 211-38, with Crédit Foncier</i>	9,597,851		9,597,851	7,688,750	10,052,840
<i>Loans guaranteed by local authority receivables pursuant to L. 211-38, with BPCE, Caisses d'Épargne and Banques Populaires</i>	2,547,785		2,547,785	1,244,400	2,557,500
<i>Related and other receivables</i>	19,167		19,167	19,213	21,673
	<b>18,764,802</b>		<b>18,764,802</b>	<b>15,552,363</b>	<b>19,232,013</b>

**NOTE 2. LOANS AND RECEIVABLES DUE FROM CUSTOMERS**

(in thousands of euros)	Performing loans and receivables			Doubtful loans and receivables <sup>(6)</sup>			Write-downs			Net amounts		
	06/30/15	06/30/14	12/31/14	06/30/15	06/30/14	12/31/14	06/30/15	06/30/14	12/31/14	06/30/15	06/30/14	12/31/14
<b>Current accounts with overdrafts</b>												
<b>Facilities granted to customers <sup>(1)</sup></b>	<b>42,794,582</b>	<b>40,511,381</b>	<b>43,831,883</b>	<b>1,273,083</b>	<b>1,098,773</b>	<b>1,191,009</b>	<b>66,372</b>	<b>51,759</b>	<b>59,291</b>	<b>44,001,293</b>	<b>41,558,395</b>	<b>44,963,602</b>
Loans to financial customers												
Export credits												
Short-term credit facilities <sup>(2)</sup>	1,385,633	1,290,043	1,774,422							1,385,633	1,290,043	1,774,422
Equipment loans <sup>(3)</sup>	8,061,659	8,180,582	8,258,705	12,746	11,978	13,924	211	407	241	8,074,195	8,192,152	8,272,388
Home loans	33,169,667	30,865,678	33,618,998	1,256,589	1,083,543	1,173,446	66,080	51,185	58,989	34,360,175	31,898,035	34,733,455
Other customer loans	17,451	5,722	18,008	226	226	226	82	166	62	17,595	5,782	18,172
Unallocated items	5,189	742	14							5,189	742	14
Related receivables	154,984	168,614	161,737	3,522	3,027	3,413				158,506	171,641	165,150
• Of which compromised doubtful				332,479	229,246	292,849	54,341	38,838	46,078	278,138	190,408	246,771
<b>TOTAL <sup>(1) (4)</sup></b>	<b>42,794,582</b>	<b>40,511,381</b>	<b>43,831,883</b>	<b>1,273,083</b>	<b>1,098,773</b>	<b>1,191,009</b>	<b>66,372</b>	<b>51,759</b>	<b>59,291</b>	<b>44,001,293</b>	<b>41,558,395</b>	<b>44,963,602</b>
(1) - of which subsidised sector	166,192	260,872	203,804	113,578	103,463	115,357	368	379	238	279,402	363,956	318,923
- of which private sector	42,628,390	40,250,509	43,628,079	1,159,505	995,310	1,075,652	66,004	51,380	59,053	43,721,891	41,194,439	44,644,679

Restructured loans amounted to €485.7 million at 30 June 2015 of which €161.0 million classified as performing loans.

Note: Compagnie de Financement Foncier does not include any intra-group loans in customer loans.

(2) In 2007, the Company purchased the local authority loans of Ixis CIB, now Natixis, which include revolving credit lines of €1,386 million at 30 June 2015, versus €1,724 million at 31 December 2014.

(3) Equipment loans are loans to local authorities.

(4) The principal outstanding on customer loans eligible for European central bank refinancing stood at €6.7 billion at 30 June 2015. This is equal to €4.9 billion after haircut.

(5) Doubtful outstandings of the unsubsidised sector includes €562.5 million of loans guaranteed by the SGFGAS.

## NOTE 2 BIS A. IMPAIRMENT AND PROVISIONS FOR CREDIT RISK

<i>(in thousands of euros)</i>	12/31/13	Increases	Reversals	12/31/14	Increases	Reversals	Misc. Transactions	06/30/15
<b>IMPAIRMENT OF ASSETS</b>								
Customer loans and due from credit institutions *	38,538	36,267	-15,514	59,291	21,129	-14,048		66,372
<b>PROVISIONS RECOGNISED AS LIABILITIES</b>								
Customer loans and due from credit institutions and provisions on securities	14,125	1,873	-324	15,674	7	-571		15,110
<b>TOTAL</b>	<b>52,663</b>	<b>38,140</b>	<b>-15,838</b>	<b>74,965</b>	<b>21,136</b>	<b>-14,619</b>		<b>81,482</b>

\* Loan impairment is measured at discounted value in accordance with the regulation n° 2014-07 of the French accounting standards authority.

## NOTE 2 BIS B. PREMIUMS/DISCOUNTS ON ACQUIRED RECEIVABLES

<i>(in thousands of euros)</i>	12/31/13	Reclassi- fication	Additions	Amortisation	12/31/14	Reclassi- fication	Additions	Amortisation	06/30/15
<b>DUE FROM CREDIT INSTITUTIONS</b>									
Premiums	68,653			-10,572	58,081			-5,239	52,842
Discounts									
<b>Net</b>	<b>68,653</b>			<b>-10,572</b>	<b>58,081</b>			<b>-5,239</b>	<b>52,842</b>
<b>CUSTOMER LOANS</b>									
<b>Performing loans and receivables</b>									
Premiums	714,275	-8,300	630,268	-142,620	1,193,623	-5,239	272,871	-132,234	1,329,021
Discounts	-1,077,531	8,366	-85,993	91,649	-1,063,509	4,365	-438	53,775	-1,005,807
<b>Doubtful loans and receivables</b>									
Premiums	17,457	8,300		-3,663	22,094	5,239		-2,195	25,138
Discounts	-21,240	-8,366		3,974	-25,632	-4,365		2,296	-27,701
<b>Net</b>	<b>-367,039</b>		<b>544,275</b>	<b>-50,660</b>	<b>126,576</b>		<b>272,433</b>	<b>-78,358</b>	<b>320,651</b>
<b>TOTAL</b>	<b>-298,386</b>		<b>544,275</b>	<b>-61,232</b>	<b>184,657</b>		<b>272,433</b>	<b>-83,597</b>	<b>373,493</b>

**NOTE 3. AVAILABLE-FOR-SALE AND HELD-TO-MATURITY SECURITIES**

(in thousands of euros)	06/30/15			06/30/14			12/31/14		
	Available for sale securities	Held to maturity securities	Total	Available for sale securities	Held to maturity securities	Total	Available for sale securities	Held to maturity securities	Total
Treasury bills and equivalent <sup>(3)</sup>		2,689,575	2,689,575	118	3,404,519	3,404,637	44	3,116,314	3,116,358
Related receivables		53,562	53,562	2	60,270	60,272	1	59,315	59,316
<b>Subtotal</b>	<b>2,743,137</b>	<b>2,743,137</b>	<b>2,743,137</b>	<b>120</b>	<b>3,464,789</b>	<b>3,464,909</b>	<b>45</b>	<b>3,175,629</b>	<b>3,175,674</b>
Bonds <sup>(3)</sup>		5,470,500	5,470,500		6,148,095	6,148,095		6,053,694	6,053,694
Interbank market instruments (mortgage notes) <sup>(1) (3)</sup>	7,932,500		7,932,500	8,203,000		8,203,000	7,317,500		7,317,500
Negotiable debt securities									
Securitisation units <sup>(3)</sup>									
Related receivables	5,917	68,758	74,675	8,984	73,404	82,388	5,943	68,762	74,705
<b>Subtotal</b>	<b>7,938,417</b>	<b>5,539,258</b>	<b>13,477,675</b>	<b>8,211,984</b>	<b>6,221,499</b>	<b>14,433,483</b>	<b>7,323,443</b>	<b>6,122,456</b>	<b>13,445,899</b>
Doubtful loans and securities including related receivables <sup>(2)</sup>								263,067	263,067
<b>GROSS AMOUNTS</b>	<b>7,938,417</b>	<b>8,282,395</b>	<b>16,220,812</b>	<b>8,212,104</b>	<b>9,686,288</b>	<b>17,898,392</b>	<b>7,323,488</b>	<b>9,561,152</b>	<b>16,884,640</b>
Impairment on fixed-income securities <sup>(2)</sup>								-104,448	-104,448
<b>NET AMOUNTS <sup>(3)</sup></b>	<b>7,938,417</b>	<b>8,282,395</b>	<b>16,220,812</b>	<b>8,212,104</b>	<b>9,686,288</b>	<b>17,898,392</b>	<b>7,323,488</b>	<b>9,456,704</b>	<b>16,780,192</b>

(1) At 30 June 2015, Interbank market securities, issued at floating rates and subscribed by the parent company, are valued at their carrying amount. There is no unrealised capital loss.

(2) There are no doubtful loans in the securities portfolio at 30 June 2015.

(3) Of which:

	06/30/15	06/30/14	12/31/14
Listed securities	7,644,093	8,949,218	8,847,391
Unlisted securities	8,448,482	8,806,514	7,899,500
<b>TOTAL</b>	<b>16,092,575</b>	<b>17,755,732</b>	<b>16,746,891</b>

Under the regulation No. 2014-07 of the French national accounting standards authority, the aggregate fair value of the investment portfolio amounts to €9,183.6 million at 30 June 2015, excluding related receivables and excluding valuation of hedges.

Unrealised capital gains on held-to-maturity securities amounted to €1,208.6 million at 30 June 2015, versus €1,454.4 million at 31 December 2014.

Unrealised capital losses on held-to-maturity securities amounted to €104.3 million at 30 June 2015, versus €304.5 million at 31 December 2014.

The Company did not reclassify any securities to the "Held-to-maturity securities" portfolio neither during the 2015 financial year nor in previous years.

## NOTE 3 BIS. SOVEREIGN RISK

At 30 June 2015, the net exposures of Compagnie de Financement Foncier to sovereign risk are:

Held to maturity securities (in million of euros)	06/30/15			06/30/14			12/31/14		
	Carrying amount	Nominal value	Market value	Carrying amount	Nominal value	Market value	Carrying amount	Nominal value	Market value
Cyprus	0.0	0.0	0.0	50.0	50.0	49.0	50.0	50.0	49.1
Hungary	0.0	0.0	0.0	35.0	35.0	37.6	35.0	35.0	37.5
Ireland	120.0	120.0	147.8	135.0	135.0	171.2	135.0	135.0	174.7
Italy	1,605.9	1,602.6	1,979.8	1,625.2	1,621.8	1,963.4	1,585.1	1,581.7	2,021.1
Poland	336.5	336.5	353.9	333.0	333.0	423.6	317.4	317.4	342.1
Slovenia	148.3	147.0	166.3	198.6	197.0	222.2	198.4	197.0	222.0
<b>TOTAL</b>	<b>2,210.7</b>	<b>2,206.1</b>	<b>2,647.8</b>	<b>2,376.8</b>	<b>2,371.8</b>	<b>2,867.0</b>	<b>2,320.9</b>	<b>2,316.1</b>	<b>2,846.5</b>

The values given above exclude related receivables. Nominal values are measured at the closing price if the securities are denominated in foreign currencies.

The maturity dates of net exposures in nominal value as of 30 June 2015 are presented below:

	Residual maturity				
	3 years	5 years	6 years	> 8 years and <10 years	>10 years
Ireland				120.0	
Italy	72.0			242.0	1,288.6
Poland					336.5
Slovenia		137.0	10.0		
<b>TOTAL</b>	<b>72.0</b>	<b>137.0</b>	<b>10.0</b>	<b>362.0</b>	<b>1,625.1</b>

**NOTE 3 TER. FINANCIAL FIXED ASSETS**

<i>(in thousands of euros)</i>	Gross 12/31/13	Acqui- sitions	Disposals/ Redemp- tions *	Reclas- sifica- tions	Change in pre- miums/ dis- counts	Currency differences	Gross 12/31/14	Acqui- sitions	Disposals/ Redemp- tions *	Reclas- sifica- tions	Change in pre- miums/ dis- counts	Currency differences	Gross 06/30/15
Held to maturity securities	9,807,844		-702,334		-2,424	326,261	9,429,347		-1,611,982		-11,636	354,346	8,160,075
<b>TOTAL</b>	<b>9,807,844</b>		<b>-702,334</b>		<b>-2,424</b>	<b>326,261</b>	<b>9,429,347</b>		<b>-1,611,982</b>		<b>-11,636</b>	<b>354,346</b>	<b>8,160,075</b>
Related receivables	141,771				-10,047	81	131,805				-9,379	-105	122,320
<b>GRAND TOTAL</b>	<b>9,949,615</b>		<b>-702,334</b>		<b>-12,471</b>	<b>326,342</b>	<b>9,561,152</b>		<b>-1,611,982</b>		<b>-21,015</b>	<b>354,241</b>	<b>8,282,395</b>

\* Disposals were conducted in accordance with the possibilities offered by the regulation (CRBF 90-01) especially in cases of an issuer's important credit quality deterioration or regulatory constraints.

**NOTE 4. OTHER ASSETS**

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Options bought</b>	<b>42</b>	<b>313</b>	<b>174</b>
<b>Securities settlement accounts</b>			
<b>Other receivables</b>	<b>64,826</b>	<b>207,951</b>	<b>92,021</b>
Deposits on collateralisation transactions			
Other deposits and guarantees	22	22	22
Tax consolidation receivables *	60,041	98,534	90,119
Other non-trade receivables	4,762	109,395	1,880
<b>Special bonus account</b>			
<b>TOTAL</b>	<b>64,868</b>	<b>208,264</b>	<b>92,195</b>

\* The receivable posted at 30 June 2015 is the subsidy due by Crédit Foncier, equal to the potential corporate tax saving, due to the negative fiscal result recorded, in accordance with the tax consolidation agreement binding Compagnie de Financement Foncier, BPCE and Crédit Foncier (Article 2). The tax consolidation receivable posted on 31 December 2014 represented the corporate tax advances paid in 2014, which were refunded upon the settlement of the corporate tax in April 2015 following the negative fiscal result posted on 31 December 2014.

## NOTE 5. ACCRUAL ACCOUNTS – ASSETS

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Collection accounts</b>			
<b>Deferred expenses</b>	<b>259,799</b>	<b>292,816</b>	<b>270,991</b>
Issuance and redemption premiums of fixed income securities	259,799	292,816	270,991
Other deferred expenses			
<b>Prepaid expenses</b>	<b>1,710,992</b>	<b>1,795,159</b>	<b>1,801,096</b>
Termination balances of paid swaps to be amortised	1,698,912	1,794,869	1,801,096
Other prepaid expenses	12,080	290	
<b>Accrued income</b>	<b>638,216</b>	<b>806,107</b>	<b>877,749</b>
Accrued interest on swaps	636,623	803,981	875,223
Other accrued income	1,593	2,126	2,527
<b>Other accrual accounts - assets</b>	<b>1,164,192</b>	<b>945,637</b>	<b>1,172,204</b>
Cash in domiciliation	36,935	59,423	244,189
Deferred tax assets <sup>(1)</sup>	573,498	670,500	676,689
Currency adjustment accounts <sup>(2)</sup>	334,340	106,457	21,628
Other accrued income <sup>(3)</sup>	219,419	109,257	229,698
<b>TOTAL</b>	<b>3,773,198</b>	<b>3,839,718</b>	<b>4,122,040</b>

(1) *Deferred tax assets mainly consist of temporary differences and do not suggest any uncertainty as to their use.  
The main types of deferred tax are as follows:*

<i>Termination swap balance</i>	554,556	661,467	626,285
<i>Client provisions including credit risk provisions</i>	11,927	11,033	12,263
<i>Other temporary differences</i>	7,016	-2,000	38,141

(2) *This item restores the balance between assets and liabilities, following the recognition in the income statement of gains or losses relating to the measurement of off-balance sheet transactions in foreign currency (see note 16). A similar item can be found in note 10.*

(3) *Of which borrowers (payments to be applied to loan accounts) and release of loan funds on behalf of Crédit Foncier: €17,917K at 30 June 2015 compared to €39,096K at 31 December 2014.*

**NOTE 6. AMOUNTS DUE TO CREDIT INSTITUTIONS**

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Due to credit institutions – on demand</b>		<b>1,432</b>	<b>3,621</b>
Current accounts of credit institutions		122	
Demand loans to credit institutions			
Other amounts due to credit institutions		1,310	3,621
Related payables			
<b>Due to credit institutions – at maturity</b>	<b>4,994,212</b>	<b>3,080,134</b>	<b>5,031,100</b>
Term deposits and loans *	2,989,237	3,064,052	3,025,424
Values sold under repurchase agreements			
Securities sold under repurchase agreements	1,991,816		1,991,918
Related payables	13,159	16,081	13,758
<b>TOTAL</b>	<b>4,994,212</b>	<b>3,081,566</b>	<b>5,034,721</b>
<b>Details on due to credit institutions – on demand (group/non-group)</b>		<b>1,432</b>	<b>3,621</b>
Of which group			
• <i>Other amounts due to credit institutions</i>			
• <i>Demand loans to credit institutions</i>			
• <i>Related payables</i>			
Of which non-group		1,432	3,621
• <i>Other amounts due to credit institutions</i>		1,432	3,621
<b>Details on due to credit institutions – at maturity (group/non-group)</b>	<b>4,994,212</b>	<b>3,080,134</b>	<b>5,031,100</b>
Of which group	4,994,212	3,063,275	5,023,668
• <i>Due and accounts at maturity</i>	3,002,930	3,063,275	3,031,509
• <i>Securities sold under repurchase agreements</i>	1,991,282		1,992,159
Of which non-group		16,859	7,432
• <i>Banque de France refinancing (Overall collateral management pool – 3G pool)</i>			
• <i>Other term loans</i>		16,567	7,223
• <i>Values sold under repurchase agreements</i>			
• <i>Related payables</i>		291	209
<b>Due to group credit institutions</b>	<b>4,994,212</b>	<b>3,063,275</b>	<b>5,023,668</b>
<b>Due to non-group credit institutions</b>		<b>18,290</b>	<b>11,053</b>
<b>TOTAL</b>	<b>4,994,212</b>	<b>3,081,566</b>	<b>5,034,721</b>
* <i>Of which subsidised sector.</i>	37,052	24,756	22,945

## NOTE 7. AMOUNTS DUE TO CUSTOMERS

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Current accounts</b>			
<b>Other demand and term deposits</b>	<b>2,891</b>	<b>848</b>	<b>19,967</b>
Other amounts due	2,891	848	19,967
Other term loans to customers			
Term accounts in credit			
Related payables			
<b>TOTAL</b>	<b>2,891</b>	<b>848</b>	<b>19,967</b>

## NOTE 8. DEBT SECURITIES

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
Negotiable debt securities	150,000	150,000	150,000
Related payables	504	1,102	2,882
<b>Negotiable debt securities and related payables</b>	<b>150,504</b>	<b>151,102</b>	<b>152,882</b>
<i>Obligations foncières</i> <sup>(1) (2)</sup>	69,209,450	69,693,220	69,427,903
Related payables	986,752	1,433,366	1,707,372
<b>Obligations foncières and related payables</b>	<b>70,196,202</b>	<b>71,126,585</b>	<b>71,135,275</b>
<b>TOTAL</b>	<b>70,346,706</b>	<b>71,277,687</b>	<b>71,288,157</b>

(1) Of which subsidised sector.

31,192

All of these debt securities benefit from a preferential payment claim defined by Article L. 513-11 of the French Monetary and Financial Code ("privilège" of obligations foncières).

(2) Since the 1<sup>st</sup> January 2015, the company has changed its accounting method for accrued interest on zero-coupon bond issuances. Interest is now capitalised and recognised in the "Obligations foncières" line item and no longer in the "Related payables" line item. The impact of this reclassification at 30 June 2015 is of €394.7 m.

## NOTE 9. OTHER LIABILITIES

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Options sold</b>			
<b>Other payables</b>	<b>2,981,583</b>	<b>3,045,130</b>	<b>3,539,352</b>
Deposits on collateralisation transactions	2,907,834	2,955,857	3,470,733
Margin calls on repurchase agreements			
Trade payables			
Tax consolidation liabilities <sup>(1)</sup>			
Other fiscal and social debts	162	110	14
Other payable accounts	73,586	89,163	68,605
Special bonus account			
<b>Allocated public funds</b> <sup>(2)</sup>	<b>64,500</b>	<b>78,069</b>	<b>71,234</b>
<b>TOTAL</b>	<b>3,046,083</b>	<b>3,123,199</b>	<b>3,610,586</b>

(1) Corporate tax due to Crédit Foncier (tax consolidation).

(2) Of which subsidised sector:

51,054

52,062

51,053

## NOTE 10. ACCRUAL ACCOUNTS – LIABILITIES

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Collection accounts</b>	<b>497</b>	<b>2,491</b>	<b>48</b>
<b>Unearned income</b>	<b>2,088,819</b>	<b>2,393,228</b>	<b>2,277,552</b>
Subsidies on loans for low-income families and former interest-free loans	89,668	122,900	106,009
Balances of swaps received to be amortised	1,868,352	2,154,503	2,068,454
Other unearned income	130,799	115,825	103,089
<b>Accrued expenses</b>	<b>290,891</b>	<b>332,530</b>	<b>290,330</b>
Accrued interest on derivatives (swaps)	274,989	320,936	277,835
Other accrued expenses	15,901	11,594	12,495
<b>Other accrual accounts</b>	<b>156,702</b>	<b>183,318</b>	<b>125,615</b>
Currency adjustment accounts *		9,281	
Other items	156,702	174,037	125,615
<b>TOTAL</b>	<b>2,536,909</b>	<b>2,911,567</b>	<b>2,693,544</b>

\* This item restores the balance between assets and liabilities, following the recognition in the income statement of gains or losses relating to the measurement of off-balance sheet transactions in foreign currency (see note 16). A similar item can be found in note 5.

## NOTE 11. PROVISIONS

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Provisions for counterparty risks</b>	<b>15,110</b>	<b>15,285</b>	<b>15,674</b>
Provisions for counterparty risks on performing loans	15,110	15,285	15,674
Sectoral provisions			
<b>Provisions for litigation</b>		<b>1,203</b>	
Tax litigation			
Other litigation		1,203	
<b>Other provisions</b>			<b>10,660</b>
Other provisions *			10,660
<b>TOTAL</b>	<b>15,110</b>	<b>16,488</b>	<b>26,334</b>

\* At 31 December 2014, this item was impacted by the consequences of the HETA securities' reclassification to associated hedging swaps.

Changes in the period (in thousands of euros)	Changes in 2015					06/30/15
	12/31/14	Additions	Reversals		Other changes	
			Used	Not used		
<b>Provisions for counterparty risks</b>	<b>15,674</b>	<b>7</b>		<b>-571</b>		<b>15,110</b>
Provisions for counterparty risks on performing loans	15,674	7		-571		15,110
Sectoral provisions						
<b>Provisions for litigation</b>						
Tax litigation						
Other litigation						
<b>Other provisions</b>	<b>10,660</b>		<b>-10,660</b>			
Other provisions *	10,660		-10,660			
<b>TOTAL</b>	<b>26,334</b>	<b>7</b>	<b>-10,660</b>	<b>-571</b>		<b>15,110</b>

\* At 31 December 2014, this item was impacted by the consequences of the HETA securities' reclassification to associated hedging swaps. The provision reversal covered a loss of the same amount posted under «Interest and similar income and expenses» (see note 18).

## NOTE 12. SUBORDINATED DEBT

(in thousands of euros)	06/30/15	06/30/14	12/31/14
Redeemable subordinated notes <sup>(1)</sup>	2,100,000	2,100,000	2,100,000
Perpetual super-subordinated notes <sup>(2)</sup>	1,350,000	1,350,000	1,350,000
Related payables	16,492	18,264	258
<b>TOTAL</b>	<b>3,466,492</b>	<b>3,468,264</b>	<b>3,450,258</b>

(1) Eligible for inclusion in the Compagnie de Financement Foncier Tier-2 solvency ratio.

(2) Eligible for inclusion in the Compagnie de Financement Foncier Tier-1 solvency ratio until the end of 2013. Since 1 January 2014, these notes are no longer eligible following the application of the CRD IV/CRR. They remain eligible for the additional Tier-1 ratio for a gradually decreasing value during a phasing period ending 1 January 2022.

## a) Additional information

(in thousands of euros)	Issuance currency	Issuance date	Maturity date	Interest rate	Amount N (nominal)
<b>SUBORDINATED DEBTS</b>					
Floating-rate subordinated debt					
• Redeemable subordinated notes "RSNs" *	EUR	12/30/03	12/30/43	Euribor 3M +0.5%	2,100,000
• Perpetual super-subordinated notes	EUR	12/30/11		EONIA +2.5%	1,350,000
<b>TOTAL</b>					<b>3,450,000</b>

\* Of which €2 billion issued on 28 December 2007, assimilated to the issuance of 30 December 2003.

## b) Possibility and conditions for early repayment

### ON REDEEMABLE SUBORDINATED NOTES "RSN"

The RSNs were placed privately with Crédit Foncier and therefore, from a prudential point of view, are not deemed to represent shareholders' equity of groupe Crédit Foncier. They are eligible for Tier Two capital of Compagnie de Financement Foncier. Compagnie de Financement Foncier has undertaken not to perform early repayments of RSNs for the entire duration of the loan. However, it reserves the right to redeem these instruments prior to maturity, as these transactions have no impact on the normal repayment schedule of outstanding securities. Redeemed RSNs are cancelled. Nevertheless, if Crédit Foncier were to sell these securities to entities outside the Group, they would become representative of shareholders' equity and their purchase would

require the prior agreement of the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR).

### ON PERPETUAL SUPER-SUBORDINATED NOTES

Compagnie de Financement Foncier has an option to redeem securities early, following an authorisation of ACPR, either as part of an early redemption option exercisable five years after the securities' issuance date and on each subsequent interest payment date in the event of any fiscal or regulatory changes, or by repurchasing the securities issued. The repurchased securities are cancelled.

## c) Conditions relating to interest rate payable

### ON REDEEMABLE SUBORDINATED NOTES "RSN"

Any interest not paid is carried over as unsecured debt.

### ON PERPETUAL SUPER-SUBORDINATED NOTES

In order to ensure the balanced income of the company and to respect the prudential ratios, interest will only be due when net income for the year in which interest is due, after payment of said

interest, is at least €10 m. As a consequence, if net income before payment of the interest were to be less than €10 million, no interest would be due and it would not be carried over to subsequent years. In cases where income before the interest payment were above €10 million, but would fall below €10 million following the interest payment, the interest due shall be reduced by the appropriate amount and the interest over and above the resulting reduced amount shall not be carried over to subsequent years.

This reduction is required in order to respect prudential ratios, with no possibility of deferring unpaid interest on a given payment date to subsequent years.

## NOTE 13. CHANGES IN EQUITY

(in thousands of euros)	Opening balance at 01/01/14	Changes in capital and reserves			Balance at 12/31/14	Changes in capital and reserves			Balance at 06/30/15
		Allocation	Dividends paid in shares	Other		Allocation	Dividends paid in shares	Other	
Share capital *	1,187,460				1,187,460				1,187,460
Share premiums *	343,002				343,002				343,002
Reserves									
Legal reserve	46,479	1,630			48,109	4,217			52,326
General reserve	55,517				55,517				55,517
Regulated reserves									
Of which:									
• Regulated reserves for revaluation									
• Special reserve for long-term capital gains									
Retained earnings	86,472	535			87,007	5,894			92,901
<b>Net equity before net income for the year</b>	<b>1,718,931</b>				<b>1,721,095</b>				<b>1,731,207</b>
Net income for the year before distributions	32,593	-32,593			84,328	-84,328			74,650
<b>Net equity after net income for the year</b>	<b>1,751,524</b>				<b>1,805,423</b>				<b>1,805,857</b>
Dividends paid		30,429				74,216			

	Balance at 01/01/14	Changes in provisions			Balance at 12/31/14	Changes in provisions			Balance at 06/30/15
		Allocation	Additions	Reversals		Allocation	Additions	Reversals	
Special revaluation provision									
Other regulated provisions									
Regulated provisions									
<b>Equity before distributions</b>	<b>1,751,524</b>				<b>1,805,423</b>				<b>1,805,857</b>

	Balance at 01/01/2014	Changes in the reserve for general banking risks (RGBR)			Balance at 12/31/14	Changes in the reserve for general banking risks (RGBR)			Balance at 06/30/15
		Allocation	Additions	Reversals		Allocation	Additions	Reversals	
Reserve for general banking risks	20,000				20,000				20,000
<b>TOTAL</b>	<b>1,771,524</b>				<b>1,825,423</b>				<b>1,825,857</b>

\* The share capital comprises 74,216,246 ordinary shares with a face value of €16, which confer identical rights on all shareholders. No revaluation has been carried out to date.

**NOTE 14. COMMITMENTS GIVEN**

	06/30/15		06/30/14		12/31/14	
	Loans authorised but not yet established	Amounts not drawn down on loans already partially established	Loans authorised but not yet established	Amounts not drawn down on loans already partially established	Loans authorised but not yet established	Amounts not drawn down on loans already partially established
<i>(in thousands of euros)</i>						
<b>FINANCING COMMITMENTS</b>	<b>222,009</b>	<b>867,441</b>	<b>235,930</b>	<b>2,028,327</b>	<b>236,697</b>	<b>1,467,886</b>
<b>Subsidised sector</b>						
<b>Non-group commitments</b>						
Credit institutions						
Customers						
<b>Unsubsidised sector</b>	<b>222,009</b>	<b>867,441</b>	<b>235,930</b>	<b>2,028,327</b>	<b>236,697</b>	<b>1,467,886</b>
<b>Non-group commitments</b>	<b>222,009</b>	<b>867,441</b>	<b>235,930</b>	<b>2,028,327</b>	<b>236,697</b>	<b>1,467,886</b>
Customers <sup>(1)</sup>	222,009	867,441	235,930	2,028,327	236,697	1,467,886
<b>Group commitments</b>						
Credit institutions						
<b>GUARANTEE COMMITMENTS</b>	<b>1,674,885</b>		<b>1,671,332</b>		<b>1,673,247</b>	
<b>Non-group commitments</b>	<b>1,674,885</b>		<b>1,671,332</b>		<b>1,673,247</b>	
Other values used as collateral <sup>(2)</sup>	1,674,885		1,671,332		1,673,247	
<b>COMMITMENTS ON SECURITIES</b>			<b>80,000</b>			
Other commitments given – Securities for delivery			80,000			
<b>TOTAL <sup>(3)</sup></b>	<b>2,764,334</b>		<b>4,015,589</b>		<b>3,377,829</b>	

(1) The main changes on the financing commitments given to customers are:

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
Permanent credit lines (outstanding transferred from Ixis CIB)	766,874	1,027,859	517,842
State housing savings accounts ( <i>primes d'épargne logement</i> )	100,000	1,000,000	949,532

(2) This line represents assets and securities given as collateral to the Banque de France, in the framework of the pool of the Gestion globale des garanties (3G) of which:

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
Securities			
Receivables	1,674,885	1,671,332	1,673,247

Receivables presented and accepted by the Banque de France are valued at their book value; securities are valued at ECB value before valuation haircut.

(3) Of which:

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
Doubtful commitments	567	468	511

## NOTE 15. COMMITMENTS RECEIVED

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Financing commitments</b>			
<b>Non-group commitments</b>			
Credit institutions <sup>(1)</sup>	1,466,840	1,466,357	1,468,030
<b>Subtotal</b>	<b>1,466,840</b>	<b>1,466,357</b>	<b>1,468,030</b>
<b>Group commitments</b>			
Repurchase guarantee			
Credit institutions <sup>(2)</sup>	3,000,000	3,000,000	3,000,000
Other assets received as collateral from the group <sup>(3)</sup>	26,953,663	23,470,449	26,560,675
<b>Subtotal</b>	<b>29,953,663</b>	<b>26,470,449</b>	<b>29,560,675</b>
<b>TOTAL</b>	<b>31,420,503</b>	<b>27,936,806</b>	<b>31,028,705</b>
<b>Guarantee commitments</b>			
<b>Non-group commitments</b>			
Credit institutions and similar items <sup>(4)</sup>	2,727,329	2,002,923	2,792,312
Customers <sup>(5)</sup>	34,753,216	34,544,367	36,192,884
<b>Subtotal</b>	<b>37,480,545</b>	<b>36,547,290</b>	<b>38,985,196</b>
<b>Group commitments <sup>(6)</sup></b>			
Credit institutions and similar items	2,535,948	2,820,696	2,690,162
Customers	1,911	708	1,944
<b>Subtotal</b>	<b>2,537,860</b>	<b>2,821,404</b>	<b>2,692,106</b>
<b>TOTAL</b>	<b>40,018,404</b>	<b>39,368,694</b>	<b>41,677,302</b>
<b>Commitments on securities</b>			
Other securities to be received	53,624		
<b>TOTAL</b>	<b>53,624</b>		
<b>TOTAL COMMITMENTS RECEIVED</b>	<b>71,492,532</b>	<b>67,305,499</b>	<b>72,706,007</b>

(1) Non-group financing commitments refer to the commitment received from the Banque de France in relation to the collateral management mechanism, including an amount of €1,466.8 million at 30 June 2015, compared with €1,468.0 million at 31 December 2014.

(2) Credit line entered into by Compagnie de Financement Foncier and BPCE on 2 May 2012.

(3) Guarantees related to receivables and securities held and put in place within the framework of loans authorised pursuant to Article L. 211-38 and mortgage notes.

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
• Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38)	9,695,741	7,774,709	10,082,140
• Guarantees received from BPCE SA as replacement values (L. 211-38)	6,655,400	7,239,682	6,600,000
• Guarantees received from Caisses d'Épargne and Banques Populaires for loans to French local authorities (L. 211-38)	2,582,811	252,298	2,560,013
• Guarantees received from Crédit Foncier for mortgage notes:	8,019,711	8,203,760	7,318,522
(4) Mainly including guarantees received:			
• from Crédit Logement	767,273	183,673	872,813
• from Créserfi	322,924	293,307	357,075
• from insurance companies for security enhancement	1,637,132	1,525,943	1,562,424

(5) Compagnie de Financement Foncier posts guarantees to the balance sheet related to certain types of customer loans on the balance sheet, in view of their materiality. These guarantees are broken down as follows:

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
• Government guarantees on loans (including in the subsidised sector)	363,556	436,762	404,081
• Guarantees from SGFGAS on FGAS-eligible loans benefitting from a first-rang mortgage, covered by the government	16,306,652	14,679,204	15,994,297
• Mortgage guarantees for mortgage loans that are only covered by this guarantee	14,925,824	14,995,522	15,566,209
• Guarantees given by local authorities and other organisations	1,995,280	2,192,019	2,124,901
• Security enhancement guarantees given by governments	1,161,904	2,241,022	2,103,396

(6) At 30 June 2015, guarantee commitments received from the group mainly include a guarantee received from BPCE in connection with French local authority loans purchased from Ixis CIB for €2,025 million, compared to €2,154 million at 31 December 2014; a guarantee received from BPCE on securities for €360 million; as well as a guarantee received from Crédit Foncier on securities and loans amounted to €42.5 million.

**NOTE 16. FOREIGN EXCHANGE TRANSACTIONS**

	06/30/15		06/30/14		12/31/14	
	Currencies receivable	Currencies for delivery	Currencies receivable	Currencies for delivery	Currencies receivable	Currencies for delivery
<i>(in thousands of euros)</i>						
<b>Forwards (nominal amount) <sup>(1)</sup></b>	<b>13,683,905</b>	<b>13,349,565</b>	<b>14,187,257</b>	<b>14,090,081</b>	<b>13,603,955</b>	<b>13,582,327</b>
Over-the-counter markets						
<b>Hedging transactions</b>	<b>13,683,905</b>	<b>13,349,565</b>	<b>14,187,257</b>	<b>14,090,081</b>	<b>13,603,955</b>	<b>13,582,327</b>
Financial swaps						
Micro-hedging transactions						
Subsidised sector			31,192	40,473		
Unsubsidised sector	13,683,905	13,349,565	14,156,066	14,049,608	13,603,955	13,582,327
Macro-hedging transactions						
Subsidised sector						
Unsubsidised sector						
Other forward transactions						
<b>Forwards (fair value)</b>	<b>-219,570</b>		<b>-516,011</b>		<b>-686,146</b>	
<b>Spot transactions</b>						
<b>Total foreign currency transactions</b>	<b>13,683,905</b>	<b>13,349,565</b>	<b>14,187,257</b>	<b>14,090,081</b>	<b>13,603,955</b>	<b>13,582,327</b>
<b>TOTAL</b>	<b>27,033,470</b>		<b>28,277,338</b>		<b>27,186,282</b>	

(1) Compagnie de Financement Foncier does not carry out any forward foreign currency transactions on organised markets.

## NOTE 17. FORWARD FINANCIAL INSTRUMENTS

<i>(in thousands of euros)</i>	06/30/15		06/30/14		12/31/14	
	Euros	Other currencies	Euros	Other currencies	Euros	Other currencies
<b>OVER-THE-COUNTER MARKETS</b>						
<b>Options (nominal amounts)</b>	<b>2,424,343</b>		<b>2,477,436</b>		<b>2,450,387</b>	
<b>Micro-hedging transactions</b>						
Purchases						
Sales						
<b>Macro-hedging transactions</b>						
Purchases	2,424,343		2,477,436		2,450,387	
Sales						
<b>Other options</b>						
Purchases						
Sales						
<b>Options (fair value)</b>	<b>17,673</b>		<b>23,039</b>		<b>16,497</b>	
<b>Forward transactions (nominal amounts)</b>						
	<b>55,068,806</b>	<b>377,170</b>	<b>57,484,467</b>	<b>331,796</b>	<b>56,846,843</b>	<b>339,939</b>
<b>Micro-hedging transactions</b>						
Interest rate instruments	40,370,414	377,170	42,001,739	331,796	41,995,851	339,939
Currency instruments						
Other instruments						
<b>Macro-hedging transactions</b>						
Interest rate instruments	14,698,392		15,482,729		14,850,992	
Currency instruments						
Other instruments						
<b>Other transactions</b>						
Interest rate instruments						
Currency instruments						
Other instruments						
<b>Forward transactions (fair value)</b>	<b>2,015,026</b>	<b>76,474</b>	<b>2,380,157</b>	<b>58,694</b>	<b>2,485,418</b>	<b>85,074</b>
<b>Forward and conditional transactions</b>	<b>57,493,149</b>	<b>377,170</b>	<b>59,961,903</b>	<b>331,796</b>	<b>59,297,230</b>	<b>339,939</b>
<b>TOTAL* (NOMINAL AMOUNTS)</b>	<b>57,870,318</b>		<b>60,293,699</b>		<b>59,637,169</b>	
<b>TOTAL (FAIR VALUE)</b>	<b>2,109,173</b>		<b>2,461,890</b>		<b>2,586,989</b>	

\* There are no doubtful outstandings on forwards and options transactions.

**NOTE 18. INTEREST AND SIMILAR INCOME AND EXPENSES**

<i>(in thousands of euros)</i>	06/30/15			06/30/14	12/31/14
	Income	Expenses	Net	Net	Net
<b>Interbank transactions</b>	<b>71,965</b>	<b>-35,219</b>	<b>36,746</b>	<b>24,792</b>	<b>69,395</b>
Interest on Central Bank accounts		-1,291	-1,291	-252	-1,986
Interest on current accounts	2	-2		392	398
Interest on options	14,765	-20,902	-6,137	-6,638	-11,949
Interest on subordinated loans					
Interest on guaranteed loans (replacement values)	57,198		57,198	41,326	105,635
Interest on securities received/sold under repurchase agreements		147	147		-237
Financing and guarantee commitments					
Other interest income and expenses				-219	-715
Hedging transactions		-13,171	-13,171	-9,817	-21,750
Hedged losses on receivables					
Non-hedged losses on receivables					
Net changes in provisions					
<b>Customers transactions</b>	<b>619,159</b>	<b>-49,338</b>	<b>569,821</b>	<b>692,968</b>	<b>1,313,200</b>
Interest on demand deposits, term deposits and regulated savings accounts					
Interest on loans to customers	604,023		604,023	636,979	1,298,457
Interest on subordinated loans					
Interest on doubtful loans	22,243		22,243	20,055	41,299
Amortisation of additional loans fees (CRC regulation 2009-03)	-304		-304	-327	-639
Interest on ABS cash collateral					
Other interest income and expenses	-6,222	-1,981	-8,203	-10,237	-23,701
Income on financing and guarantee commitments	16		16	29	55
Hedging transactions (netting)		-47,357	-47,357	47,746	-510
Hedged losses on receivables	-591		-591	-150	-444
Non-hedged losses on receivables					
Net changes in provisions	-6		-6	-1,128	-1,317
<b>Finance lease transactions</b>					
<b>Securities portfolio transactions</b>	<b>927,926</b>	<b>-1,249,395</b>	<b>-321,470</b>	<b>-325,435</b>	<b>-656,383</b>
Interest on investment securities	32,037		32,037	69,076	111,959
Spreading of discounts/premiums on investment securities				-197	-437
Interest on held-to-maturity securities	190,788		190,788	162,458	351,554
Amortisation of discounts/premiums on held-to-maturity securities	-1,432		-1,432	-1,080	-3,317
Interest on medium-term notes (BMTN) issued		-1,182	-1,182	-1,765	-3,545
Interest on certificates of deposits issued					
Interest on mortgage notes issued					
Interest and expenses on bond issuances		-1,245,263	-1,245,263	-1,328,723	-2,608,904
Interest on doubtful securities					
Hedging transactions (netting) <sup>(1)</sup>	695,425		695,425	774,798	1,496,754
Losses on non-recoverable loans and receivables		-2,951	-2,951		
Net changes of provisions <sup>(1)</sup>	11,108		11,108		-448
<b>Subordinated debt</b>		<b>-22,075</b>	<b>-22,075</b>	<b>-26,489</b>	<b>-50,453</b>
Payables on subordinated term securities		-22,075	-22,075	-26,489	-50,453
Payables on subordinated debt — credit institutions					
Payables on subordinated debt — customers					
<b>Other interest and similar income and expenses</b>	<b>18,320</b>	<b>-135,157</b>	<b>-116,836</b>	<b>-216,717</b>	<b>-348,446</b>
Income on debt securities	18,320		18,320	14,337	27,376
Fees on credit derivatives					
Commitments received/given on securities		-2,117	-2,117	-3,058	-5,984
Other interest income and expenses				366	365
Macro-hedging transactions		-133,040	-133,040	-228,362	-370,203
Net changes of provisions					
<b>TOTAL INTEREST AND SIMILAR INCOME AND EXPENSES <sup>(2)</sup></b>	<b>1,637,370</b>	<b>-1,491,185</b>	<b>146,185</b>	<b>149,119</b>	<b>327,313</b>

(1) The netting of hedging transactions includes a terminated swap amortisation expense of €10.7 million in respect of the HETA securities sold. This expense is covered by the reversal of a provision of the same amount booked at 31 December 2014.

(2) Including subsidised sector

## NOTE 19. NET FEES AND COMMISSIONS

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Commissions on interbank and cash transactions (net)</b>	<b>-6</b>	<b>-8</b>	<b>-12</b>
Income			
Expenses	-6	-8	-12
<b>Commissions on transactions with customers (net) *</b>	<b>38,298</b>	<b>23,083</b>	<b>45,449</b>
Income	38,298	23,083	45,449
Expenses			
<b>Commissions on securities transactions (net)</b>	<b>-811</b>	<b>-835</b>	<b>-1,904</b>
Income			
Expenses	-811	-835	-1,904
<b>Other commissions (net)</b>	<b>1,213</b>	<b>-408</b>	<b>-2,203</b>
Income	1,535		106
Expenses	-322	-408	-2,309
<b>Total income</b>	<b>39,833</b>	<b>23,083</b>	<b>45,555</b>
<b>Total expenses</b>	<b>-1,139</b>	<b>-1,251</b>	<b>-4,225</b>
<b>TOTAL NET COMMISSIONS</b>	<b>38,694</b>	<b>21,833</b>	<b>41,330</b>

\* Commissions on transactions with customers relate to the fees paid by customers for early repayment of loans. Consequently, the amount of these commissions is directly related to the volume of these early repayments.

## NOTE 20. GAINS/LOSSES ON TRADING PORTFOLIO TRANSACTIONS

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
Gains on currency and arbitrage transactions	398	566	319
Losses on other financial instruments — trading			
Gains on other financial instruments — trading			
Charge to provisions for risks on Financial forward instruments *			-10,660
Reversals from provisions for risks on Financial forward instruments			
<b>TOTAL NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS</b>	<b>398</b>	<b>566</b>	<b>-10,341</b>

\* At 31 December 2014, this item was impacted by the consequences of the HETA securities' reclassification to associated hedging swaps.

**NOTE 21. OTHER BANKING INCOME AND EXPENSES**

	06/30/15			06/30/14	12/31/14
	Income	Expenses	Net	Net	Net
<i>(in thousands of euros)</i>					
<b>Transfers of expenses and income, reallocated expenses</b>				-9	-1
Transfers of expenses					
• <i>Transfers of expenses</i>					
• <i>Other rebilled expenses or retrocessions</i>					
Transfers of income				-9	-1
Reallocated expenses					
<b>Total other banking income and expenses</b>	<b>27</b>	<b>-64</b>	<b>-37</b>	<b>76</b>	<b>1,251</b>
Other operating income and expenses (see details)	27	-64	-37	76	48
Additions to and reversals from provisions for other operating income and expenses (see details)					1,203
<b>TOTAL</b>	<b>27</b>	<b>-64</b>	<b>-37</b>	<b>67</b>	<b>1,250</b>
<b>DETAILS</b>					
<b>Other operating income and expenses</b>	<b>27</b>	<b>-64</b>	<b>-37</b>	<b>76</b>	<b>48</b>
• <i>Transfers to exceptional gains</i>					
• <i>Other operating income</i>	27		27	81	104
• <i>Losses on deferred interests</i>		-8	-8	-4	-23
• <i>Transfers to exceptional losses</i>					
• <i>Other operating expenses</i>		-56	-56	-1	-34

## NOTE 22. GENERAL OPERATING EXPENSES

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>Total payroll costs</b>	<b>-91</b>	<b>-100</b>	<b>-233</b>
Wages and salaries	-58	-60	-169
Costs of defined-contribution plans	-6	-6	-10
Other social security costs and payroll-based taxes	-27	-34	-55
Additions to/reversals from provisions for litigation			
<b>Total other administrative expenses</b>	<b>-55,308</b>	<b>-53,378</b>	<b>-105,132</b>
<b>Taxes other than on income</b>	<b>-9,572</b>	<b>-7,315</b>	<b>-15,080</b>
CET (local business tax) and CVAE (tax on company added value)	-1,082	-1,907	-4,281
Social solidarity contribution	-2,582	-2,643	-5,222
Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority (ACPR)	-396	-298	-596
Systemic banking risk tax	-1,972	-2,432	-4,865
Contribution to the Single Resolution Fund	-3,040		
Contribution to ECB verification costs	-223		
Taxes other than on income	-278	-35	-117
Additions to/reversals from provisions for tax disputes			
<b>External services</b>	<b>-45,736</b>	<b>-46,062</b>	<b>-90,052</b>
Leasing			
External services provided by the group	-44,551	-44,217	-86,383
Fees, subcontracting and services	-778	-1,456	-3,048
Advertising	-171	-154	-243
Remuneration of intermediaries			
Transport and travel		-3	-3
Maintenance and repairs	-4	-4	-4
Insurance premiums			
Other external services	-232	-229	-371
Additions to/reversals from provisions for disputes relating to external services			
Additions to/reversals from provisions for external services costs			
<b>Other expenses</b>			
<b>Transfers of expenses</b>			
<b>TOTAL OPERATING EXPENSES</b>	<b>-55,399</b>	<b>-53,478</b>	<b>-105,366</b>

Note: the total amount of remuneration received by governing bodies at 30 June 2015 amounted to €60K.

**NOTE 23. COST OF RISK**

<i>(in thousands of euros)</i>	06/30/15			06/30/14	12/31/14
	Expenses	Income	Net **	Net	Net **
<b>Net additions/reversals on held-to-maturity securities</b>		<b>104,000</b>	<b>104,000</b>		<b>-104,000</b>
Additions/reversals of provisions relating to securities transactions		104,000	104,000		-104,000
<b>Net additions/reversals on customer transactions</b>	<b>-18,604</b>	<b>11,007</b>	<b>-7,597</b>	<b>-13,514</b>	<b>-22,708</b>
Impairment of customer transactions	-18,597	10,436	-8,161	-12,354	-21,158
Provisions for counterparty risks on performing loans	-7	571	564	-1,159	-1,549
Sectoral provisions					
<b>Losses/recoveries on customer transactions</b>	<b>-4,402</b>	<b>3,479</b>	<b>-924</b>	<b>-329</b>	<b>-1,108</b>
Losses on irrecoverable loans and receivables covered by provisions	-1,095	1,086	-9		
Losses on irrecoverable loans and receivables not covered by provisions	-3,308		-3,308	-2,716	-5,986
Recoveries of bad debts written off		2,392	2,392	2,388	4,878
<b>Losses/recoveries on other transactions</b>	<b>-91,799</b>		<b>-91,799</b>		
Losses on non-recoverable loans and receivables covered *	-91,799		-91,799		
Non-hedged losses on non-recoverable receivables					
Recoveries of bad debts written off					
<b>TOTAL COST OF RISK</b>	<b>-114,805</b>	<b>118,485</b>	<b>3,680</b>	<b>-13,842</b>	<b>-127,816</b>
* Data corresponding to the capital loss recorded following the sale of HETA securities. This loss was covered by the €104 million provision on held-to-maturity securities, recorded in 2014 and fully reversed in June 2015 (See note 2.2 "Highlights of the first semester 2015").					
** Cost of risk neutralising an impact from HETA securities	-23,006	14,485	-8,521		-23,816

**NOTE 24. GAINS/LOSSES ON LONG-TERM INVESTMENTS**

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
Capital gains or losses on disposals of held-to-maturity securities *	-15,722	1,115	1,362
Provisions for impairment on held-to-maturity securities			
Reversals for impairment on held-to-maturity securities			
<b>TOTAL GAINS OR LOSSES ON OTHER ASSETS</b>	<b>-15,722</b>	<b>1,115</b>	<b>1,362</b>
* See note 2.2 "Highlights of the first semester 2015".			

**NOTE 25. INCOME TAX**

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>TAX EXPENSE COMPONENTS</b>			
Current tax expenses (income) *	60,041	17,336	8,921
Deferred tax liabilities (income)	-103,191	-58,513	-52,324
Provisions for deferred taxes			
Provisions for risks or for tax litigations			
<b>TOTAL</b>	<b>-43,149</b>	<b>-41,177</b>	<b>-43,403</b>

\* Pursuant to the tax consolidation agreement signed by Compagnie de Financement Foncier, BPCE and Crédit Foncier, the Company has recognised as income the potential tax saving stemming from the deficit recorded for the period, to be received from the consolidating parent company Crédit Foncier (see note 4).

<i>(in thousands of euros)</i>	06/30/15	06/30/14	12/31/14
<b>BREAKDOWN OF DEFERRED TAXES FOR THE PERIOD</b>			
Termination swap balance	-71,730	-57,922	-93,103
Client provisions including credit risk provisions	-336	1,723	2,953
Other temporary differences	-31,125	-2,314	37,826
<b>TOTAL</b>	<b>-103,191</b>	<b>-58,513</b>	<b>-52,324</b>

## NOTE 26. TRANSACTIONS WITH RELATED CREDIT INSTITUTIONS <sup>(1)</sup>

	06/30/15	06/30/14	12/31/14	06/30/15
<b>■ Balance sheet</b>				<b>Valuation of assets received as collateral <sup>(2)</sup></b>
<i>(in thousands of euros)</i>				
<b>Assets items</b>				
<b>Receivables due from credit institutions</b>				
Demand	248,521	87,629	342,918	
Term	499	419	460	
Term deposits guaranteed by repo securities	18,764,304	15,551,944	19,231,553	18,808,611
• <i>Loans guaranteed by French local authority loans (SPT) under L. 211-38</i>	12,145,636	8,933,150	12,610,340	12,277,047
- to <i>Crédit Foncier</i>	9,597,851	7,688,750	10,052,840	9,691,095
- to <i>BPCE</i>	2,320,000	1,000,000	2,320,000	2,336,042
- to <i>other group entities</i>	227,785	244,400	237,500	249,910
• <i>Loans registered as replacement values under L. 211-38</i>	6,600,000	6,600,000	6,600,000	6,531,564
- to <i>BPCE</i>	6,600,000	6,600,000	6,600,000	6,531,564
• <i>Related receivables</i>	18,668	18,794	21,213	
<b>Customer transactions</b>				
Receivables				
<b>Securities transactions</b>				
Bonds and other fixed income securities	8,014,927	8,280,474	7,395,550	8,014,653
• <i>Mortgage notes</i>	7,932,500	8,203,000	7,317,500	8,014,653
- to <i>Crédit Foncier</i>	7,932,500	8,203,000	7,317,500	8,014,653
• <i>Other fixed income securities</i>	75,018	67,166	68,813	
• <i>Related receivables</i>	7,409	10,308	9,237	
<b>Other assets</b>				
Other debtors	65,024	108,371	90,572	
<b>TOTAL ASSETS</b>	<b>27,093,275</b>	<b>24,028,837</b>	<b>27,061,053</b>	<b>28,823,264</b>
<b>Liabilities items</b>				
<b>Amounts due to credit institutions</b>				
Demand				
Term	3,002,930	3,063,275	3,031,509	
Securities sold under repurchase agreements	1,991,282		1,992,159	
<b>Customer transactions</b>				
Demand				
<b>Securities transactions</b>				
Debt securities				
Subordinated debts	3,466,492	3,468,264	3,450,258	
<b>Other liabilities</b>				
Other creditors	16,044	48,375	16,231	
<b>TOTAL LIABILITIES</b>	<b>6,485,467</b>	<b>6,579,914</b>	<b>6,497,998</b>	

(1) The definition of related credit institutions refers to the scope of consolidation of Groupe BPCE, to which Compagnie de Financement Foncier belongs.

(2) Assets received as collateral are valued at their outstanding principal amount determined on the closing date.

## NOTE 27. STATEMENT OF FOREIGN EXCHANGE POSITIONS

### COB Recommendation 89.01

#### ■ At 30 June 2015

Heading (in thousands of euros)	Australian \$	Canadian \$	US \$	£ Sterling	Swiss Franc	Yen	Hungarian Forint	New Zealand \$	Norwegian Krone	Danish Krone	Total
<b>BALANCE SHEET</b>											
Financial assets	13,104	3,132	2,665,378	144,547	1,484,005	1,803,478	11	35	10,603	7	6,124,300
Financial liabilities	700,339	364,420	2,186,360	796,413	4,004,003	257,756			482,677		8,791,968
<b>Balance sheet differential (I)</b>	<b>-687,235</b>	<b>-361,288</b>	<b>479,018</b>	<b>-651,866</b>	<b>-2,519,998</b>	<b>1,545,722</b>	<b>11</b>	<b>35</b>	<b>-472,074</b>	<b>7</b>	<b>-2,667,668</b>
<b>OFF-BALANCE SHEET</b>											
Commitments received	687,285	361,298	2,374,818	773,123	3,908,576	240,859			472,074		8,818,033
Commitments given			2,853,901	121,170	1,387,795	1,786,547					6,149,413
<b>Off-balance sheet differential (II)</b>	<b>687,285</b>	<b>361,298</b>	<b>-479,083</b>	<b>651,953</b>	<b>2,520,781</b>	<b>-1,545,688</b>			<b>472,074</b>		<b>2,668,620</b>
<b>TOTAL DIFFERENTIAL (I)+(II)</b>	<b>50</b>	<b>10</b>	<b>-65</b>	<b>87</b>	<b>783</b>	<b>34</b>	<b>11</b>	<b>35</b>		<b>7</b>	<b>952</b>

Financial assets are comprised of amounts due from credit institutions and customers.

Financial liabilities are comprised of amounts due to credit institutions, customer deposits, and debt securities.

## NOTE 28. STATEMENT OF LIQUIDITY POSITION

### COB Recommendation 89.01

#### ■ At 30 June 2015

Heading (in thousands of euros)	Remaining maturity					Total <sup>(2)</sup>
	<3 months	3M<T<6M	6M<T<1Y	1Y<T<5Y	>5 years	
<b>BALANCE SHEET</b>						
<b>Financial assets <sup>(1)</sup></b>	<b>7,358,903</b>	<b>828,489</b>	<b>1,536,765</b>	<b>25,373,955</b>	<b>43,537,075</b>	<b>78,635,187</b>
Receivables from credit institutions	6,624,444	81,260	328,532	8,600,978	4,291,180	19,926,394
Receivables from customers	683,131	688,470	1,111,972	8,969,147	31,163,498	42,616,218
Bonds and other fixed-income securities	51,328	58,759	96,261	7,803,830	8,082,397	16,092,575
Subordinated term loans						
<b>Financial liabilities</b>	<b>7,258,518</b>	<b>181,610</b>	<b>5,186,366</b>	<b>24,487,701</b>	<b>39,326,308</b>	<b>76,440,503</b>
Due to credit institutions	3,523,722	68,175	27,688	244,928	1,116,540	4,981,053
Due to customers						
Debt securities:	3,734,796	113,435	5,158,678	24,242,773	36,109,768	69,359,450
• Retails certificates of deposit						
• Interbank market securities						
• Negotiable debt securities				150,000		150,000
• Bonds	3,734,796	113,435	5,158,678	24,092,773	36,109,768	69,209,450
• Other debt securities						
Subordinated term debt					2,100,000	2,100,000
<b>Balance sheet differential (I)</b>	<b>100,385</b>	<b>646,879</b>	<b>-3,649,601</b>	<b>886,254</b>	<b>4,210,767</b>	<b>2,194,684</b>
<b>OFF-BALANCE SHEET</b>						
Commitments given			1,089,450			1,089,450
Commitments received	1,520,464			3,000,000		4,520,464
<b>Off-balance sheet differential (II)</b>	<b>1,520,464</b>		<b>-1,089,450</b>	<b>3,000,000</b>		<b>3,431,014</b>
<b>TOTAL DIFFERENTIAL (I)+(II)</b>	<b>1,620,849</b>	<b>646,879</b>	<b>-4,739,051</b>	<b>3,886,254</b>	<b>4,210,767</b>	<b>5,625,698</b>
Conditional positions	30,000	3,000	1,500	19,598	2,370,245	2,424,343

(1) The financial assets of Compagnie de Financement Foncier include €8.1 billion of securities that meet the refinancing criteria of the European Central Bank to which are added loans amounting to €28.5 billion meeting the criteria defined by Banque de France, as planned by the temporary acceptance process approved by the ECB on 9 February 2012. However, after the haircut applied by ECB and taking into account the minimum overcollateralisation requirements, which have to be met by société de crédit foncier, the maximum amount that could be redeemed by Compagnie de Financement Foncier at the ECB is estimated at €15.0 billion.

(2) The difference with the amounts shown on the balance sheet is mainly due to unpaid loans, doubtful loans and related receivables.

## NOTE 29. STATEMENT OF CASH FLOWS

### 1. Principles

The cash flow statement analyses changes in cash flow from operating, investing and financing activities between two financial periods.

Compagnie de Financement Foncier's cash flow statement is presented in accordance with Recommendation 2004-R-03 of the French National Accounting Board (CNC), concerning the format of corporate summary documents subject to the supervision of the French Banking and Financial Services Regulatory Committee (BFRC).

It is prepared using the indirect method: net income for the period is restated for non-monetary items: depreciation allowances for property, plant and equipment and intangible assets, net depreciation provisions, provisions, other transactions without cash payments such as accounts payable and accrued income. Cash flows from operating, investing and financing activities are determined according to the difference between the items in the annual financial statements for the previous year and for the current year.

Capital transactions without cash flow or with no impact on income are neutral: dividend payment in shares, increase in provision through the allocation of retained earnings.

The breakdown of Compagnie de Financement Foncier activities between operating, investing and financing activities reflects its status as a *société de crédit foncier*.

Operating activities include:

- the acquisition of eligible loans;
- the acquisition of securitisation tranches and securities issued by public entities;
- the issuance of *obligations foncières* and other unsubordinated long-term resources.

Financing activities include:

- dividends paid in cash;
- the issuance and redemption of subordinated debt.

Cash flow is defined according to the standards of the CNC. It includes cash on hand and demand deposits with the Banque de France, in post office accounts and with credit institutions.

## 2. Cash flow statement

<i>(in thousands of euros)</i>	<b>06/30/15</b>	<b>06/30/14</b>	<b>12/31/14</b>
<b>OPERATING ACTIVITIES</b>			
Net income for the period	74,650	64,203	84,328
Restatement of earnings, related to operating activities			
Tangible and intangible fixed assets, excluding goodwill			
Net provisions/customers and credit institutions	7,081	13,221	20,753
Net provisions/available-for-sale securities			
Net provisions/held-to-maturity securities	-115,108		104,448
Net provisions for risks/loans	-564	1,160	12,209
Net gain on sale of fixed assets			
Other transactions without cash payments	-548,762	-885,321	-1,084,999
Cash flows on loans to credit institutions and customers	1,316,216	958,860	-6,173,992
Cash flows on investment securities	-614,955	14,135	899,710
Cash flows on held-to-maturity securities	1,303,683	965,180	1,308,662
Cash flows on other assets	35,340	88,390	-22,109
Cash flows on debts/credit institutions and customers	-56,986	-70,555	1,904,042
Net borrowing	-218,453	-3,545,195	-3,810,511
Cash flows on other liabilities	-532,733	152,966	589,402
<b>Net cash flows used for operating activities</b>	<b>649,409</b>	<b>-2,242,956</b>	<b>-6,168,057</b>
<b>INVESTING ACTIVITIES</b>			
Cash flows related to the sale of:			
• Financial assets			
• Tangible and intangible fixed assets			
Disbursements for the acquisition of:			
• Financial assets			
• Tangible and intangible fixed assets			
Net cash flows from other investment activities			
<b>Net cash flows used for investment activities</b>			
<b>FINANCING ACTIVITIES</b>			
Cash flows from share issuances			
Dividends paid	-74,216	-30,430	-30,429
Net issuances of subordinated debt			
Other			
<b>Net cash flows from financing activities</b>	<b>-74,216</b>	<b>-30,430</b>	<b>-30,429</b>
<b>NET CHANGE IN CASH POSITION</b>			
Opening cash position	1,440,760	7,639,246	7,639,246
Closing cash position	2,015,953	5,365,860	1,440,760
<b>Net</b>	<b>575,193</b>	<b>-2,273,386</b>	<b>-6,198,486</b>
Cash: deposits at Banque de France	1,973,463	5,342,541	1,200,069
Due to credit institutions on demand *	42,490	23,319	240,691
<b>TOTAL</b>	<b>2,015,953</b>	<b>5,365,860</b>	<b>1,440,760</b>
* Of which: BPCE	37,826	16,129	234,930

# Statutory Auditors' report on the interim financial statements

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

## Compagnie de Financement Foncier SA

Registered office: 19, rue des Capucines - 75001 Paris  
Share capital: €1,187,459,936

For the six-month period ended 30 June 2015

To the shareholders,

In compliance with the assignment entrusted to us by the Annual General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim financial statements of Compagnie de Financement Foncier – SA for the six-months period ended 30 June 2015;
- the verification of the information contained in the interim management report.

These condensed interim financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

## I. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less extensive than an audit conducted in accordance with professional standards applicable in France and consequently enables us to obtain a moderate assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared in all material respects in accordance with the accounting rules and principles applicable in France.

## II. SPECIFIC VERIFICATION

We have also verified the information given in the interim management report on the condensed interim financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim financial statements.

Paris la Défense, on the 25 August 2015

**KPMG Audit**

*Division of KPMG SA*

Jean-François Dandé

*Partner*

Neuilly-sur-Seine, on the 25 August 2015

**PricewaterhouseCoopers Audit**

Anik Chaumartin

*Partner*

# Statement from the person who assumes responsibility

I certify, after having taken all reasonable measures to this purpose, that the information provided in the present update is provided, to my knowledge, true to fact and that no information has been omitted that would change the interpretation of the information provided.

I certify, to my knowledge, that the condensed financial statements for the previous half-year have been established in compliance with the applicable accounting standards and accurately represent the Company's assets, financial situation and its earnings and that the enclosed half-year activity management report (pages 7 to 13) is

an accurate representation of the important events that occurred in the first six months of the financial year, of their impact on the financial statements as well as a description of the primary risks and uncertainties in the remaining six months of the year.

I have received a letter from the Statutory Auditors indicating that they have completed their work which consisted of verifying the information on the financial position and the financial statements provided in this update of the Registration document as well as a review of the entire document.

Signed in Charenton-le-Pont, on 25 August 2015

Deputy Chief Executive Officer of Compagnie de Financement Foncier

Sandrine GUÉRIN





# Risk management report

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# 1. Foreword

In the interests of financial transparency, and above and beyond its regulatory obligations, Compagnie de Financement Foncier includes in its Registration document and its update a detailed risk management report based on IFRS (not applicable to Compagnie de Financement Foncier) and prudential standards. The report is based on the data input into the risk management tool; the consistency of the data is ensured by the Risk Division of Crédit Foncier.

## 2. Organisational overview: information on risk management

Compagnie de Financement Foncier's business model is, by definition, very secure. The legislative framework prohibits it from holding a trading book, which protects it against market risks associated with trading on its own account, and from holding ownership interests, which, as a result, protects it from difficulties originating outside its own asset base.

Compagnie de Financement Foncier is potentially exposed to two main types of risks:

- credit risks;
- financial risks (ALM).

Operating risks are mainly supported by Crédit Foncier (see Section 10).

Groupe Crédit Foncier's risk policy constitutes a frame of reference for the identification, monitoring, oversight and management of risks. It also provides a framework for the development of Compagnie de Financement Foncier's activities in line with a model aimed at safeguarding its profitability, capital and creditors, notably the holders of its *obligations foncières*, French legal covered bonds.

For more information, see the 2014 Registration document (p. 133 to 140).

## 3. Risk factors

For more information, see the 2014 Registration document (p. 140 to 143).

## 4. Regulatory capital and prudential ratios

### 4.1. Management of capital and regulatory ratios

The management of Compagnie de Financement Foncier's capital is supervised directly by its Executive Management. Its oversight ensures constant compliance with regulatory ratios and is aimed at optimising the allocation of capital and safeguarding the overcollateralisation ratio. It therefore contributes directly to its AAA/Aaa/AA ratings. The capital adequacy ratio is calculated for information purposes at the individual Compagnie de Financement Foncier level.

#### COMPOSITION OF CAPITAL

Capital is determined in accordance with the CRR regulation, in force since 1 January 2014, taking into account the national options set by the French Prudential Supervisory and Resolution Authority (ACPR). It consists of three broad categories: Common Equity Tier 1, Additional Tier 1 Capital and Tier 2 Capital.

The amount of prudential capital of Compagnie de Financement Foncier is €4.7 billion at 30 June 2015, of which €1.7 billion is Common Equity Tier 1.

#### CAPITAL REQUIREMENTS

Capital requirements are calculated using the standard Basel III method. Mortgage notes (to non Groupe BPCE entities) are treated in a transparent manner, that is, by calculating the requirements based on the underlying loans. Loans to Groupe BPCE associates are weighted at 0%.

Moreover, in the case of partial transfer of loans originated by Crédit Foncier to Compagnie de Financement Foncier and in connection with the assignment and recovery agreements, collected sums are allocated in their entirety and in priority to Compagnie de Financement Foncier. Under the standard approach, this allows to adjust the level of risk-weighting to reflect the priority allocation of collections to Compagnie de Financement Foncier and the resulting lower loss rate.

<i>(in millions of euros)</i>	06/30/15		12/31/14	
	Capital requirements	RWA	Capital requirements	RWA
Exposure categories				
Central governments	47	591	46	578
Institutions	39	493	43	535
Regional governments	435	5,432	436	5,451
Corporations	33	412	32	395
Retail customers	133	1,660	121	1,517
Mortgage-backed exposure	548	6,845	550	6,873
Exposure at default	45	562	43	535
Other assets	3	40	5	57
<b>Requirements for credit risk (A)</b>	<b>1,283</b>	<b>16,036</b>	<b>1,275</b>	<b>15,941</b>
<b>Requirements for market risk (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Requirements for operational risk (C)</b>	<b>52</b>	<b>655</b>	<b>52</b>	<b>655</b>
<b>Adjustment of credit assessment (D)</b>	<b>63</b>	<b>786</b>	<b>59</b>	<b>734</b>
<b>CAPITAL REQUIREMENTS (A)+(B)+(C)+(D)</b>	<b>1,398</b>	<b>17,476</b>	<b>1,386</b>	<b>17,329</b>

## CAPITAL ADEQUACY RATIO

Compagnie de Financement Foncier's capital adequacy ratio at 30 June 2015 is determined using the standard approach.

	06/30/15	12/31/14
Capital adequacy ratio	27.1%	28.4%
Tier-1 ratio	15.1%	16.2%

Source: COREP (Common Solvency Ratio Reporting) 30 June 2015.

## 4.2. Management of specific ratios

In addition to their obligations as credit institutions, *sociétés de crédit foncier* are required to comply with specific ratios and limits, as described in Articles L. 513-2 *et seq.* of the French Monetary and Financial Code. An Order of ACPR No. 2011-I-06, amended by the decision of 26 May 2014, sets out the rules for calculating specific ratios.

The Specific Controller of Compagnie de Financement Foncier reviews the calculation of these different ratios and certifies them every quarter.

Crédit Foncier Risk Division performs a second-level control of these different specific ratios on a quarterly basis.

## OVERCOLLATERALISATION RATIO

French law (Article L. 513-12) requires all *sociétés de crédit foncier* to maintain a volume of weighted assets in excess of 105% of the privileged liabilities. This ratio was increased from 102% to 105% by decree No. 2014-526 of 23 May 2014 relating to the prudential regulation of *sociétés de crédit foncier* (SCF) and *sociétés de financement de l'habitat* (SFH).

At 30 June 2015, the overcollateralisation ratio of Compagnie de Financement Foncier stood at 120.2%, a level which remains well above the new regulatory requirement of 105%. At the end of 2014, this ratio was 120.0%.

Since the foundation of Compagnie de Financement Foncier in 1999, this regulatory ratio has always been higher than 108% and hence considerably above the regulatory threshold.

## ASSET COMPOSITION RATIO

Asset composition	Limit	06/30/15	12/31/14
Replacement values (R. 513-6)	15.0% <sup>(1)</sup>	5.82%	5.05%
Promissory notes (L. 513-6)	10.0% <sup>(2)</sup>	9.21%	8.33%
Guaranteed loans (R. 513-5)	35.0% <sup>(3)</sup>	3.43%	2.96%

(1) Of the nominal value of privileged resources, after currency hedging.

(2) Of total assets.

(3) Including guaranteed loans in guarantee of mortgage notes.

The replacement values ratio is determined by comparing replacement values (net of cash received as derivatives' collateral) with the nominal value of privileged liabilities. The replacement values are defined by law (within the meaning of Article L. 513-7 of the French Monetary and Financial Code) as being "sufficiently secure and liquid instruments" and represent part of Compagnie de Financement Foncier's cash resources.

Compagnie de Financement Foncier's strict management rules have always enabled it to comply with a 15% regulatory limit. Other assets, including promissory notes and guaranteed loans, are also limited by regulations.

## OVERRUN OF THE LTV (LOAN-TO-VALUE) THRESHOLD

Overruns set against the non-privileged liabilities can be determined by calculating the amounts eligible to be refinanced by privileged liabilities and by comparing them to asset valuations on the balance sheet date.

In accordance with the instructions of the ACPR, the calculation of the LTV overrun ratio is carried out on Compagnie de Financement Foncier's mortgage loans and guaranteed loans, whether transferred or mobilised, excluding loans arising from the original transfer.

LTV overruns updates are based on the value of the receivables on the balance sheet date and on the value of the collateral as revaluated at the end of each year.

At 30 June 2015, total LTV overruns on purchased and mobilised loans (excluding replacement values) stood at €396 million (split between €394 million in assigned loans and €2 million in mobilised loans), versus €537 million at 31 December 2014 (split between €502 million in assigned loans and €35 million in mobilised loans).

Total overruns remain considerably below the amount of non-privileged liabilities, standing at €15,593 million on the same date.

An LTV overrun stress test was realised using the assumption of a 10% sudden fall in the collateral value of all property posted as collateral, based on the volume of all loans purchased and refinanced (€39,726 million at 30 June 2015), resulted in an excess LTV amount of €2,075 million. The LTV overrun rises to €3,245 million if an assumption of a 15% fall in collateral value is applied. These levels are significantly lower than the amount of non-privileged resources. These tests attest the excellent quality and the strength of Compagnie de Financement Foncier's asset portfolio.

## 5. Management of credit risk and counterparty risk

Unless otherwise mentioned, the data shown in the tables and charts in this section are adjusted management figures, balance sheet commitments (excluding signed commitments and financial guarantees given) relating to overall exposure to credit risk, on a gross basis (performing and doubtful loans).

### 5.1. Breakdown of Compagnie de Financement Foncier's commitments

#### 5.1.1. ANALYSIS OF CREDIT RISK EXPOSURES

The tables below show the breakdown of assets excluding endorsements and financial guarantees given (i.e. a total balance sheet of €86.2 billion at the end of June 2015).

Financed assets are analysed by transparency: the analysis covers the underlyings guaranteeing, on one hand, mortgage notes and,

on the other hand, public sector exposures in application of Article L. 211-38.

Replacement values, on the other hand, are analysed by counterparty: loans granted to BPCE (€6.6 billion), essentially in the form of loans under L. 211-38, collateralized, are considered as an exposure to BPCE.

Risk exposures (in millions of euros)	Exposures at 30 June 2015	Exposures at 31 December 2014
	Balance sheet	Balance sheet
<b>TOTAL MORTGAGE LOANS</b>	<b>39,977</b>	<b>39,632</b>
French mortgage loans <sup>(1)</sup>	32,039	32,309
French and Belgian mortgage notes <sup>(2)</sup>	7,938	7,323
<b>PUBLIC SECTOR</b>	<b>34,719</b>	<b>35,471</b>
<b>French Public Sector</b>	<b>24,997</b>	<b>25,436</b>
Low-income housing	2,047	2,156
French Local Authorities (FLA)	8,353	8,949
FLA L. 211-38 <sup>(3)</sup>	11,497	11,639
Sovereign France	3,100	2,692
<b>Public Private Partnership (PPP)</b>	<b>644</b>	<b>649</b>
<b>International Public Sector</b>	<b>9,078</b>	<b>9,386</b>
International Public Financing	6,349	6,474
International Sovereign	2,256	2,475
Securitisations backed by loans benefiting from State safeguards	-	-
Public sector large corporations	473	437
<b>COMMERCIAL MORTGAGE EXPOSURES IN RUN-OFF (RESULTING FROM THE LEGAL TRANSFER IN OCTOBER 1999) <sup>(4)</sup></b>	<b>104</b>	<b>109</b>
<b>BANKING SECTOR EXPOSURES</b>	<b>7,653</b>	<b>8,653</b>
of which banks with sovereign guarantees or similar	726	1,637
of which other banks	327	416
of which replacement values under L. 211-38 <sup>(5)</sup>	6,600	6,600
<b>TOTAL RISK EXPOSURE</b>	<b>82,453</b>	<b>83,865</b>
Miscellaneous adjustments and other assets <sup>(6)</sup>	3,781	4,084
<b>TOTAL</b>	<b>86,234</b>	<b>87,949</b>

(1) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€65 million at 30 June 2015 and €67 million at 31 December 2014).

(2) Of which Belgian mortgage notes for €721 million.

(3) Of which €94 million L. 211-38 with Caisses d'Épargne and €134 million with Banques Populaires banks.

(4) Of which €81 million benefit from the State guarantee and represent a 91% rate of doubtful loans.

(5) Short-term loans are guaranteed by collateralized assets.

(6) The line "Miscellaneous adjustments and other assets" is essentially composed of accrued interest on forward financial instruments and accruals.

Within the scope of groupe Crédit Foncier strategic plan, which includes its subsidiary, Compagnie de Financement Foncier, the cessation of international activities and deleveraging of the balance sheet are the major strategic axes. Overall, the exposures decreased by 1.9% to €86.2 billion during the 1<sup>st</sup> half of 2015.

The drop is mainly due to the reduction in exposure to banks with sovereign guarantees or similar (-55.7%) following the disposal of securities issued by German and Austrian Landesbanks during the half year.

Exposure to French Local Authorities also fell (-3.6%).

The portfolio of loans to individuals showed a slight increase (+0.9%), which is due to the increased exposure of mortgage

notes (+8.4%) partially offset by a reduction in mortgage loans (-0.8%).

### 5.1.1.1. GEOGRAPHICAL BREAKDOWN OF EXPOSURES

At the end of June 2015, the portfolio was still mainly concentrated on the European Economic Area (94%), with France remaining at 88%.

It should be noted that exposure to the United States consists solely of securities issued by states or highly rated local authorities. Exposure to Japan involves only public agencies, prefectures and municipalities.

## ■ Breakdown of exposures by geographical area

Geographical breakdown of exposures	06/30/15		12/31/14
	Balance sheet (€M)	%	%
France *	75,635	88	87
Other countries in the European Economic Area	5,275	6	8
• of which Italy	2,977	3	3
• of which Belgium	805	1	1
• of which Spain	696	1	1
• of which Poland	337	n.s.	n.s.
• of which Slovenia	151	n.s.	n.s.
• of which Ireland	122	n.s.	n.s.
• of which Portugal	107	n.s.	n.s.
• of which Netherlands	65	n.s.	n.s.
• of which Iceland	15	n.s.	n.s.
• of which Germany	-	-	1
• of which Austria	-	-	n.s.
• of which Cyprus	-	-	n.s.
• of which Hungary	-	-	n.s.
• of which Slovakia	-	-	n.s.
Switzerland	1,312	1	1
North America (USA & Canada)	2,509	3	3
Japan	1,503	2	2
<b>TOTAL</b>	<b>86,234</b>	<b>100</b>	<b>100</b>
Exposure as of 12/31/14			87,949

\* France including "Miscellaneous adjustments and other assets".

### 5.1.1.2. BREAKDOWN OF EXPOSURE BY PRODUCT FAMILY

The concentration on loans was stable between the end of December 2014 and the end of June 2015 (90%, including short-term credit facilities). Compagnie de Financement Foncier has not the legal ability to hold equity stakes or trading portfolios.

## ■ Breakdown of exposure by product family

Product families – Breakdown (%)	06/30/15	12/31/14
Short-term credit facilities <sup>(1)</sup>	2	2
Loans <sup>(2)</sup>	88	87
Bonds ("Banking") <sup>(3)</sup>	10	11
<b>BALANCE SHEET TOTAL</b>	<b>100</b>	<b>100</b>
Balance sheet assets (€M)	86,234	87,949

(1) "Short-term credit facilities" mainly records accruals and forward financial instruments.

(2) Customer loans excluding short-term credit facilities, including mortgage notes and the short-term guaranteed notes (BCTG) included in the replacement values.

(3) These bonds are held in the context of lending transactions with a view to being held until maturity.

## 5.1.2. QUALITY OF THE PORTFOLIO EXPOSED TO CREDIT RISK

### 5.1.2.1. PORTFOLIO OF LOANS TO INDIVIDUALS

For individual customers, outstanding direct mortgage loans and underlying mortgage notes increased by 0.9% to €40.0 billion since 31 December 2014.

At 30 June 2015, acquisitions of Crédit Foncier mortgage loans by Compagnie de Financement Foncier amounted to €2.0 billion (versus €6.0 billion in 2014), including €0.3 billion in loans to first-time home buyers, €0.4 billion in loans to the rental sector and €1.4 billion in state-subsidised and interest-free loans. Government measures in favour of home ownership (state-subsidised loans, interest-free loans from central and local governments and aid from local authorities) continued to support demand in this sector, while securing these transactions. Crédit Foncier remains a major player on this market.

### 5.1.2.2. FRENCH PUBLIC SECTOR PORTFOLIO

The groupe Crédit Foncier supports the development of the Regional Public Sector (French Local Authorities - FLA): French regions, departments, local authorities and institutions, including healthcare and social housing organisations (public housing offices – *Offices publics de l'habitat* – and social housing companies – *Entreprises sociales pour l'habitat*).

French Public Sector loan receivables acquired by Compagnie de Financement Foncier are originated by Crédit Foncier, either by Groupe BPCE, either by Caisses d'Épargne or Banques Populaires banks or by Natixis. For social housing, Compagnie de Financement Foncier has direct guarantees from local authorities and/or mortgage guarantees.

French local authorities outstandings fell to €19.8 billion over the half year, compared with €20.6 billion at the end of December 2014. Low-income housing outstandings continued to fall – a trend that has not changed since the end of 2012 – down to €2.0 billion at 30 June 2015 (compared with €2.2 billion at 31 December 2014).

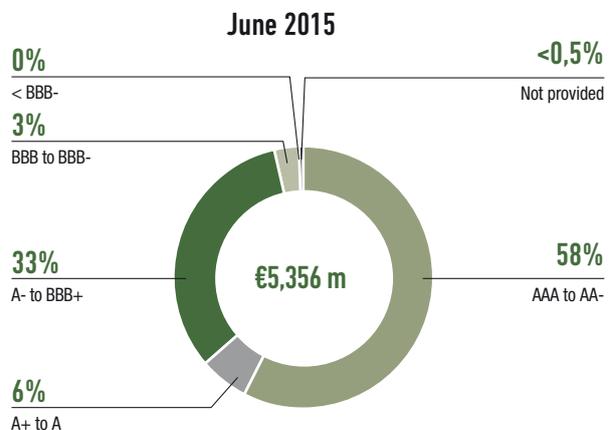
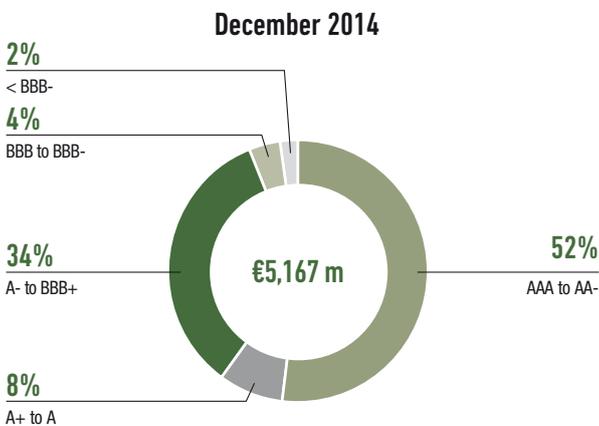
### 5.1.2.3. INTERNATIONAL PUBLIC SECTOR PORTFOLIO

#### 5.1.2.3.1. Sovereign

Compagnie de Financement Foncier's sovereign portfolio includes exposures to foreign sovereigns as well as French sovereign exposure. Cash and term deposits of Compagnie de Financement Foncier at Banque de France are recorded in this portfolio.

Outstanding loans to foreign sovereigns have been in run-off management since late 2011: positions are sold on the market as opportunities arise.

## Breakdown of sovereign exposure by internal rating



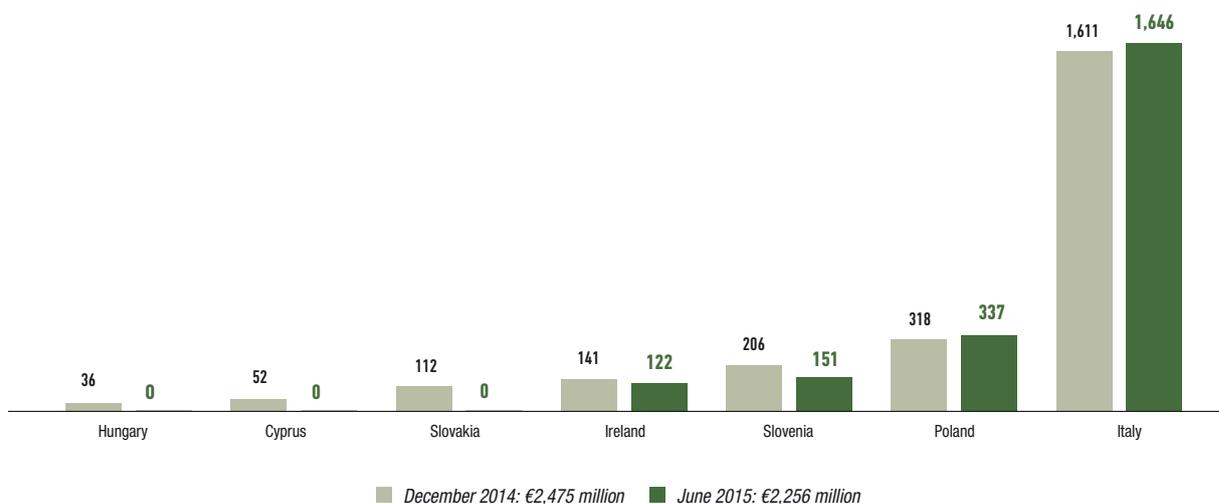
The internal ratings used are those of Groupe BPCE (see table below).

Nearly all outstandings in Compagnie de Financement Foncier's sovereign portfolio are rated as investment grade (rating ≥ BBB-).

Compagnie de Financement Foncier's sovereign portfolio outstandings increased slightly over the half year (+4%) due to the rise in French sovereign exposure. On the other hand, foreign sovereign exposure fell by 9% over the period following a number

of disposals carried out as part of run-off management (Hungary, Cyprus, Slovenia, Ireland) and due to the maturing of certain securities (such as those of Slovakia). Polish sovereign exposure, denominated in yen, increased due to fluctuations in euro-yen exchange rates (exposures are converted into euros on the account closing date). Likewise, exposure to Italian sovereign increased as part of the securities held were denominated in foreign currencies (CHF, GBP and USD) covered since its origination.

### Breakdown of direct exposures to sovereigns outside France



### Ratings at 30/06/15

Country	Internal rating <sup>(1)</sup>
Italy	A- to BBB+
Slovenia <sup>(2)</sup>	BBB to BBB-
Poland	A+ to A
Ireland	A- to BBB+

(1) Internal rating adjusted with rating agencies.

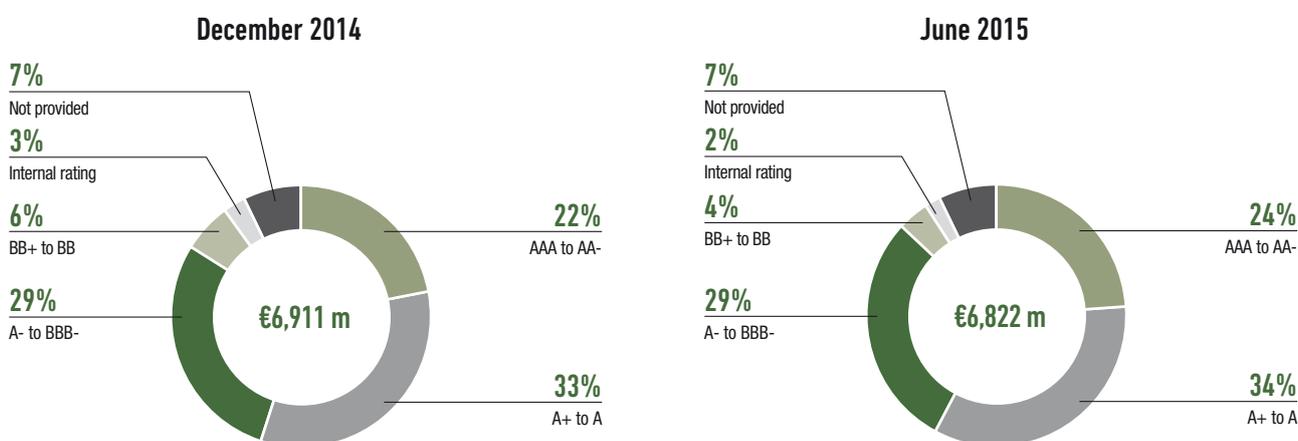
(2) Slovenia's rating was upgraded to 3 on 17 July 2015, equivalent to [A-; BBB+] according to the Natixis cross-reference scale.

#### 5.1.2.3.2. International public authorities and corporations

Outstandings in the International Public Sector (IPS) portfolio are mainly concentrated on local governments in the United States (states and counties), Japan (prefectures) and local European governments (including Italian regions, Swiss cantons, Belgian regions, Spanish autonomous communities, etc.).

At 30 June 2015, IPS portfolio outstandings showed a decrease: they amounted to €6.8 billion versus €6.9 billion at 31 December 2014. During the half year, Compagnie de Financement Foncier continued of the disposal of portfolio lines as opportunities arose. In particular, securities issued by Spanish autonomous communities were sold on the market.

### Breakdown of exposures to international public authorities and corporations by internal rating



Most of Compagnie de Financement Foncier's IPS portfolio lines are rated using an internal model. As the last rating dates back to the end of 2014, the breakdown of outstandings by rating is very similar to that of the last accounting period. Approximately 87% of outstandings are thus rated as investment grade (rating  $\geq$  BBB-).

Concerning the rating model, internal ratings for the IPS are slightly more conservative than the agencies' published ratings.

#### 5.1.2.4. BANKING SECTOR

Banking sector exposures decreased by 11.6% to €7.7 billion during the first half of 2015.

In addition to standard interbank transactions carried out for hedging purposes and intra-group transactions with BPCE or Cr dit Foncier, Compagnie de Financement Foncier is exposed to financial institutions benefiting from local authority guarantees. With the disposal, during the half year, of securities issued by German and Austrian Landesbanks, the sub-portfolio's outstandings dropped sharply, down to only €726 million at 30 June 2015 (compared with €1,637 million six months earlier). The portfolio now essentially consists of receivables from Swiss cantonal banks (including ZKB for a large part) who all benefit from their canton's guarantee.

## 5.2. Risk diversification and concentration risks

### ■ Summary of concentration on groups of counterparties for Compagnie de Financement Foncier at 30 June 2015

(in millions of euros)	Top 10	Top 20	Top 50	Top 100	Total
Sovereign	5,456 [100%]	5,456 [100%]	5,456 [100%]	5,456 [100%]	5,456
French Local Authorities (FLA) and low-income housing	2,906 [13%]	4,217 [19%]	6,953 [31%]	9,586 [42%]	22,686
IPF (International Public Financing)	4,052 [59%]	5,472 [80%]	6,778 [99%]	6,822 [100%]	6,822 *
Specialised financing			n.s.		n.s.
Large corporations			n.s.		n.s.

\* This amount regroups an exposure to International public sector, which amounts to €6,349 million and an exposure to international large corporations that amounts for €473 million.

This table shows the weighting of the largest 10, 20, 50 and 100 counterparties in exposures to a given category, excluding intra-group BPCE. This classification is carried out on groups of counterparties and on- and off-balance sheet exposures.

Direct exposure to Sovereign States is relatively concentrated (less than ten counterparties) as it involves only a few European countries.

Concentration levels are much lower in the FLA/low-income housing sectors, thereby contributing to the Group's risk diversification policy.

## 6. Analysis of delinquencies

### 6.1. Delinquencies

#### ■ Compagnie de Financement Foncier's risk hedging – summary

The following table shows assets excluding endorsements and financial guarantees given (for a total balance sheet amount of €86.2 billion at 30 June 2015) and a recorded doubtful rate of 1.5% (1.3% excluding the subsidised sector).

Risk exposures (in millions of euros)	Exposures at 06/30/15			Exposures at 12/31/14		
	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidised sector)	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidised sector)
<b>TOTAL MORTGAGE LOANS</b>	<b>39,977</b>	<b>2.9%</b>	<b>2.8%</b>	<b>39,632</b>	<b>2.7%</b>	<b>2.7%</b>
French mortgage loans <sup>(1)</sup>	32,039	3.6%	3.6%	32,309	3.4%	3.3%
French and Belgian mortgage notes <sup>(2)</sup>	7,938	-	-	7,323	-	-
<b>PUBLIC SECTOR</b>	<b>34,719</b>	<b>&lt;0.5%</b>	<b>&lt;0.5%</b>	<b>35,471</b>	<b>&lt;0.5%</b>	<b>&lt;0.5%</b>
<b>French Public Sector</b>	<b>24,997</b>	<b>&lt;0.5%</b>	<b>&lt;0.5%</b>	<b>25,436</b>	<b>&lt;0.5%</b>	<b>&lt;0.5%</b>
Low-income housing	2,047	1.0%	<0.5%	2,156	0.6%	<0.5%
French Local Authorities (FLA)	8,353	<0.5%	<0.5%	8,949	<0.5%	<0.5%
FLA L. 211-38 <sup>(3)</sup>	11,497	-	-	11,639	-	-
Sovereign France	3,100	-	-	2,692	-	-
<b>Public Private Partnership (PPP)</b>	<b>644</b>	<b>-</b>	<b>-</b>	<b>649</b>	<b>-</b>	<b>-</b>
<b>International Public Sector</b>	<b>9,078</b>	<b>-</b>	<b>-</b>	<b>9,386</b>	<b>-</b>	<b>-</b>
International Public Financing	6,349	-	-	6,474	-	-
International Sovereign	2,256	-	-	2,475	-	-
Securitisations backed by loans benefiting from State safeguards	-	-	-	-	-	-
Public sector large corporations	473	-	-	437	-	-
<b>COMMERCIAL MORTGAGE EXPOSURES IN RUN-OFF (RESULTING FROM THE LEGAL TRANSFER IN OCTOBER 1999) <sup>(4)</sup></b>	<b>104</b>	<b>74.1%</b>	<b>13.0%</b>	<b>109</b>	<b>72.2%</b>	<b>12.0%</b>
<b>BANKING SECTOR EXPOSURES</b>	<b>7,653</b>	<b>-</b>	<b>-</b>	<b>8,653</b>	<b>3.0%</b>	<b>3.0%</b>
of which banks with sovereign guarantees or similar	726	-	-	1,637	16.1%	16.1%
of which other banks	327	-	-	416	-	-
of which L. 211.38-5 RV <sup>(5)</sup>	6,600	-	-	6,600	-	-
<b>TOTAL RISK EXPOSURE</b>	<b>82,453</b>	<b>1.5%</b>	<b>1.4%</b>	<b>83,865</b>	<b>1.7%</b>	<b>1.6%</b>
Miscellaneous adjustments and other assets <sup>(6)</sup>	3,781	-	-	4,084	-	-
<b>TOTAL</b>	<b>86,234</b>	<b>1.5%</b>	<b>1.3%</b>	<b>87,949</b>	<b>1.7%</b>	<b>1.5%</b>

(1) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€65 million at 30 June 2015 and €67 million at 31 December 2014).

(2) Of which Belgian mortgage notes for €721 million.

(3) Of which €94 million of L. 211-38 with Caisses d'Epargne and €134 million with Banques Populaires banks.

(4) Of which €81 million benefit from the State guarantee and represent a rate of doubtful loans of 91%.

(5) Short-term loans are guaranteed by collateralized assets.

(6) The line "Miscellaneous adjustments and other assets" is essentially composed of accrued interest on forward financial instruments and accruals.

With regards to direct mortgage loans and underlyings of mortgage notes, the ratio of “doubtful loans to total outstanding loans” (excluding the subsidised sector) is of 2.8% compared to 2.7% at the end of December 2014.

The public sector portfolio has a very marginal rate of doubtful loans, corresponding to old cases, attesting the good quality of the portfolio.

Concerning banks with sovereign guarantees or similar, the rate of doubtful loans was 16.1% at 31 December 2014 following the

reclassification of HETA receivables to doubtful. These receivables were fully disposed of during the 1<sup>st</sup> half of 2015, bringing the rate of doubtful loans to nil at 30 June 2015.

The entire portfolio of assets selected is covered by the first-rank mortgage guarantees with additional protection (51% of mortgage loans to individual customers are guaranteed by FGAS), thereby limiting the ultimate risk of loss.

## 6.2. Risk charge

<i>(in millions of euros)</i>	06/30/15	12/31/14
Individual cost of risk (A)	3.12	-126.27
Collective provisions (B)	0.56	-1.55
<b>Cost of risk (A + B)</b>	<b>3.68</b>	<b>-127.82</b>
Risk charge, net banking income (C)	-3.10	-12.75
<b>NET (A+B+C)</b>	<b>0.58</b>	<b>-140.57</b>

At 30 June 2015, the cost of risk of Compagnie de Financement Foncier amounted to €0.58 million. On an individual basis, the cost of risk was €3.12 million. The net collective provision reversal amounted to +€0.56 million.

The cost of risk was mainly attributable to the disposal of securities issued by HETA Asset Resolution AG. Excluding this transaction, the cost of risk fell to €8.5 million, compared with €13.84 million at 30 June 2014.

## 7. Risk mitigation techniques

Compagnie de Financement Foncier's portfolio is very secure as it consists mainly of either risks secured by mortgages or risk exposures to the public sector. Both risks are further reduced by additional guarantees. Thus, for example, 51% of outstanding loans to private individuals are covered by the FGAS guarantee.

In relation to individual customers, the main provider of personal guarantees belongs to the Sovereign segment: the *Société de gestion du fonds de garantie à l'accession sociale à la propriété* (SGFGAS) provides a guarantee from the French government for home ownership loans governed by regulated loan agreements and guaranteed by first-rank collateral (mortgage or lender's lien). For this reason, it benefits from the external ratings assigned to the French government and allows a 0% weighting of loans for which FGAS coverage was signed prior to 31 December 2006. Due to a change in FGAS coverage methods, guarantees granted thereafter should generate a weighting in line with the mortgage guarantee for the loans in question. Nevertheless, in accordance with the agreement between Compagnie de Financement Foncier, Crédit Foncier and SGFGAS, they benefit from a weighting of 0%.

Moreover, some individual customer loans are covered by a guarantee similar to a credit institution risk: Crédit Logement is a financial institution, a subsidiary of most of the large French banking networks.

Loans covered by Crédit Logement were assigned to Basel III weighting of 50% until the third quarter of 2014. Since the fourth quarter 2014, exposures guaranteed by Crédit Logement are weighted at 35%, in accordance with BPCE standards.

Regarding immovable guarantees, in accordance with the regulations, Compagnie de Financement Foncier regularly carries out detailed revaluations of registered mortgage securities. Compagnie de Financement Foncier's Specific Controller issues an opinion on the validity of real estate asset valuation approaches and results as well as periodic review procedures.

The transfer facilities between Compagnie de Financement Foncier and Crédit Foncier or others Groupe BPCE entities (agreements, contracts) explicitly provides the cancellation of the transfer in the event of non-compliance of the acquired receivables.

## 7.1. Valuation methods and procedures for the periodic review of property values

The valuation methods and review procedures are detailed in the 2014 Registration document (p. 154 to 162).

## 7.2. Effect of credit risk mitigation techniques

In accordance with the regulations governing *sociétés de crédit foncier*, Compagnie de Financement Foncier's entire portfolio of direct loans to private individuals is covered either by personal guarantees eligible for reducing Basel II regulatory capital requirements (mutual guarantee bodies, bank guarantees, etc.) or by first-ranking mortgages or the equivalent.

Of the €32.1 billion of directly held loan receivables from Individuals secured by prime mortgages or the equivalent (lender's liens <sup>(1)</sup>), €14.5 billion also carry a personal guarantee.

### FURTHER INFORMATION ON THE INDIVIDUAL CUSTOMER SEGMENT

The table below presents the breakdown of the various guarantees associated with the Individuals portfolio in accordance with COREP reporting.

#### Hedges of outstanding loans directly held with private individuals

Schemes (in millions of euros)		Private individuals	
		06/30/15	12/31/14 <sup>(4)</sup>
Regulated schemes	FGAS (100% – State guarantee)	16,301	15,992
	Subsidised sector (State guarantee)	53	77
Mortgage insurance companies	Crédit Logement <sup>(1)</sup>	723	873
	CRESERFI <sup>(2)</sup>	464	503
International financial organisations	Indirect European public guarantee <sup>(3)</sup>	65	67
A – Guaranteed receivables in addition to the mortgage guarantee or equivalent		17,606	17,512
B – Loans guaranteed by first-rank mortgages or equivalent (lender's lien)		14,526	15,217
(A+B) collateral + prime mortgage		32,133	32,729
C – French mortgage loans outstanding		32,133	32,729
<b>PROPORTION OF LOAN OUTSTANDINGS WITH BASEL II-ELIGIBLE GUARANTEES, AS A PERCENTAGE OF TOTAL OUTSTANDINGS [(A+B)/C]</b>		<b>100%</b>	<b>100%</b>

Source: COREP – period ended 30 June 2015, exposure including off-balance sheet commitments (excluding mortgage bonds).

(1) Crédit Logement: credit institution rated Aa3 by Moody's. Loans guaranteed by Crédit Logement also benefit from a pledge of mortgage assets.

(2) CRESERFI: public employees' mutual guarantee fund. Loans guaranteed by CRESERFI are also secured by a prime mortgage.

(3) Indirect European public guarantee: €65 million in NHG (Dutch State) guarantees on the GMAC portfolio.

(4) The 2014 data were restated taking into account an Amendment to the initial Agreement between Compagnie de Financement Foncier, Crédit Foncier and SGFGAS.

## 7.3. Off-balance sheet netting

The netting of off-balance sheet items is detailed in the 2014 Registration document (p. 163).

(1) Lien: the nature of this type of loan grants a lender a preferential claim outranking other creditors.

## 8. Recommendations from the Financial Stability Forum (FSF)

In its report dated 7 April 2008, the G7 Financial Stability Forum (FSF) issued a series of recommendations in response to the crisis, specifically in matters of financial transparency, valuation, risk management and rating agencies. The FSF asked that disclosures by financial institutions be improved.

Accordingly, Compagnie de Financement Foncier reports that, at 30 June 2015, it had no exposure to the following asset classes:

- CDOs (Collateralized Debt Obligations) or direct exposures to monoline insurers;
- CMBS (Commercial Mortgage-Backed Securities);
- other subprimes, Alt-A or, more broadly, any exposure to US mortgage securities;

- special purpose vehicles;
- leveraged buyouts (LBOs).

Compagnie de Financement Foncier has no direct exposures to monoline insurers but does have credit enhancements acquired from them for certain assets in the portfolio. In all such cases Compagnie de Financement Foncier has a first claim on a counterparty other than the monoline. All of these enhancements concern underlying assets in the public sector (loans or securities) granted either directly to a sovereign state or to a local authority or to a public institution. At 30 June 2015, the overall breakdown of the portfolio enhanced by the rating of underlying guarantees was as follows (nominal, in millions of euros):

### ■ Intrinsic rating before enhancement

06/30/15

Nominal (in millions of euros)

Monoline	Monoline rating	AA	A	BBB	Non-investment grade	Not available	Total	%
AMBAC	Not available		13				13	1%
CIFG	Not available			127			127	8%
FGIC	Not available					120	120	7%
AGMC <sup>(1)</sup>	A		1,018	145			1,163	71%
MBIA <sup>(2)</sup>	A-		95			119	214	13%
<b>TOTAL</b>			<b>1,126</b>	<b>272</b>	<b>-</b>	<b>239</b>	<b>1,637</b>	
<b>%</b>			<b>69%</b>	<b>17%</b>	<b>-</b>	<b>14%</b>		<b>100%</b>

(1) Assured Guaranty Municipal Corp. rating (for FSA).

(2) National Public Finance Guarantee Corp. rating (for MBIA).

These financing commitments are all backed by financial guarantees (and not CDS), which constitute an additional safeguard for the asset held in the portfolio. These guarantees are not valued and are not recognised on Compagnie de Financement Foncier's balance sheet (only enhancement premiums are recognised as an expense). The Basel II rating of the monoline corresponds to the lower of the two best ratings assigned by Standard & Poor's, Moody's and Fitch at 30 June 2015. The intrinsic rating of the underlying asset is its Basel II rating before enhancement at the same date.

In light of restructuring impacting the monoline sector, the rating used for securities originally guaranteed by FSA is now the Assured

Guaranty Municipal Corp. rating. This monoline was rated A2 (Moody's) and AA (Standard & Poor's) at 30 June 2015. Likewise, the securities enhanced by MBIA are now affected by the rating of the National Public Finance Guarantee Corporation (A3 by Moody's and AA- by Standard & Poor's at 30 June 2015), the entity now guaranteeing North American local governments.

The 14% classified as "Not available" do not have a Basel II intrinsic rating but are assessed by Compagnie de Financement Foncier as being investment grade (i.e.  $\geq$  BBB-).

## 9. Market and asset & liability management risks

### 9.1. Organisation of ALM risk monitoring and methodology used for assessing liquidity, interest rate, and exchange rate risks

For more information, see the 2014 Registration document (p. 165 to 166).

### 9.2. Liquidity risk monitoring

#### 9.2.1. ORGANISATION OF COMPAGNIE DE FINANCEMENT FONCIER'S FUNDING

The bulk of Compagnie de Financement Foncier's resources come from medium- and long-term issuances of *obligations foncières*.

In the 1<sup>st</sup> half of 2015, Compagnie de Financement Foncier issued €5.4 billion of *obligations foncières*.

Compagnie de Financement Foncier also has at its disposal an asset mobilisation option (Article L. 513-2 of the French Monetary and Financial Code). This facility is represented operationally by a set of assets eligible for ECB refinancing operations of €15 billion after haircut and overcollateralisation constraint, pursuant to the transitional measures of the Banque de France of 9 February 2012.

In the 1<sup>st</sup> half of 2015, Compagnie de Financement Foncier did not make use of this option.

#### 9.2.2. LIQUIDITY RISK MONITORING

Liquidity risk is the risk that Compagnie de Financement Foncier may not be able to honour its short-term obligations.

Liquidity requirements are analysed using both static and dynamic approaches. With the static approach, liquidity monitoring ensures that medium-term liquidity management does not concentrate liquidity requirements excessively over certain periods. The main indicator used is the static liquidity gap that takes into account Compagnie de Financement Foncier's capacity to raise liquidity over the next 20 years.

Beyond regulatory requirements, Compagnie de Financement Foncier's ALM rules ensure that its exposure to liquidity risk remains very limited. They are managed using the system of internal limits and monitored by the ALM Committee and the Risk Committee.

In particular, Compagnie de Financement Foncier is committed to maintaining sufficient short-term liquidity to cover its privileged debt repayment commitments for a period of one year.

In addition, some of its assets, known as replacement values, consist of safe and liquid investments, as required by the law governing *sociétés de crédit foncier*. At 30 June 2015, Compagnie de Financement Foncier held €6.85 billion in replacement values, which consisted mainly of entirely collateralised L. 211-38 (short-term guaranteed notes) with BPCE amounting to €6.6 billion. The balance of Compagnie de Financement Foncier's cash assets consists of Central Bank deposits amounting to €1.97 billion at 30 June 2015.

#### 9.2.3. COMPLIANCE WITH LIMITS

##### LIQUIDITY RATIO

Compagnie de Financement Foncier's liquidity ratio was 8,833% at 30 June 2015.

##### 180-DAY LIQUIDITY FORECAST

Compagnie de Financement Foncier also ensures that at any given time its cash requirements are covered for a period of 180 days in accordance with the ratio established by the Decree of 23 February 2011 (Article R. 515-7-1) amended by regulation of 3 November 2014 (Article R. 513-7).

According to the order of 26 May 2014, the 180-day liquidity forecast is, from now on, submitted for very close scrutiny to the Specific Controller and then instructed to the ACPR.

##### LIMIT ASSOCIATED WITH THE ASSET/LIABILITY RATIO

In line with BPCE standards, the limit associated with the asset/liability ratio is monitored by Compagnie de Financement Foncier:

- 0 to 3 years: 85%;
- 3 to 6 years: 70%;
- 6 to 10 years: 55%.

In addition, for the sake of forward management of liquidity, a benchmark level approved by the Risk Committee was set for the static liquidity ratio as follows:

- 0 to 3 years: 90%;
- 3 to 6 years: 75%;
- 6 to 10 years: 60%.

During the first half of the year, Compagnie de Financement Foncier was in compliance with this limit and the reference level.

### ASSET/LIABILITY MATCHING INDICATOR

The Order of 26 May 2014 introduced the calculation of an asset/liability matching indicator.

It requires that the average maturity for eligible assets held to maintain a cover ratio of 105% may not exceed the average maturity of outstanding privileged liabilities by more than 18 months. The calculation is submitted to the Specific Controller for certification, then to ACPR.

Without restricting eligible assets within the requirements of the regulatory overcollateralization ratio, the average maturity gap between assets and liabilities was 5.0 months at 30 June 2015.

### ASSET/LIABILITY MATURITY GAP

Compagnie de Financement Foncier is also committed to an average gap of two years between the maturities of all its assets and liabilities. At 30 June 2015, this rule was complied with, as the gap was of 0.9 years.

Concerning equity and super-subordinated notes, the maturity taken into account is equal to the longest of issued liabilities; for other non-privileged liabilities, the maturity taken into account is their contractual maturity.

Concerning assets, the replacement values are used to establish contractual maturity. Mortgage notes and public sector loans mobilised under L. 211-38 are treated in transparency.

### COVERAGE PLAN FOR PRIVILEGED LIABILITIES

This indicator was introduced by the order of 26 May 2014. The reporting institution defines, depending on its specific characteristics, the quarterly coverage plan of privileged liabilities it shall apply in case of it may no longer issue liabilities. To this effect, Compagnie de Financement Foncier provides, at the reporting date and on a quarterly basis until the repayment of the last privileged resource, the following information:

- assets used to cover privileged resources;
- securities and values safe and liquid pursuant to Article R. 513-6 of the French Monetary and Financial Code;
- cash flows generated by all balance sheet assets and privileged liabilities;
- privileged liabilities.

The calculation of the cover ratio is based on the early repayment and a final loss rate on assets assumptions. The plan is submitted to the Specific Controller for certification, then to ACPR.

At 30 June 2015, for the entire observation period, the level of cover of privileged liabilities by assets was well above the requirements.

## 9.3. Monitoring of overall interest rate risk

### 9.3.1. MANAGEMENT PROCEDURES

For more information, see the 2014 Registration document (p. 167).

### 9.3.2. INTEREST RATE RISK MONITORING

For more information, see the 2014 Registration document (p. 167).

### 9.3.3. COMPLIANCE WITH LIMITS

#### LIMIT RELATED TO THE STATIC RATE GAP

Compagnie de Financement Foncier is committed to maintaining the level of its interest rate mismatches or gaps within the very narrow range defined by periods of observation. These mismatches measure the difference between the rates of assets and the rates of liabilities over time assuming no new asset acquisitions or new liability issuances.

The current limits for interest rate gaps are:

Maturity	Limits as percentage of the balance sheet
Less than two years	2%
Two-five years	3%
Five-ten years	5%
More than 10 years *	10%

\* On 24 February 2015, the ALM Committee decided to set the maximum maturity for observation of the fixed rate gap at 15 years.

The interest rate gap increased in the 2<sup>nd</sup> quarter of 2015, reaching 2.45% of the 18-month projected balance sheet, i.e. slightly above the set limit of 2% for the maturities less than 2 years. This development was mainly due to the higher rate of early repayments

of real estate loans in the first half of 2015 than that used in the initial assumption made to cover the risk. The additional risk was covered and the limit overrun was resolved in early July 2015.

#### **LIMIT ON THE NET PRESENT VALUE OF EQUITY CAPITAL (BASEL II INDICATOR)**

This indicator measures the sensitivity of the net present value of mismatching positions to a uniform shift of 200 bp in the yield curve

as a ratio of equity, within a limit of 20%. In this indicator equity capital is amortised over 20 years.

At 30 June 2015, Compagnie de Financement Foncier was in compliance with this limit.

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## **9.4. Monitoring foreign exchange risk**

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A foreign exchange risk arises whenever the euro-value of assets or liabilities on the balance sheet of Crédit Foncier denominated in foreign currencies is liable to be negatively affected by a foreign exchange fluctuation.

This means that all assets and liabilities denominated in currencies other than the euro are systematically swapped as soon as they are recognised on the balance sheet. This hedging can be achieved using currency swaps, exchange rate swaps, or term loans.

Individual differences are monitored by Crédit Foncier's Risk Division, which centralises month-end foreign exchange positions, by currency and by total amounts of foreign currencies.

As to foreign exchange risk, BPCE rules require spot foreign exchange positions per currency to be limited to 5% of the balance sheet total in the currency concerned. This limit only applies if the outstanding loans in the currency concerned exceed the equivalent of €1 million.

Regarding such exposure, Compagnie de Financement Foncier established an additional internal limit equal to the exchange value of €5 million for all currencies combined and to €3 million per currency.

Compliance with these limits is monitored by the ALM Committee and the Risk Committee of Compagnie de Financement Foncier.

During the first half of the year, this limit has been complied with.

# **10. Operating risks**

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## **10.1. General Management**

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The general measures are detailed in the 2014 Registration document (p. 169).

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## **10.2. Governance**

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Governance is described in detail in the 2014 Registration document (p. 169).

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## 10.3. Management environment

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### 10.3.1. MANAGEMENT NETWORK

The management network is described in detail in the 2014 Registration document (p. 169).

### 10.3.2. METHODS AND TOOLS

The risk approach is based on four key elements that are part of an iterative, interactive method:

- mapping of operational risk events: identification and assessment by each business line of its vulnerability to the main operational risks. The assessment involves determining the recurrence of the risk and its potential financial impacts, as well as taking stock of existing preventive measures and those that need to be set up to control and reduce the impact of this risk. The mapping is updated whenever processes or the organisational structure changes, and in any case at least once a year;
- recording of incidents in a dedicated database: input of incidents in the database by the management network upon their

occurrence and development; monitoring of corrective action plans; analysis of the change in risk exposure and resulting losses;

- set-up of KRIs (Key Risk Indicators) for the main risk areas, providing warnings of the likely occurrence of critical phases;
- set-up of action plans concerning serious incidents or those which need to be prevented from recurring, the most significant risks and the KRIs which are maintained above a set criticality level.

All of this data is stored in Crédit Foncier's common database (PARO).

Groupe Crédit Foncier also receives reports through the PARO system.

Lastly, for calculating capital adequacy requirements, groupe Crédit Foncier currently applies the Basel II standard approach.

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## 10.4. Organisation of the Business Continuity Plan (BCP)

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The organisation of the business continuity plan is detailed in the 2014 Registration document (p. 169).

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## 10.5. Information technology risk

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The IT risk is detailed in the 2014 Registration document (p. 170).

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## 10.6. Insurance

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Insurance is described in detail in the 2014 Registration document (p. 170).

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## 10.7. Legal risks

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Legal risks are in detail described in the 2014 Registration document (p. 170). They were not subject to any changes during the first half of 2015.

## 11. Settlement risk

There has been no significant change in the settlement risk with respect to the situation described in the 2014 Registration document (p. 171).

## 12. Non-compliance risk

There has been no significant change in the non-compliance risk with respect to the situation described in the 2014 Registration document (p. 171 to 173).





# Legal information

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Material changes to legal information in the first half of 2015 are outlined below. The other legal information contained in the Registration document at 31 December 2014 (filed under registration number D.15-0329) is unchanged.

# 1. Corporate governance

Members of the Board of Directors at 30 June 2015 and professional addresses of its members:

## Mr Bruno DELETRÉ

Chairman of the Board of Directors since 18 December 2013

Crédit Foncier de France – 4, quai de Bercy –  
94220 Charenton-le-Pont

## Mr Thierry DUFOUR

Director since 18 December 1998

Chairman of the Board of Directors from 18 December 1998 to  
25 June 1999

Chief Executive Officer from 25 June 1999 to 16 May 2001

Deputy Chief Executive Officer from 16 May 2001 (further to  
adoption of the NRE Act) at 17 May 2002

Chief Executive Officer since 17 May 2002 (further to separation of  
the functions of Chairman and Chief Executive Officer)

Resignation as Chief Executive Officer on 4 September 2006

Chairman of the Board of Directors from 31 July 2007 until  
18 December 2013

Chief Executive Officer since 14 December 2007

Crédit Foncier de France – 4, quai de Bercy –  
94220 Charenton-le-Pont

## Ms Sandrine GUÉRIN

Deputy Chief Executive Officer since 15 October 2001

Director since 25 March 2002

Crédit Foncier de France - 4, quai de Bercy –  
94220 Charenton-le-Pont

**Crédit Foncier de France** represented by Mr Eric FILLIAT

Director since 28 December 1998

4, quai de Bercy – 94220 Charenton-le-Pont

**BPCE** represented by Mr Olivier IRISSON

Director since 28 March 2011

BPCE – 50, avenue Pierre Mendès France – 75013 Paris

## Ms Christine FABRESSE

Director since 25 March 2014

Caisse d'Épargne Languedoc-Roussillon – 254, rue Michel Teule –  
34184 Montpellier Cedex 4

## Mr Cédric MIGNON

Director since 25 March 2014

BPCE – 50, avenue Pierre Mendès-France – 75013 Paris

## Mr Pascal CHABOT

Director since 25 March 2014

Caisse d'Épargne Ile-de-France  
26-28, rue Neuve-Tolbiac – 75633 Paris Cedex 13

## Mr Dominique GARNIER

Director since 25 March 2014

Banque Populaire Aquitaine Centre Atlantique  
10, quai de Queyries – 33072 Bordeaux Cedex

## Mr Francis DELACRE

Director since 25 March 2014

Banque Populaire du Nord  
847, avenue de la République – 59700 Marcq-en-Baroeul

## Mr Jean CHEVAL

Director since 25 March 2014

Natixis – 30, avenue Pierre Mendès-France – 75013 Paris

## Changes within the Board of Directors in the first half of 2015

There were no changes in the Board of Directors during first-half 2015.

## Audit and Risk Committee split

Pursuant to the Decree of 3 November 2014 transposing the European CRD IV directive into French law, the Board of Directors meeting on 10 June 2015 resolved to split the Audit and Risk Committee into two separate Committees.

Following this decision, the appointees to the two committees are:

### Audit Committee:

Crédit Foncier de France, represented by Mr Éric FILLIAT, Director and Chairman

BPCE, represented by Mr Olivier IRISSON, Director

Ms Christine FABRESSE, Director

Mr Dominique GARNIER, Director

### Risk Committee:

Crédit Foncier de France, represented by Mr Éric FILLIAT, Director and Chairman

BPCE, represented by Mr Olivier IRISSON, Director

Ms Christine FABRESSE, Director

Mr Dominique GARNIER, Director

Mr Pascal CHABOT, Director

## 2. Resolutions submitted to the General Meeting

Combined General Meeting of 28 May 2015.

All resolutions put to the meeting were passed. For more information, see the 2014 Registration document (page 194).

## 3. General information

### Outlook for Compagnie de Financement Foncier

#### RECENT EVENTS

The Company has not recorded any recent events that may significantly impact the evaluation of its solvency. The issuances carried out by Compagnie de Financement Foncier during the first half 2015 are in line with funding needs of the year.

#### TRENDS

No significant deterioration has affected the Company's outlook since its last financial report was audited and published.

No known trend, uncertainty, claim, commitment or event is likely to have a negative material influence on the Company's outlook.

#### CONTROL

To the Company's knowledge, no agreement exists of which the implementation at a later date could lead to a change in control of the Company.

#### MATERIAL CHANGE

There has been no material change in the financial or trading position of Compagnie de Financement Foncier since 25 August 2015, the date on which the financial statements were approved by the Board of Directors and the date on which this update to the Registration document was filed.

### Additional information

No potential conflicts of interest exist between the duties of Board members towards Compagnie de Financement Foncier and their private interests and/or other duties.

At 30 June 2015, no special circumstances or disputes (governmental, judicial or arbitral proceedings) existed that had or could have a

material impact on the financial position, operations, results or capital of Compagnie de Financement Foncier.

Compagnie de Financement Foncier conducts itself and its corporate entities operate according to the corporate governance framework and practices applicable in France.

# AMF Registration document cross-reference index

## In annex IV of European Commission regulation (EC) No. 809/2004

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## LEGAL INFORMATION

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(1) In application of article 28 of Regulation no. 809-2004 on prospectuses, the corporate financial statements for the accounting period ended 31 December 2014 and the Statutory Auditors' report on the corporate financial statements, included in the Reference document no. D.15-0329 filed with the Autorité des marchés financiers (AMF – French Financial Markets Authority) on 13 April 2015, are incorporated by reference in this document.

The sections of Reference document no. D.15-0329 not referred to above are either of no consequence to investors or covered by another section of this Reference document.

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