

COMPAGNIE DE FINANCEMENT FONCIER

Update to the 2016 Registration document

including the 2017 half-year financial report





This is a free translation into English of Compagnie de Financement Foncier's Update to the 2016 Registration document 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 to the Registration document as of June 30, 2017 has been submitted to the French Financial Markets Authority. It is therefore the only version that is binding in law.

This update of the Registration document was filed with the Autorité des Marchés Financiers (AMF – French Financial Markets Authority) on August 29, 2017 under the number D.17-0215-A01, in compliance with Article 212-13 of its general regulation.

It completes the Registration document filed with the French Financial Markets Authority on March 23, 2017, in accordance with responsibility of its signatories. Article 212-13 of its general regulation, under the number D.17-0215. 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.

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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 approved as a specialized credit institution and a *société de crédit foncier*.

As a wholly-owned subsidiary of Crédit Foncier [A-(stable)/A2 (stable)/A (stable)/AA-(stable)]⁽¹⁾ and as an affiliate of BPCE [A (stable)/A2 (positive)/A (stable)]⁽²⁾ 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)/Aaa (stable)/AAA (stable)]⁽³⁾.

Compagnie de Financement Foncier's *obligations foncières* are French legal covered bonds that comply with the European directives UCITS 52-4⁽⁴⁾ and CRD⁽⁵⁾, as well as with Article 129 of the European Capital Requirements Regulation (CRR)⁽⁶⁾.

The issuances carried out by Compagnie de Financement Foncier are eligible for the European Central Bank refinancing program, except for certain private placements and issuances in foreign currencies.

Since 2012, Compagnie de Financement Foncier is a member of the ECBC⁽⁷⁾ 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 a regular and harmonized information.

Firmly supported by its parent company, Crédit Foncier, French issuer of *obligations foncières* since 1852, Compagnie de Financement Foncier continued to be a major player in its market, with a total *obligations foncières* outstanding of €66.3bn as of June 30, 2017 and an issuance volume of €3.7bn over the first half of the year.

Economic environment

The activity of the Eurozone is expected to pick up in 2017, like it has been in the last three years, at a practically stable rate. The ECB should keep up its monetary support at least until December 2017, albeit at a lesser rate.

Regarding the United Kingdom, the International Monetary Fund has increased its forecast for the growth of the British economy in 2017 by 2%. This was justified by the sturdiness of the UK's

activity, and a realisation of the "negative effects" of the Brexit which is slower than expected.

In Germany, the institution predicts a growth of 1.6% in 2017, particularly supported by exports.

French growth should establish at 1.6%⁽⁸⁾, mainly due to the upturn of the international environment. The revival of global growth should stimulate the activity, and promote a rebound the export.

Activity

In the first half of 2017, Compagnie de Financement Foncier issued €3.7bn of *obligations foncières*. This includes two benchmarks: a 6-year €1.5bn issuance in January, a 5-year €1.5bn issuance in

May 2017. These issuances were oversubscribed and had a diversified investor base.

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

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

(3) Standard&Poor's/Moody's/Scope Ratings, updated as of the Update to the Registration document filing date.

(4) UCITS: Undertakings for Collective Investment in Transferable Securities, directive on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities.

(5) CRD: Capital Requirements Directive.

(6) CRR: Capital Requirements Regulation.

(7) ECBC: European Covered Bond Council.

(8) Insee, Market report, June 2017.

Key figures

ISSUER INFORMATION

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 programs: EMTN, AMTN & USMTS

Sole service provider:

Crédit Foncier [A-(stable)/A2(stable)/A(stable)/AA-(stable)]⁽¹⁾

A subsidiary of BPCE [A(stable)/A2(positive)/A(stable)]⁽²⁾

Ratings of obligations <i>foncières</i>	Long-term rating	Outlook
Standard & Poor's	AAA	Stable
Moody's	Aaa	Stable
Scope Rating	AAA	Stable

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

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

SIMPLIFIED ECONOMIC BALANCE SHEET

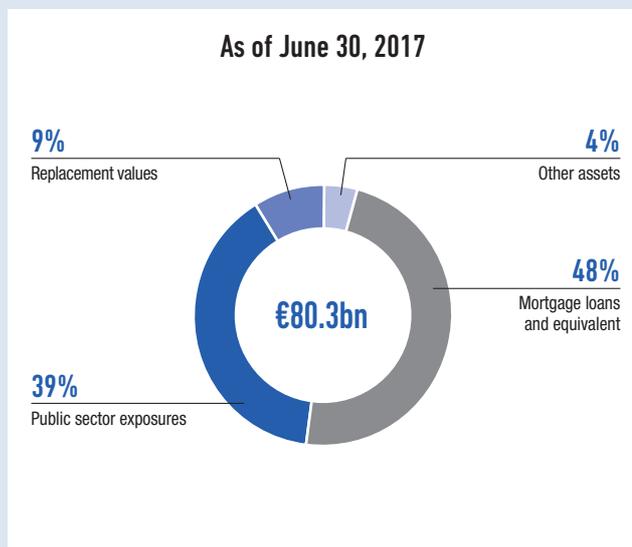
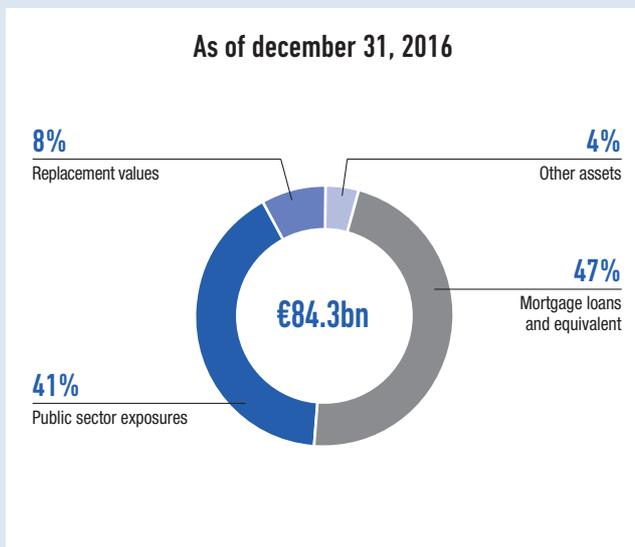
	As of June 30, 2017		As of December 31, 2016	
	€bn	%	€bn	%
Assets (by type of exposures)				
Mortgage loans and related items	38.8	48.3%	39.4	46.7%
Public sector exposures	31.5	39.3%	34.7	41.2%
French public sector *	22.4	27.9%	25.0	29.6%
Foreign public sector	9.1	11.4%	9.7	11.5%
Replacement values and other assets	10.0	12.4%	10.3	12.2%
Replacement values	7.1	8.8%	6.8	8.1%
Other assets	2.9	3.6%	3.4	4.0%
TOTAL ASSETS	80.3	100.0%	84.3	100.0%

* Including short-term loans and deposits with the Banque de France amounting to €1.02bn at the end of June 2017 and €2.4bn at the end of 2016.

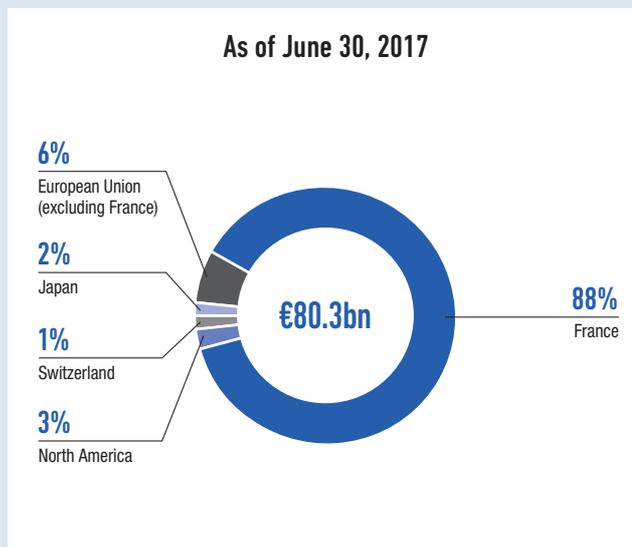
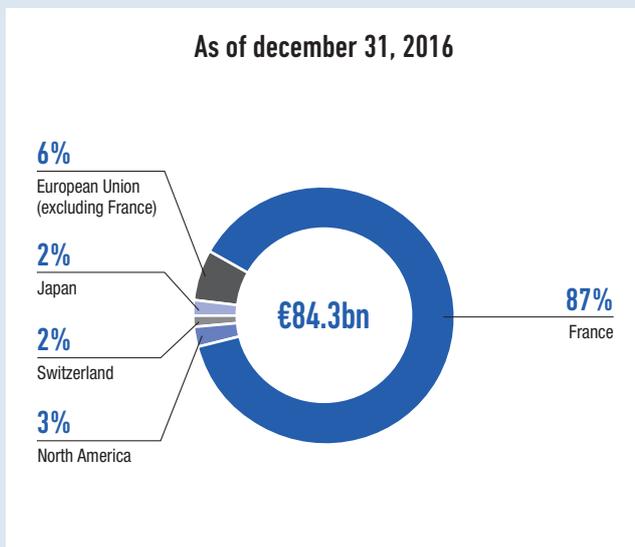
	As of June 30, 2017		As of December 31, 2016	
	€bn	%	€bn	%
Liabilities and equity				
Privileged liabilities	66.0	82.2%	66.8	79.2%
<i>Obligations foncières</i>	66.3	82.6%	67.4	80.0%
Foreign exchange difference on <i>obligations foncières</i>	-0.5	-0.6%	-0.8	-1.0%
Other privileged resources	0.2	0.3%	0.2	0.2%
Difference associated with hedging balance sheet items	1.3	1.6%	1.6	1.9%
Non-privileged resources	13.0	16.2%	15.9	18.9%
Unsecured debt	7.7	9.6%	10.5	12.5%
Subordinated debt and similar debt	2.2	2.8%	2.2	2.6%
Shareholders' equity, provisions and FRBG	3.1	3.9%	3.2	3.8%
TOTAL LIABILITIES	80.3	100.0%	84.3	100.0%
<i>Regulatory capital according to CRR/CRD IV</i>	3.0	3.8%	3.0	3.6%

BREAKDOWN OF ASSETS ⁽¹⁾

By type of assets



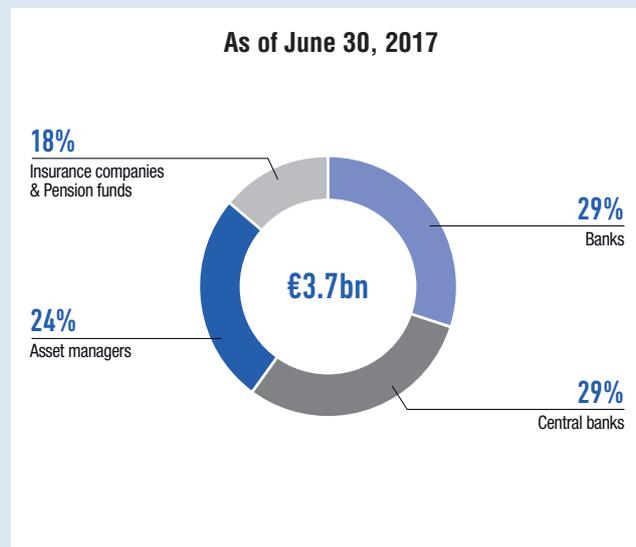
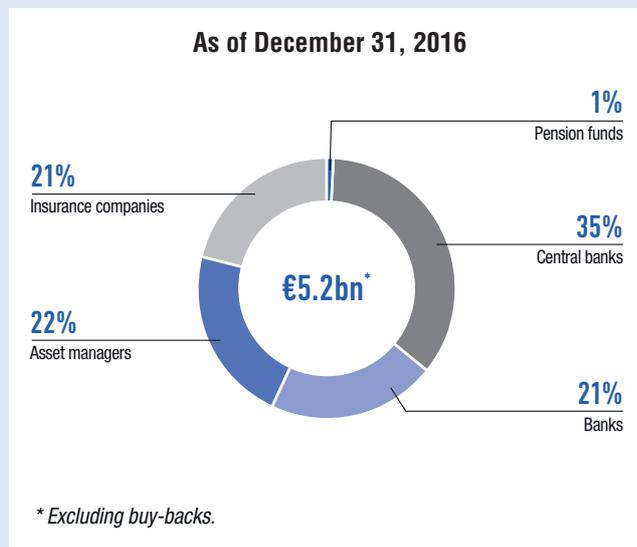
By region



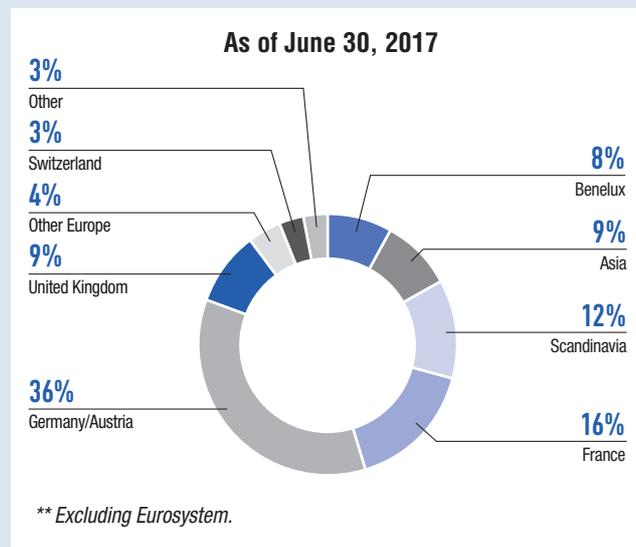
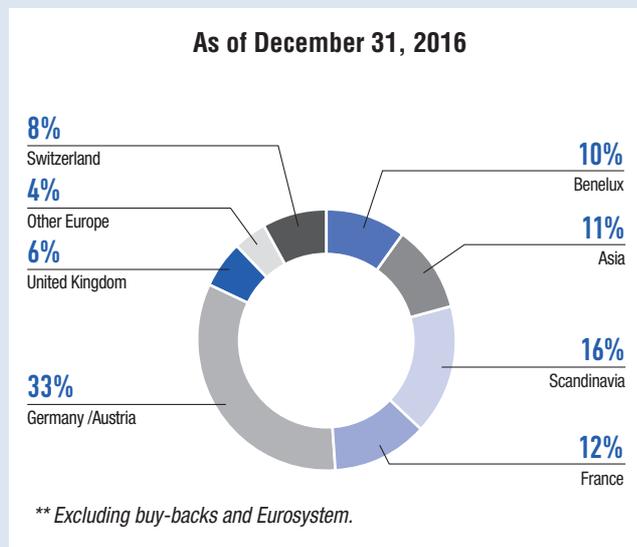
(1) For more information, please refer to chapter 6.1 of the Risk control and monitoring report.

BREAKDOWN OF ISSUANCES

By investor type



By region**



PERFORMANCE INDICATORS

Activity

	June 30, 2017	December 31, 2016
Average LTV of mortgage loans	74.2%	74.9%
Obligations foncières issued*	€3.7bn	€5.2bn
Privileged liabilities	€66.3bn	€67.4bn

* Excluding buy-backs (€0.2bn in 2016).

Results

	June 30, 2017	June 30, 2016
Net banking income	€93.5m	€188.6m
Net income	€19.1m	€78.9m

Solvency

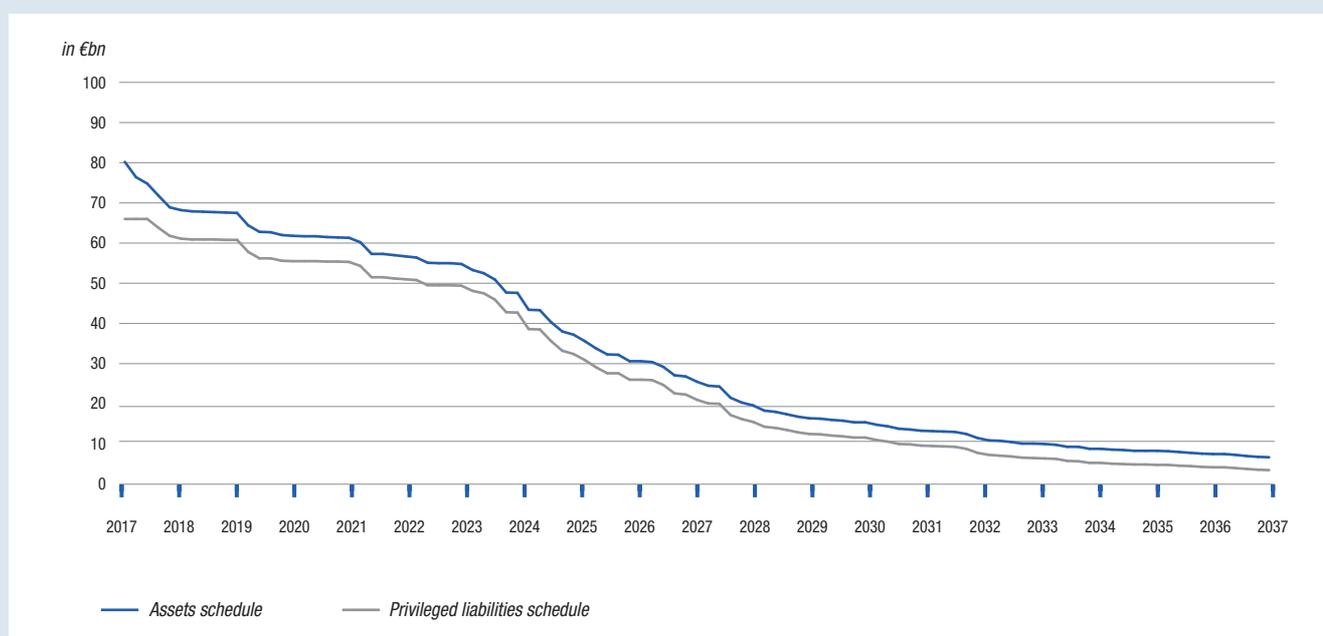
	June 30, 2017	December 31, 2016
Regulatory capital	€3.03bn	€3.04bn
Solvency ratio (calculated according to the standard method)	18.9%	18.5%
Common Equity Tier 1 ratio	18.9%	18.5%

Société de crédit foncier's specific ratios

	June 30, 2017	December 31, 2016
Regulatory overcollateralisation ratio*	114.2%	117.6%
Non-privileged resources/privileged resources ratio	16.8%	18.5%

* Overcollateralisation ratio as of June 30, 2017 is estimated as of the filing date of the present Update to the 2016 Registration document

AMORTIZATION OF ASSETS AND PRIVILEGED LIABILITIES AS OF JUNE 30, 2017





Financial report

MANAGEMENT REPORT OF THE 1ST HALF OF 2017

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Management report of the 1st half of 2017

During the 1st half of 2017, Compagnie de Financement Foncier's business activity remained in line with Crédit Foncier's strategic guidelines in close synergy with Groupe BPCE and with its own management commitments.

Compagnie de Financement Foncier issued €3.7bn of *obligations foncières* during this period. At June 30, 2017, Compagnie de

Financement Foncier's balance sheet came to €80.3bn and its net income was €19.1m.

The privileged debt issues of Compagnie de Financement Foncier benefited from the best possible rating from Standard & Poor's, Moody's and Scope Ratings, namely AAA, Aaa and AAA with stable outlook respectively.

1. Main operations of the period

ACQUISITIONS AND DISPOSALS

Compagnie de Financement Foncier further reduced its International public sector exposure and sold €202.4m in loans and securities in the first half of 2017. These disposals, as well as termination of the associated hedging swaps, generated a capital gain of +€7.3m (+€7.6m taking into account accrued interest).

FUNDING AND CASH MANAGEMENT

In the first half of 2017, Compagnie de Financement Foncier issued a net amount of €3.7bn of *obligations foncières*, broken down as follows:

- €3.0bn in public issuances;
- €0.7bn in private issuances.

All issuances in the first half of 2017 were denominated in euros; their placements demonstrate the diversity and depth of Compagnie de Financement Foncier's investor base, in particular with the strong presence of institutional investors and central banks. These issues took place under excellent financial conditions and with very high subscription levels, thus demonstrating the continued creditworthiness of Compagnie de Financement Foncier on the markets.

The first half of 2017 was marked by the following two benchmark public issuances:

- €1.5bn at 6 years in January at 0.33%;
- €1.5bn at 5 years in March at 0.20%.

At June 30, 2017, the outstanding amount of *obligations foncières* came to €66.3bn, including related debts.

2. Changes in assets

ASSETS (in thousands of euros)	06/30/2017	12/31/2016
Funds and central banks	1,019,958	2,400,000
Treasury bills and equivalent	3,450,718	3,455,424
Loans and receivables from credit institutions	30,819,683	20,827,904
• On demand	470,623	244,151
• Term	30,349,060	20,583,753
Transactions with customers	36,975,136	42,237,163
Bonds and other fixed income securities	5,594,557	12,724,987
Equity interests and other long-term investments	0	0
Tangible and intangible fixed assets	0	0
Other assets	43,512	8,175
Accrual accounts	2,390,425	2,694,997
TOTAL ASSETS	80,293,990	84,348,650

Compagnie de Financement Foncier's total balance sheet at June 30, 2017 was down from December 31, 2016 (-€4.1bn, *i.e.* -4.8%), in line with the strategy of groupe Crédit Foncier to control its balance sheet.

The change in Compagnie de Financement Foncier's assets was marked in particular by:

- decrease in assets with the Banque de France, in particular due to the repayment of *obligations foncières* maturing in the first half of 2017;
- decrease in outstanding loans to customers, related mainly to the particularly high level of early repayments in the period (outstanding home loans decreased by €4.7bn compared with December 31, 2016 with a €3.2bn impact due to early repayments);

- increase in loans and receivables assigned, through mortgage notes and loans to Crédit Foncier secured by receivables under Article L. 211-38 of the French Monetary and Financial Code (+€3.2bn compared with end-December 2016);
- repayment by Crédit Foncier of virtually all mortgage notes subscribed by Compagnie de Financement Foncier replaced by receivables under Article L.211-38 of the French Monetary and Financial Code.

<i>(in millions of euros)</i>	06/30/2017	12/31/2016	Changes
Mortgage notes	730	7,321	-6,591
Loans guaranteed under L.211-38	29,236	19,427	+9,809
TOTAL	29,966	26,748	+3,218

SECURITIES PORTFOLIO

Compagnie de Financement Foncier's securities portfolio, excluding mortgage notes, was down €543.9m with respect to December 31, 2016. This change includes in particular a decline of €202.4m due to disposals as part of continuing the policy to reduce international exposures.

GROUP FUNDING AND ASSIGNMENT OF RECEIVABLES

As part of its business activities, Compagnie de Financement Foncier offers to Crédit Foncier and to the other Groupe BPCE entities funding options through loans backed by the loans' assignment under Article L.211-38 of the French Monetary and Financial Code.

These loans are classified as term loans and receivables from credit institutions and mortgage notes as securities available for sale. During the first half of 2017, such outstanding loans saw a significant increase from €26.8bn (including mortgage notes) at December 31, 2016 to €30,0bn at June 30, 2017. This increase concerns loans to Crédit Foncier, secured by receivables under Article L. 211-38 of the French Monetary and Financial Code.

Accordingly, at June 30, 2017 the outstandings comprise:

- €20.1bn in loans to Crédit Foncier, mainly guaranteed by exposures to French local authorities and individual customers;
- €2.5bn in loans to other Groupe BPCE entities, guaranteed by exposures to French local authorities;
- €6.6bn in loans to BPCE as replacement values, guaranteed by a portfolio of receivables.

The total amount of guarantees received to cover these loans was €29.8bn, corresponding to outstanding capital of the pledged receivables at June 30, 2017.

OTHER ASSETS AND ACCRUAL ACCOUNTS

Other assets amounted to €43.5m at June 30, 2017, compared with €8.2m at December 31, 2016.

This increase is primarily due to tax consolidation receivable of €35.7m at June 30, 2017, that represents the indemnity due by Crédit Foncier and that should be equal to the potential savings of income tax due to the tax deficit recorded, pursuant to the tax consolidation agreement entered into between Compagnie de Financement Foncier, BPCE and Crédit Foncier (Article 2).

Accrual accounts amounted to €2.4bn at June 30, 2017, compared with €2.7bn at December 31, 2016, mainly due to the decrease in accrued interest from swaps.

3. Changes in liabilities

■ LIABILITIES (in thousands of euros)	06/30/2017	12/31/2016
Central banks	0	0
Debts towards credit institutions	6,603,509	8,778,050
• On demand	375	355
• Term	6,603,134	8,777,695
Transactions with customers	0	0
• On demand	0	0
Debt securities	66,452,546	67,573,795
• Interbank market securities and negotiable debt securities	150,575	151,243
• Bond issues (<i>obligations foncières</i>)	66,301,971	67,422,552
Other liabilities	1,811,634	2,261,259
Accrual accounts	2,278,986	2,514,616
Provisions	21,315	20,435
Subordinated debt	0	0
Funds for general banking risks	20,000	20,000
Equity, excluding FRBG	3,106,000	3,180,495
• Subscribed capital	2,537,460	2,537,460
• Issue premiums	343,002	343,002
• Reserves	119,152	114,468
• Regulated provisions and investment grants	0	0
• Retained earnings	87,313	91,889
• Unallocated income	0	0
• Income for the period	19,073	93,676
TOTAL LIABILITIES	80,293,990	84,348,650

Amounts due to credit institutions decreased by €2.2bn. This decrease stems mainly from a decline in outstanding securities sold under repurchase agreements (-€1.7bn compared with December 31, 2016) and term deposits and loans (-€0.5bn).

Debt securities decreased by €1.1bn during the first half of 2017, due to the drop in outstanding *obligations foncières*, linked mainly to contractual repayments.

Other liabilities decreased by €0.5bn, primarily due to the decrease in deposits received in the context of collateralization transactions on derivatives.

Accrual accounts were down by €0.2bn compared with end-2016.

Provisions amounted to €21.3m at June 30, 2017, up €0.9m compared with December 31, 2016, an increase resulting from the recognition of a provision for litigation.

Equity was relatively stable at end-June 2017 compared with end-December 2016, the main impact being due to the distribution of income for 2016 and the recognition of income for the first half of 2017.

4. Analysis of the income statement

■ Income statement (in thousands of euros)	First half of 2017	First half of 2016
Net banking income	93,450	188,635
Operating expenses	-64,828	-59,790
Gross operating income	28,622	128,845
Cost of risk	-3,641	-4,418
Operating income	24,982	124,427
Gains and losses on fixed assets	7,319	-48
Income before tax	32,301	124,378
Income tax	-13,228	-45,465
NET INCOME	19,073	78,914

■ NET BANKING INCOME

Net banking income stood at €93.5m at June 30, 2017, strongly affected by the high level of early repayments of home loans to individual customers.

At end-June 2017, the rate of early repayments amounted to 20.4%, compared with 13.1% for 2016; these significant early repayments result, among others, in the accelerated amortization of premiums or discounts on acquired receivables, negatively affecting the net interest margin (-€102m compared with the first half of 2016).

■ GROSS OPERATING INCOME

Operating expenses were kept under control. In the first half of 2017, however, they were up slightly by €5m year-on-year, mainly due to the following increases:

- the contribution to the Single Resolution Fund in the amount of €5.5m (representing an additional charge of €1.3m);
- collections of early repayments to Crédit Foncier (i.e. a change of €8.6m compared with the first half of 2016).

Accordingly, gross operating income was €28.6m at end June 2017, compared with €128.8m at June 30, 2016.

■ TOTAL COST OF RISK

Total cost of risk represented an expense of €3.6m at June 30, 2017, and dropped compared with the first half of 2016 (€4.4m).

■ GAINS OR LOSSES ON LONG-TERM INVESTMENTS

The transfer of receivables concerning outstandings of €202.4m generated a capital gain of €7.3m in the first half of 2017.

■ INCOME TAX

Income tax on the first half of 2017 was €13.2m, compared with €45.5m in the first half of 2016.

■ NET INCOME

After deducting income tax, net income for Compagnie de Financement Foncier came to €19.1m in the first half of 2017.

5. Credit risk analysis

■ OVERALL ANALYSIS

Compagnie de Financement Foncier is mainly exposed to credit risk and counterparty risk. The exposure to this type of risk, however, is limited by:

- rigorous selection of its assets and counterparties;
- establishment of guarantees in compliance with the legal and regulatory framework applicable to *sociétés de crédit foncier*;
- specific internal monitoring environment within groupe Crédit Foncier's own monitoring environment, and more broadly within that of Groupe BPCE.

■ LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

No loan or receivable due from credit institutions was reclassified as doubtful in the 1st half of 2017. Out of the €30.8bn in loans and receivables due from credit institutions, €29.3bn represent loans to Groupe BPCE entities. Moreover, these loans are fully secured by receivables, in accordance with Article L. 211-38 of the French Monetary and Financial Code.

The creditworthiness of all Groupe BPCE entities, combined with the quality of the receivables posted as collateral, greatly limits the risk associated with this exposure.

LOANS AND RECEIVABLES DUE FROM CUSTOMERS

Loans and receivables due from customers amounted to €37.0bn at June 30, 2017, including €1.5bn of doubtful loans, compared with €42.2bn of loans and receivables due from customers and €1.4bn of doubtful loans at December 31, 2016. At June 30, 2017, doubtful loans remained almost exclusively (99.8%) concentrated on home loans. At the same time, out of a total of €109.1m in impairments, €109.06m concern home loans.

SECURITIES AVAILABLE FOR SALE

Outstanding securities available for sale (including related receivables) amounted to €730.3m at June 30, 2017, exclusively consisting of mortgage notes and backed by guarantees amounting to €760.8m. None of these securities were reclassified as doubtful or impaired in the 1st half of 2017.

HELD-TO-MATURITY SECURITIES

Outstanding held-to-maturity securities amounted to €8.3bn (including accrued interest and after premiums or discounts) at June 30, 2017. None of these securities was reclassified as doubtful or impaired in the 1st half of 2017.

The carrying amount (including accrued interest and after premiums or discounts) was spread out between Italy (30%), the United States (20%), Japan (24%), France (11%), Canada (7%), Spain (5%), Poland (3%) and other countries (1%).

6. Financial risk analysis

INTEREST RATE AND FOREIGN EXCHANGE RISK

Compagnie de Financement Foncier has no open currency positions except for a few, the very small ones that are inherent in any hedging transaction. Transactions initiated in foreign currencies are converted into euro at the very moment of their execution.

Compagnie de Financement Foncier is only very marginally exposed to interest rate risks thanks to the hedging mechanisms implemented.

As soon as an asset is recorded on the balance sheet, it is transformed, if necessary, into a variable-rate asset in euros. Macro-hedging swaps are entered into when acquiring loan portfolios, micro-hedging swaps are made for single transactions. Similarly, the debt issued by Compagnie de Financement Foncier is micro swapped at the outset to transform it into variable rate liabilities in euros.

Interest rate positions are also reviewed each quarter and macro-hedging adjustment transactions are entered into if the position deteriorates to a point that might result in non-compliance with the strict limits to which Compagnie de Financement Foncier has committed. The basic risks, resulting from different reference rates on positions already transformed into variable rates by swaps, are also managed through macro-hedges.

All of the counterparties to these currency or interest rate swaps have concluded collateralization agreements with Compagnie de Financement Foncier that require them to provide a security deposit to the benefit of the Compagnie de Financement Foncier in case of the debit position and depending on their rating. In the majority of cases, these requests are made on a daily basis. If the opposite

situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. As of June 30, 2017, the amount of deposits received was €1.6bn.

Because of these ALM principles, Compagnie de Financement Foncier holds significant outstanding of financial instruments for micro- and macro-hedging in interest rates and currencies.

In the 1st half of 2017, Compagnie de Financement Foncier continued to enter into such financial instruments along with its acquisition, issuance and ALM activities.

At June 30, 2017, outstandings in micro- and macro-hedging instruments consisted of €80.5bn, of which €62.6bn in interest rate swaps and €17.9bn in currency swaps; this compared with €82.6bn at end-2016, of which €61.1bn in interest rate swaps and €21.5bn in currency swaps.

Taking into account management rules followed by Compagnie de Financement Foncier, changes in the interest rate position are a result of events not known when the transaction was entered into and which occurred during the term of the contract. These consist mainly of early repayments of fixed-rate loans granted to private individuals in the competitive sector. As the date of the event is not predictable, and the repayment fees received by the lender are capped by law, Compagnie de Financement Foncier cannot completely cover the original risks incurred.

Over the first half of 2017, interest rates on real estate loans remained very low and the trend noted in 2015 and 2016 of increased renegotiations or early repayments of loans continued. In the first half of 2017, the early repayment rate on the total amount of loans to individuals was very high, at 20.4% compared with 13.1% in 2016, and 14.8% in 2015.

LIQUIDITY RISK

The very prudent liquidity management policy continued in the first half of 2017, with Compagnie de Financement Foncier still committed to maintaining sufficient available cash flow to meet the contractual maturities on all of its privileged debt, for one year, without recourse to new resources.

At June 30, 2017, Compagnie de Financement Foncier had available cash of €1.1bn, including €1bn on current accounts mainly deposited with Banque de France, and €6.6bn granted to BPCE

with a maturity of less than two months and fully guaranteed by a loans portfolio.

Compagnie de Financement Foncier's liquidity ratio, known as the "LCR" (Liquidity Coverage Ratio), applicable since October 1, 2015 following the transposition of the applicable regulations of the CRD IV directive into law, has always been above 100% since that date.

7. Regulatory and prudential information

Compagnie de Financement Foncier also publishes a Risk Control and Monitoring report (presented on page 48 of this update of the 2016 Reference Document) where all the ratios and indicators applicable to *sociétés de crédit foncier* are disclosed according to laws and regulations in force.

Furthermore, this report includes additional information on the risks supervision of Compagnie de Financement Foncier.

8. Outlook

During the second half of 2017, Compagnie de Financement Foncier intends to continue its development, fully in line with the strategic guidelines of Crédit Foncier and Groupe BPCE:

- the rigorous selection and active management of its assets in order to maintain their high quality;
- the continued funding of Crédit Foncier or other Groupe BPCE entities, by purchases and mobilizations of loan portfolio, in terms of mortgage-backed securities;
- the optimization of financial risk hedging.

Condensed interim financial statements

BALANCE SHEET *(in thousands of euros)*

■ ASSETS	Notes	06/30/2017	06/30/2016	12/31/2016
Cash and amounts due from central banks		1,019,958	1,100,043	2,400,000
Treasury bills and equivalent	3	3,450,718	3,594,319	3,455,424
Loans and receivables due from credit institutions	1	30,819,683	20,628,543	20,827,904
• Demand		470,623	188,843	244,151
• Term		30,349,060	20,439,700	20,583,753
Customers transactions	2	36,975,136	44,028,035	42,237,163
• Other facilities granted to customers		36,975,136	44,028,035	42,237,163
Bonds and other fixed-income securities	3	5,594,557	11,784,975	12,724,987
Equity interests and other long term investments*			4	
Intangible assets and property, plant and equipment				
Other assets	4	43,512	7,452	8,175
Accrual accounts	5	2,390,425	2,842,551	2,694,997
TOTAL ASSETS		80,293,990	83,985,922	84,348,650
* Participation certificates within the "deposit guarantee system" in 2015.				
■ LIABILITIES	Notes	06/30/2017	06/30/2016	12/31/2016
Central banks				
Due to credit institutions	6	6,603,509	8,223,975	8,778,050
• Demand		375	2,396	355
• Term		6,603,134	8,221,579	8,777,695
Customer transactions	7		2	
• Demand			2	
Debt securities	8	66,452,546	67,119,863	67,573,795
• Interbank market instruments and negotiable debt securities		150,575	150,466	151,243
• Bonds (obligations foncières)		66,301,971	66,969,398	67,422,552
Other liabilities	9	1,811,634	2,865,394	2,261,259
Accrual accounts	10	2,278,986	2,572,602	2,514,616
Provisions	11	21,315	18,353	20,435
Subordinated debts				
Fund for general banking risks		20,000	20,000	20,000
Equity excluding fund for general banking risks	12	3,106,000	3,165,733	3,180,495
• Share capital		2,537,460	2,537,460	2,537,460
• Additional paid-in capital		343,002	343,002	343,002
• Reserves		119,152	114,468	114,468
• Regulated provisions and investment subsidies				
• Retained earnings		87,313	91,889	91,889
• Income to be allocated				
• Net income for the period		19,073	78,914	93,676
TOTAL LIABILITIES		80,293,990	83,985,922	84,348,650

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

	Notes	06/30/2017	06/30/2016	12/31/2016
TOTAL COMMITMENTS GIVEN				
Financing commitments		1,159,590	817,733	868,607
• <i>Commitments given to credit institutions</i>	13			
• <i>Commitments given to customers</i>	13	852,914	760,657	789,502
• <i>Other securities pledged as collateral</i>	13	306,675	57,076	79,104
Guarantee commitments				
• <i>Commitments given to credit institutions</i>	13			
• <i>Commitments given to customers</i>	13			
Commitments on securities				
• <i>Other commitments given</i>	13			
TOTAL COMMITMENTS RECEIVED				
Financing commitments		34,201,507	29,141,174	31,032,177
• <i>Guarantees received from credit institutions</i>	14	3,565,708	3,256,347	3,658,292
• <i>Other securities received as collateral from the Group</i>	14	30,635,799	25,884,827	27,373,885
Guarantee commitments		34,433,480	39,109,876	39,103,926
• <i>Guarantees received from credit institutions</i>	14	6,232,613	5,753,808	6,983,537
• <i>Commitments received from customers</i>	14	28,200,866	33,356,068	32,120,388
Commitments on securities		20,000	46,964	
TOTAL RECIPROCAL COMMITMENTS				
• <i>Sale and purchase of foreign currencies</i>	15	17,924,811	23,181,557	21,488,125
• <i>Other financial instruments</i>	15	64,393,299	62,949,072	62,999,652

INCOME STATEMENT *(in thousands of euros)*

	Notes	06/30/2017	06/30/2016	12/31/2016
Interest and similar income	16	1,231,590	1,424,177	2,850,600
Interest and similar expenses	16	-1,202,916	-1,267,392	-2,571,615
Net interests margin		28,674	156,785	278,984
Fees and commissions income	17	66,651	33,177	82,972
Fees and commissions expenses	17	-884	-1,026	-2,047
Net gains or losses on trading books transactions	18	-22	-301	-456
Other banking income	19	90	2	7
Other banking expenses	19	-1,059	-1	-4
Net banking income		93,450	188,635	359,457
Payroll costs	20	-28	-17	-60
Taxes and regulated provisions ⁽¹⁾	20	-10,713	-11,409	-23,033
External services and other expenses	20	-54,087	-48,364	-104,596
Amortization				
Total operating expenses		-64,828	-59,790	-127,689
Gross operating income		28,622	128,845	231,768
Cost of risk	21	-3,641	-4,418	-27,078
Operating income		24,982	124,427	204,690
Gains or losses on long-term investments	22	7,319	-48	-48
Income before tax		32,301	124,378	204,642
Non-recurring income				
Income tax	23	-13,228	-45,465	-110,965
NET INCOME		19,073	78,914	93,676
Earnings per share ⁽²⁾ <i>(in euros)</i>		0.12	0.50	0.59
Diluted earnings per share <i>(in euros)</i>		0.12	0.50	0.59

(1) Taxes and regulated provisions include in particular Tax on Systemic Risk for Banks (TSB) in the amount of -€1.37m (compared to -€1.66 in June 2016) and regulated provisions essentially including the contribution for the Single Resolution Fund (FRU) in the amount of -€5.54m (compared to -€4.2m in June 2016).

(2) 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.

Appendix to Compagnie de Financement Foncier's Financial Statements

1. GENERAL FRAMEWORK

Compagnie de Financement Foncier is approved to operate as a *société de crédit foncier* under the Act of June 25, 1999, which deals with savings and financial security. As such, it is subject to Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code.

It is a credit institution accredited as a specialized credit institution under the Act No. 2013-544 of June 27, 2013 on credit institutions and financing companies, in force starting from January 1, 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 la 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 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 in case of a Banque Populaire or a Caisse d'Épargne's default.

2. HIGHLIGHTS OF THE FIRST HALF OF 2017

2.1. COMMERCIAL ACTIVITY

During the first half of 2017, Compagnie de Financement Foncier did not acquire any receivables from Crédit Foncier. The mechanism for refinancing loans distributed by Crédit Foncier was implemented mainly under the terms provided in Article L. 211-38.

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 €20,122.5m at June 30, 2017, and with certain Caisses d'Épargne or Banque Populaire banks, amounting

to €193.6m at June 30, 2017. The same facility was also granted to BPCE SA, amounting to €8,920m at June 30, 2017 excluding related receivables. Total loans granted under L. 211-38 were collateralized for €29,875.03m.

Virtually all mortgage notes subscribed with Crédit Foncier were repaid early in January 2017 for a nominal amount of €6,202m representing loans to individuals. Income from this transaction was limited to interest income.

At the same time, Crédit Foncier mobilized a nominal amount of €7,097m from Compagnie de Financement Foncier in loans to individuals under Article L. 211-38 (see above).

Replacement values of Compagnie de Financement Foncier, defined according to Decree 2007-745 of May 9, 2007 on the solvency of credit institutions, investment firms and *sociétés de crédit foncier* and amending the French Monetary and Financial Code, amounted to €7,070.6m. In addition to working cash balances, replacement values essentially comprise loans granted under Article L. 211-38 of the French Monetary and Financial Code.

In terms of refinancing, Compagnie de Financement Foncier issued €3,671m in Euro-denominated *obligations foncières* during the first half of 2017. It also has the option 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 European Central Bank as collateral.

2.2. MARKET DISPOSALS

Company de Financement Foncier disposed of three holdings of securities during the first half of the year.

In total, outstandings of €202.4m (the value of securities in foreign currency converted at source value) were accordingly sold, representing less than 3% of total outstandings. These sales, together with the cancellation of the associated hedging swaps, generated income of €7.3m, before tax, recorded in the income statement under "Gains or losses on long-term investments".

2.3. EARLY REPAYMENTS

Given the context of low interest rates, the average rate of early repayment for loans to individuals remains high: 20.4% of outstanding loans for the first half of 2017, compared with 13.1% in 2016. The outflows of corresponding assets amounted to €3,217m.

Early repayments had the following effects on the net banking income:

- an accelerated amortization of acquisition premiums/discounts, of which the impact is estimated at -€162.1m over the half-year period, for a total amount of -€204m;
- the collection of early repayment penalties for a gain of just over €58m; as a reminder, according to the agreement on services rendered by Crédit Foncier, one third of these penalties is transferred to the latter, *i.e.* a total of -€18.8m at June 30, 2017.

However, the volume of early repayments in the corporate segment remained stable in the first half, with outflows of assets amounting to nearly €100m at June 30, 2017. This resulted in the collection of early repayment penalties for €8.4m, and in a negative impact of -€3.8m under the associated hedge.

There was a significant decline in discount requests at the end of the second quarter; the pace of accelerated premium amortizations could decrease in the second half of the year if this trend results in early repayments over the next few months.

2.4. BUYBACK OF OBLIGATIONS FONCIÈRES

During the first half of the year, Compagnie de Financement Foncier bought back a share of its own *obligations foncières* issued on the market for a nominal value of €39m. The premiums and discounts on these purchases were directly recognized in profit or loss under "Interest and similar income" or "Interest and similar expenses", in accordance with regulations. The gains or losses on the cancellation of the hedges associated with the canceled issues were directly recognized in profit or loss under the same items ("Interest and similar income" or "Interest and similar expenses").

The net impact of these purchases on income, before tax, in the first half of 2017 was a significant gain of €9.3m, justified in particular by the high maturity of certain lines (2055).

3. POST-BALANCE SHEET EVENTS

No subsequent event liable to have a significant impact on the financial statements at June 30, 2017 occurred between the closing date and July 31, 2017, the date on which the Board of Directors approved the financial statements.

4. ACCOUNTING PRINCIPLES AND METHODS

4.1. PRESENTATION 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 2017.

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 methods over time;
- independence of fiscal 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.

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NOTE 1. LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Demand loans to credit institutions	470,623	188,843	244,151
Current accounts with overdrafts	52,986	39,230	28,398
Overnight loans			
Unallocated items	417,637	149,613	215,753
Related receivables			
Term loans to credit institutions	30,349,060	20,439,700	20,583,753
Term accounts and loans	1,092,865	1,118,759	1,121,802
Loans guaranteed under L. 211-38 (described in greater detail in Note 1 bis)	29,236,081	19,302,841	19,426,941
Securities bought under repurchase agreements			
Subordinated loans and participating loans			
Related receivables	20,114	18,100	35,010
Doubtful loans			
GROSS AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	30,819,683	20,628,543	20,827,904
Impairment of doubtful loans			
Impairment of doubtful loans			
NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	30,819,683	20,628,543	20,827,904
BREAKDOWN OF TERM ACCOUNTS (GROUP/NON-GROUP)			
Term accounts and loans			
• of which Group transactions			
• of which non-Group transactions	1,092,865	1,118,759	1,121,802
Loans guaranteed by securities received under repurchase agreements			
• of which Group transactions	29,236,081	19,302,841	19,426,941
• of which non-Group transactions			
Related receivables			
• of which Group transactions	15,766	13,652	12,865
• of which non-Group transactions	4,348	4,448	22,145
Group loans	29,251,847	19,316,493	19,439,806
Non-Group loans	1,097,214	1,123,207	1,143,947
TOTAL	30,349,060	20,439,700	20,583,753
BREAKDOWN OF DEMAND ACCOUNTS (GROUP/NON-GROUP)			
Demand accounts and loans			
• of which Group transactions	50,068	36,060	28,242
• of which non-Group transactions	2,917	3,170	155
Related receivables			
• of which Group transactions			
• of which non-Group transactions			
Unallocated items			
• of which Group transactions (at Crédit Foncier's scope)	417,618	149,561	215,734
• of which non-Group transactions	20	52	20
Group loans	467,686	185,261	243,976
Non-Group loans	2,937	3,221	175
TOTAL	470,623	188,843	244,151

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

<i>(in thousands of euros)</i>	06/30/2017			06/30/2016	12/31/2016
	Gross amount	Impairment	Net amount	Net amount	Net amount
TERM LOANS					
Refinancing of subsidized residential property					
Refinancing of unsubsidized residential property					
Public entities	1,097,213		1,097,213	1,123,207	1,143,947
Other loans to credit institutions*	29,251,847		29,251,847	19,316,493	19,439,806
Doubtful term loans					
NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS	30,349,060	0	30,349,060	20,439,700	20,583,753
* of which:					
Replacement values pursuant to L. 211-38, with BPCE	6,600,000		6,600,000	6,600,000	6,600,000
Loans guaranteed by loans and receivables (Local authorities, Individuals, Corporates) pursuant to L. 211-38, with Crédit Foncier	20,122,500		20,122,500	10,172,000	10,303,000
Loans guaranteed by local authority receivables pursuant to L. 211-38, with BPCE, Caisses d'Épargne and Banques Populaires	2,513,581		2,513,581	2,530,841	2,523,941
Related and other receivables	15,766		15,766	13,652	12,865
TOTAL	29,251,847	0	29,251,847	19,316,493	19,439,806

NOTE 2. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

(in thousands of euros)	Performing loans and receivables			Doubtful loans			Impairment			Net amounts		
	06/30/2017	06/30/2016	12/31/2016	06/30/2017	06/30/2016	12/31/2016	06/30/2017	06/30/2016	12/31/2016	06/30/2017	06/30/2016	12/31/2016
Current accounts with overdrafts												
Facilities granted to customers	35,617,047	42,722,838	40,925,204	1,467,208	1,402,322	1,417,841	109,118	97,125	105,882	36,975,136	44,028,035	42,237,163
Loans to financial customers												
Export credits												
Short-term credit facilities ⁽¹⁾	818,204	1,212,096	1,063,370							818,204	1,212,096	1,063,370
Equipment loans ⁽²⁾	6,649,861	7,307,271	6,973,638	-57	41	-31	34	534	34	6,649,769	7,306,779	6,973,573
Home loans	28,028,291	34,057,724	32,755,152	1,464,254	1,399,049	1,414,809	109,057	96,564	105,822	29,383,488	35,360,209	34,064,139
Other customer loans	3,784	4,529	4,010	226	37	35	27	28	26	3,983	4,539	4,020
Unallocated items	24	930	106							24	930	106
Related receivables	116,883	140,287	128,927	2,785	3,195	3,028				119,668	143,482	131,955
GENERAL ⁽³⁾	35,617,047	42,722,838	40,925,204	1,467,208	1,402,322	1,417,841	109,118	97,125	105,882	36,975,136	44,028,035	42,237,163

Restructured loans amounted to €468.5m at June 30, 2017, of which €119.7m classified as performing loans.

Note: Compagnie de Financement Foncier does not include any intragroup loans in customer loans.

- (1) In 2007, the Company purchased the local authority loans of Ixis CIB, now Natixis, which include revolving credit lines of €818.2m at June 30, 2017, versus €1,056m at December 31, 2016.
- (2) Equipment loans are loans to local authorities.
- (3) Customer loans eligible for refinancing with the Central Bank amounted to €3.3bn at June 30, 2017 in outstanding capital. This amount represents €2.3bn after haircut and overcollateralization constraints.

NOTE 2 BIS A. IMPAIRMENT AND PROVISIONS FOR CREDIT RISKS

<i>(in thousands of euros)</i>	12/31/2015	12/31/2016 restated ⁽²⁾	Additions	Reversals	06/30/2017
IMPAIRMENT OF ASSETS					
Customer loans and due from credit institutions ⁽¹⁾	88,501	105,882	29,830	-26,593	109,118
PROVISIONS RECOGNIZED AS LIABILITIES					
Customer loans and due from credit institutions and provisions on securities	16,129	19,377		-300	19,077
TOTAL	104,630	125,259	29,830	-26,893	128,195

(1) Loan impairment is measured at discounted value in accordance with the Regulation No. 2014-07 of the French Accounting Standards Authority.

(2) Restatement of stock at December 31, 2016, in keeping with Note 2. As reminder, the amount published "Impairment of assets" was: €113,446k.

NOTE 2 BIS B. PREMIUMS/DISCOUNTS ON ACQUIRED RECEIVABLES

<i>(in thousands of euros)</i>	12/31/2015	Reclas- sification Repayment	Additions	Amorti- zation	12/31/2016	Reclas- sification Repayment	Additions	Amorti- zation	06/30/2017
DUE FROM CREDIT INSTITUTIONS									
Premiums	47,589			-10,414	37,175			-5,123	32,052
Discounts									
Net	47,589			-10,414	37,175			-5,123	32,052
CUSTOMER LOANS									
Performing loans and receivables									
Premiums	1,439,601	-17,705	558,044	-380,596	1,599,344	-10,231		-267,321	1,321,792
Discounts	-1,019,847	11,304	-42,023	116,544	-934,022	6,295		65,042	-862,685
Doubtful loans and receivables									
Premiums	29,092	17,705		-11,638	35,159	10,231		-7,395	37,995
Discounts	-29,794	-11,276		12,597	-28,473	-6,331		5,654	-29,150
Net	419,052	28	516,021	-263,093	672,008	-36		-204,020	467,952
TOTAL	466,641	28	516,021	-273,507	709,183	-36	0	-209,143	500,004

NOTE 3. SECURITIES AVAILABLE FOR SALE AND INVESTMENT

(in thousands of euros)	06/30/2017			06/30/2016			12/31/2016		
	Securities available for sale	Held-to-maturity securities	Total	Securities available for sale	Held-to-maturity securities	Total	Securities available for sale	Held-to-maturity securities	Total
Treasury bills and equivalent*		3,389,668	3,389,668		3,531,950	3,531,950		3,410,338	3,410,338
Related receivables		61,050	61,050		62,369	62,369		45,085	45,085
Subtotal		3,450,718	3,450,718		3,594,319	3,594,319		3,455,424	3,455,424
Bonds*		4,804,803	4,804,803		5,466,244	5,466,244		5,334,220	5,334,220
Interbank market instruments (mortgage notes)*	730,000		730,000	6,249,500		6,249,500	7,321,281		7,321,281
Negotiable debt securities									
Securitisation units*									
Related receivables	257	59,497	59,754	2,955	66,277	69,231	3,537	65,950	69,487
Subtotal	730,257	4,864,300	5,594,557	6,252,455	5,532,521	11,784,975	7,324,818	5,400,170	12,724,987
Doubtful loans and securities including related receivables									
GROSS AMOUNTS	730,257	8,315,018	9,045,275	6,252,455	9,126,840	15,379,294	7,324,818	8,855,594	16,180,411
Impairment on fixed-income securities									
NET AMOUNTS	730,257	8,315,018	9,045,275	6,252,455	9,126,840	15,379,294	7,324,818	8,855,594	16,180,411

* Of which:

	06/30/2017	06/30/2016	12/31/2016
Listed securities	7,745,524	8,524,735	8,292,594
Unlisted securities	1,178,947	6,722,954	7,773,244
TOTAL EXCLUDING RELATED RECEIVABLES	8,924,471	15,247,689	16,065,838

Listed securities are normally available securities denominated in euro that are eligible for the ECB operations, as well as listed securities in other currencies. Non listed securities are essentially represented by mortgage notes subscribed by Crédit Foncier.

Under the Regulation No.2014-07 of the French national accounting standards authority, the aggregate fair value of the investment portfolio amounted to €9,330,9m at June 30, 2017, excluding related receivables.

Unrealized capital gains on held-to-maturity securities amounted to €1,389.09m at June 30, 2017, before swaps. At December 31,

2016, unrealized capital gains on held-to-maturity securities amounted to €1,526.4m, before swaps.

Unrealized capital losses on held-to-maturity securities amounted to €256.7m at June 30, 2017, before swaps. At December 31, 2016, unrealized capital losses on held-to-maturity securities amounted to €274.4m, before swaps.

The Company did not reclassify any securities to the "Held-to-maturity securities" portfolio either during the 2017 financial year or in the previous fiscal years.

NOTE 3 BIS. SOVEREIGN RISK

At June 30, 2017, the net exposures of the Compagnie de Financement Foncier sovereign risk in these countries are:

Held-to-maturity securities (in millions of euros)	06/30/2017			06/30/2016			12/31/2016		
	Carrying amount	Market value	Value after swap*	Carrying amount	Market value	Value after swap*	Carrying amount	Market value	Value after swap*
Italy	2,286.3	2,689.5	1,857.8	2,310.9	2,876.4	1,743.0	2,305.4	2,734.5	1,786.3
Poland	360.9	409.0	267.8	404.2	476.0	255.7	373.6	417.1	248.4
TOTAL	2,647.2	3,098.5	2,125.6	2,715.1	3,352.4	1,998.7	2,679.0	3,151.6	2,034.7

* Fair value of the note taking into account micro hedging swap.

The values given above exclude related receivables. Carrying amounts are measured at the closing date if the securities are denominated in foreign currencies.

The maturity dates of net exposures in nominal value as of June 30, 2017 are presented below:

	Residual maturity			
	1 year	7 years	> 8 years and < 10 years	> 10 years
Italy	68.6	242.0	50.0	1,727.4
Poland			165.2	195.7
TOTAL	68.6	242.0	215.2	1,923.1

The global exposure of the Compagnie de Financement Foncier to the International public sector is also identified in the Risk Management report.

NOTE 3 TER. FINANCIAL FIXED ASSETS

(in thousands of euros)	Gross 12/31/15	Acquisitions	Disposals/ Redemptions*	Reclas-sifications	Current change	Currency differ-ces	Gross 12/31/16	Acqui-sitions	Disposals/ Redemptions*	Reclas-sifications	Current change	Currency differ-ces	Gross 06/30/2017
Held-to-maturity securities	8,984,043		-111,081		-271,547	143,142	8,744,558		-254,645		-35,208	-260,234	8,194,471
TOTAL	8,984,043	0	-111,081	0	-271,547	143,142	8,744,558	0	-254,645	0	-35,208	-260,234	8,194,471
Related receivables	113,897				-2,862		111,035				9,512		120,547
TOTAL	9,097,940	0	-111,081	0	-274,408	143,142	8,855,593	0	-254,645	0	-25,696	-260,234	8,315,018

* Disposals were conducted in accordance with the possibilities offered by the Regulation No. 2014-07 of the French National Accounting Standards Authority, Article No. 2341-2, especially in cases of the issuer's important credit quality deterioration or regulatory constraints.

The group continued its policy aimed at reducing its international exposures. During 1st half of 2017 €202.4m of assets had thus been sold.

NOTE 4. OTHER ASSETS

(in thousands of euros)	06/30/2017	06/30/2016	12/31/2016
Options bought			
Securities settlement accounts			1,083
Other debtors	43,512	7,452	7,092
Deposits on collateralization transactions			
Other deposits and guarantees ⁽¹⁾		5,899	3,962
Tax consolidation receivables ⁽²⁾		35,704	
Other non-trade receivables		1,908	3,146
Special bonus account			
TOTAL	43,512	7,452	8,175

(1) As of June 30, 2017, this item includes mainly the guarantee deposits for 2015 and 2016 set up in the framework of the Single Resolution Fund amounting to €5,898k.

(2) The receivable posted at June 30, 2017 is the subsidy due by Crédit Foncier, and is 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).

NOTE 5. ACCRUAL ACCOUNTS – ASSETS

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Collection accounts			
Deferred expenses	214,908	233,355	210,323
Issue and redemption premiums on fixed income securities	214,908	233,355	210,323
Other deferred expenses			
Prepaid expenses	1,365,239	1,554,412	1,465,050
Termination balances of paid swaps to be amortized	1,364,209	1,554,412	1,465,050
Other prepaid expenses	1,031		
Accrued income	393,874	509,867	565,218
Accrued interest on swaps	393,874	509,841	565,192
Other accrued income		26	26
Other accrual accounts – assets	416,404	544,916	454,405
Cash in domiciliation	3,265		-3,274
Deferred tax assets ⁽¹⁾	396,050	508,024	444,814
Currency adjustment accounts ⁽²⁾			
Other accrued income ⁽³⁾	17,089	36,892	12,866
TOTAL	2,390,425	2,842,551	2,694,997

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

<i>Termination swap balance</i>	341,617	469,156	397,352
<i>Client provisions including credit risk provisions</i>	17,374	16,306	15,304
<i>Other temporary differences</i>	37,052	22,562	32,152

Upon declaring the final tax results for groupe Crédit Foncier for the 2016 fiscal year in May 2017, the tax treatment of macro-hedge balances paid in 2016 was aligned with that of the balances received, which were taxed immediately. This treatment now applies to all new macro-hedge balances paid. Since these balances are mainly spread out for accounting purposes, the immediate tax deductibility resulted in increased deferred tax liabilities, i.e. a decrease in the net deferred tax assets recorded on the balance sheet. For Compagnie de Financement Foncier, the impact from the 2016 balances as of June 30, 2017 amounted to €8m.

- (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. A similar item can be found in Note 10.*
- (3) *Mainly comprising payable-through accounts or financial relations with Crédit Foncier.*

NOTE 6. DUE TO CREDIT INSTITUTIONS

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Due to credit institutions – on demand ⁽¹⁾	375	2,396	355
Current accounts of credit institutions		2,396	
Demand loans from credit institutions			
Other amounts due to credit institutions	375		355
Related payables			
Due to credit institutions – at maturity ⁽²⁾	6,603,134	8,221,579	8,777,695
Term deposits and loans	4,656,816	4,975,544	5,148,342
Values sold under repurchase agreements			
Securities sold under repurchase agreements	1,945,769	3,233,482	3,628,236
Related payables	549	12,554	1,117
TOTAL	6,603,509	8,223,975	8,778,050
(1) Details on due to credit institutions – on demand (Group/non-Group)	375	2,396	355
Of which Group		2,387	
• Other amounts due to credit institutions		2,387	
• Demand loans to credit institutions			
• Related payables			
Of which non-Group	375	9	355
• Other amounts due to credit institutions	375	9	355
(2) Details on due to credit institutions – at maturity (Group/non-Group)	6,603,134	8,221,579	8,777,695
Of which Group	6,603,134	8,221,579	8,777,695
• Term deposits and loans	4,657,365	4,988,097	5,149,459
• Securities sold under repurchase agreements	1,945,769	3,233,482	3,628,236
Of which non-Group			
• Term deposits and loans			
• Banque de France refinancing (3G pool)			
• Other term loans			
• Securities sold under repurchase agreements			
• Related payables			
Sub-total due to Group credit institutions	6,603,134	8,223,966	8,777,695
Sub-total due to non-Group credit institutions	375	9	355
TOTAL	6,603,509	8,223,975	8,778,050

NOTE 7. AMOUNTS DUE TO CUSTOMERS

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Current accounts			
Other demand and term deposits		2	
Other amounts due		2	
Other term loans to customers			
Term accounts in credit			
Related payables			
TOTAL	0	2	0

NOTE 8. DEBT SECURITIES

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Negotiable debt securities	150,000	150,000	150,000
Related payables	575	466	1,243
Negotiable debt securities and related payables	150,575	150,466	151,243
Obligations foncières	65,544,526	66,138,859	66,437,242
Related payables	757,445	830,539	985,310
Obligations foncières and related payables	66,301,971	66,969,398	67,422,552
TOTAL	66,452,546	67,119,863	67,573,795

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*).

NOTE 9. OTHER LIABILITIES

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Options sold			
Other payables	1,771,876	2,820,446	2,218,043
Deposits on collateralization transactions	1,572,173	2,667,144	2,021,034
Margin calls on repurchase agreements			
Trade payables	49,582	37,443	65,438
Tax consolidation liabilities ⁽¹⁾		14,571	215
Other fiscal and social debts	-1	6	1,652
Other payables accounts	70,296	39,499	58,199
Special bonus account	79,826	61,784	71,505
Allocated public funds ⁽²⁾	39,758	44,948	43,216
TOTAL	1,811,634	2,865,394	2,261,259

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

0 14,571 215

(2) Of which subsidized sector

32,537 33,236 32,847

NOTE 10. ACCRUAL ACCOUNTS – LIABILITIES

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Collection accounts	8,083	349	52
Unearned income	1,462,037	1,767,787	1,619,769
Subsidies on loans for low-income households and former interest-free loans	47,212	65,646	56,053
Balances of swaps received to be amortized	1,339,480	1,611,824	1,478,964
Other unearned income	75,344	90,317	84,752
Accrued expenses	203,883	248,421	208,820
Accrued interest on derivatives (swaps)	201,180	243,964	203,529
Other accrued expenses	2,704	4,457	5,291
Other accrual accounts	604,983	556,046	685,974
Currency adjustment accounts*	593,474	419,184	609,832
Other items	11,509	136,862	76,142
TOTAL	2,278,986	2,572,602	2,514,616

* 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. A similar item can be found in note 5.

NOTE 11. PROVISIONS

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Provisions for counterparty risks	19,077	16,127	19,377
Provisions for counterparty risks on performing loans	19,077	16,127	19,377
Sectoral provisions			
Provisions for litigation	1,014		
Tax litigation			
Other litigation	1,014		
Other provisions	1,224	2,226	1,058
Other provisions*	1,224	2,226	1,058
TOTAL	21,315	18,353	20,435

* A provision related to an estimate of an accelerated amortization of several termination balances.

Changes in the period <i>(in thousands of euros)</i>	12/31/2016	Additions	Changes in 2017		Other changes	06/30/2017
			Reversals Used	Not used		
Provisions for counterparty risks	19,377			-300		19,077
Provisions for counterparty risks on performing loans	19,377			-300		19,077
Sectoral provisions						
Provisions for litigation		1,014				1,014
Tax litigation						
Other litigation		1,014				1,014
Other provisions	1,058	166				1,224
Other provisions	1,058	166				1,224
TOTAL	20,435	1,180	0	-300	0	21,315

NOTE 12. CHANGES IN EQUITY

(in thousands of euros)	Opening balance at 01/01/2016	Changes in capital and reserves			Balance at 12/31/2016	Changes in capital and reserves			Balance at 06/30/2017
		Allocation	Dividends paid in shares	Other		Allocation	Dividends paid in shares	Other	
Share capital*	2,537,460				2,537,460				2,537,460
Share premiums*	343,002				343,002				343,002
Reserves									
Legal reserve	52,326	6,625			58,951	4,684			63,635
General reserve	55,517				55,517				55,517
Regulated reserves									
of which:									
• Regulated reserves for revaluation									
• Special reserves for long-term capital gains									
Retained earnings	92,901	-1,011			91,889	-4,576			87,313
Net equity before net income for the year	3,081,207				3,086,820				3,086,927
Net income for the year before distributions	132,486	-132,486			93,676	-93,676			19,073
Equity after net income for the year	3,213,693				3,180,495				3,106,000
Dividends paid		126,873				93,568			

(in thousands of euros)	Opening balance at 01/01/2016	Changes in provisions			Balance at 12/31/2016	Changes in provisions			Balance at 06/30/2017
		Allocation	Additions	Reversals		Allocation	Additions	Reversals	
Special revaluation provision									
Other regulated provisions									
Regulated provisions									
Equity before distributions	3,213,693				3,180,495				3,106,000

(in thousands of euros)	Opening balance at 01/01/2016	Changes in the reserve for general banking risks (RGBR)			Balance at 12/31/2016	Changes in the reserve for general banking risks (RGBR)			Balance at 06/30/2017
		Allocation	Additions	Reversals		Allocation	Additions	Reversals	
Fund for general banking risks	20,000				20,000				20,000
TOTAL	3,233,693				3,200,495				3,126,000

* After the capital increase on September 15, 2015, share capital comprises 158,591,246 ordinary shares with a face value of €16, which confer identical rights on all shareholders.
No revaluation has been carried out to date.

NOTE 13. COMMITMENT GIVEN

	06/30/2017		06/30/2016		12/31/2016	
	Loans authorized but not yet established	Amounts not drawn down on loans already partially established	Loans authorized but not yet established	Amounts not drawn down on loans already partially established	Loans authorized but not yet established	Amounts not drawn down on loans already partially established
<i>(in thousands of euros)</i>						
FINANCING COMMITMENTS	848,598	4,317	756,239	4,419	785,179	4,323
Subsidized sector						
Non-Group commitments						
Credit institutions						
Customers						
Unsubsidized sector	848,598	4,317	756,239	4,419	785,179	4,323
Non-Group commitments	848,598	4,317	756,239	4,419	785,179	4,323
Customers ⁽¹⁾	848,598	4,317	756,239	4,419	785,179	4,323
Group commitments						
Credit institutions						
GUARANTEE COMMITMENTS	306,675	0	57,076	0	79,104	0
Non-Group commitments	306,675	0	57,076	0	79,104	0
Other values used as collateral ⁽²⁾	306,675		57,076		79,104	
COMMITMENTS ON SECURITIES	0	0	0	0	0	0
Other commitments given						
TOTAL ⁽³⁾	1,159,590		817,733		868,607	

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

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Permanent credit lines (outstanding transferred from Ixis CIB)	773,684	656,239	689,729
State housing savings accounts (primes d'épargne logement)	74,914	100,000	95,450

(2) This item 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>	06/30/2017	06/30/2016	12/31/2016
Securities	229,874		
Receivables	76,802	57,076	79,104

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>	06/30/2017	06/30/2016	12/31/2016
Doubtful commitments	415	517	422

NOTE 14. COMMITMENT RECEIVED

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Financing commitments	34,201,507	29,141,174	31,032,177
Non-Group commitments	565,708	256,347	258,292
Credit institutions ⁽¹⁾	565,708	256,347	258,292
Group commitments	33,635,799	28,884,827	30,773,885
Repurchase guarantee			
Credit institutions ⁽²⁾	3,000,000	3,000,000	3,400,000
Other assets received as collateral from the Group ⁽³⁾	30,635,799	25,884,827	27,373,885
Guarantee commitments	34,433,480	39,109,876	39,103,926
Non-Group commitments	34,042,404	38,192,596	36,576,008
Credit institutions and similar institutions ⁽⁴⁾	3,954,937	4,836,528	4,527,003
Customers ⁽⁵⁾	28,087,467	33,356,068	32,049,005
Group commitments ⁽⁶⁾	2,391,076	917,281	2,527,918
Credit institutions and similar items	2,277,677	917,281	2,456,535
Customers	113,399		71,383
Commitments on securities	20,000	46,964	0
Other securities to be received	20,000	46,964	
TOTAL	68,654,986	68,298,014	70,136,102

(1) Non-Group financing commitments include a commitment received from the Banque de France in relation to the collateral management mechanism, including an amount of €265.6m at June 30, 2017, compared with €53.3m at December 31, 2016.

(2) Credit line entered into by Compagnie de Financement Foncier and BPCE on May 2, 2012 for €3bn.

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

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
• Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38):	20,711,848	10,293,586	10,412,727
• Guarantees received from BPCE SA as replacement values (L. 211-38-VR):	6,659,300	6,655,400	6,656,400
• Guarantees received from Caisses d'Épargne, Banques Populaires and BPCE for loans to French local authorities (L. 211-38):	2,503,885	2,515,879	2,542,445
• Guarantees received from Crédit Foncier for mortgage notes:	760,765	6,419,963	7,762,299

(4) Mainly including:

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
• Guarantees received from Crédit Logement rated Aa3 (Moody's):	2,102,409	1,752,797	2,728,231
• Guarantees received from Créserfi:	185,300	4,349	6,412
• Security enhancement guarantees received from insurance companies:	1,526,076	2,017,772	1,631,601

(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>	06/30/2017	06/30/2016	12/31/2016
• Government guarantees on loans, mainly to the subsidized sector:	161,178	198,490	173,655
• Guarantees from the SGFGAS on FGAS-eligible loans and covered by the government:	14,791,764	16,247,853	16,966,939
• Mortgage guarantees for mortgage loans that are only covered by this guarantee:	10,796,876	13,270,887	12,340,130
• Guarantees given by local authorities and other organizations:	1,399,176	2,881,940	1,607,601
• Security enhancement guarantees given by governments:	938,473	963,018	960,680

(6) At June 30, 2017, a guarantee received from BPCE on securities for €800m, as well as a guarantee received from Crédit Foncier on securities and loans for €41.2m.

NOTE 15. COMMITMENTS ON FORWARDS AND OPTIONS CONTRACTS

<i>(in thousands of euros)</i>	06/30/2017		06/30/2016		12/31/2016	
	Euros	Other currencies ⁽³⁾	Euros	Other currencies ⁽³⁾	Euros	Other currencies ⁽³⁾
OVER-THE-COUNTER MARKETS						
Options (nominal amounts)	1,788,171	0	2,082,318	0	1,882,745	0
Hedging transactions (purchases)						
• Interest rate instruments	1,788,171		2,082,318		1,882,745	
• foreign exchange instruments						
• Other instruments						
Other options						
Options (fair value)	4,463	0	4,746	0	8,619	0
Forward transactions (nominal amounts)	70,392,248	10,137,690	70,805,935	13,242,375	70,325,602	12,279,430
Hedging transactions						
• Interest rate instruments	62,285,792	319,335	60,533,449	333,304	60,790,418	326,490
• Foreign exchange instruments ⁽¹⁾	8,106,456	9,818,355	10,272,486	12,909,071	9,535,184	11,952,940
• Other instruments						
Other transactions						
Forward transactions (fair value) ⁽²⁾	2,056,862	-1,919,504	1,422,337	-861,880	1,798,965	-3,477,545
Forward and options transactions	72,180,420	10,137,690	72,888,253	13,242,375	72,208,347	12,279,430
TOTAL ⁽³⁾ (NOMINAL AMOUNTS)	82,318,110		86,130,629		84,487,777	
TOTAL (FAIR VALUE)	141,821		565,203		-1,669,961	

Compagnie de Financement Foncier has no derivatives traded on the organized markets.

(1) These items are financial micro-hedging currency swaps. They represent a foreign exchange forward position; the inverse position, spot currency transactions, is included in the balance sheet assets (see Note 25).

(2) Data disclosed in accordance with the Regulation No. 2014-07 of the French National Accounting Standards Authority.

(3) Notional amounts in euros at the reporting date.

NOTE 16. INTEREST AND SIMILAR INCOME AND EXPENSES

<i>(in thousands of euros)</i>	06/30/2017			06/30/2016	12/31/2016
	Income	Expenses	Net	Net	Net
Interbank transactions	140,784	-42,451	98,333	48,838	110,974
Interest on Central Bank accounts		-3,244	-3,244	-4,599	-7,590
Interest on current accounts	2	-108	-106	-36	-174
Interest on term transactions	15,898	-35,962	-20,065	-24,499	-35,023
Interest on subordinated loans					
Interest on receivables guaranteed (replacement values)	124,884		124,884	79,095	156,785
Interest on securities received/sold under repurchase agreements		7,827	7,827	2,814	8,211
Financing and guarantee commitments					
Other interest income and expenses					
Hedging transactions (netting)		-10,963	-10,963	-3,937	-11,235
Hedged losses on receivables					
Non-hedged losses on receivables					
Net changes of provisions					
Customer transactions	357,032	-56,047	300,985	483,222	899,781
Interest on demand deposits, term deposits and regulated savings accounts					
Interest on loans to customers	325,399		325,399	501,940	940,175
Interest on subordinated loans					
Interest on doubtful loans	24,424		24,424	23,265	46,980
Amortization of additional loans fees (CRC Regulation 2009-03)	214		214	-304	-419
Interest on RMBS cash collateral					
Other interest income and expenses	9,499	-7	9,492	7,089	74,021
Income on financing and guarantee commitments	6		6		1
Hedging transactions (netting)		-56,040	-56,040	-47,245	-160,832
Hedged losses on receivables	-735		-735	-64	-278
Non-hedged losses on receivables	-301		-301	-444	-861
Net changes in provisions*	-1,473		-1,473	-1,014	993
Finance lease transactions					
Securities portfolio transactions	724,486	-964,308	-239,822	-247,444	-477,780
Interest on investment securities	10,289		10,289	55,820	108,487
Spreading of discounts/premiums on investment securities					
Interest on held-to-maturity securities	173,614		173,614	183,849	381,251
Amortization of discounts/premiums on held-to-maturity securities	-18,522		-18,522	-18,102	-36,493
Interest on medium-term notes (BMTN) issued		-887	-887	-783	-1,560
Interest on certificates of deposits issued					
Interest on mortgage notes issued					
Interest and expenses on bond issuances		-948,234	-948,234	-1,021,392	-2,037,434
Interest on doubtful securities					
Hedging transactions (netting)	559,103	-15,187	543,916	553,163	1,107,969
Losses on non-recoverable receivables					
Net changes of provisions					
Subordinated debts					
Payables on subordinated term securities					
Payables on subordinated debt – credit institutions					
Payables on subordinated debt – customers					
Other interest and similar income and expenses	9,288	-140,110	-130,822	-127,832	-253,990
Income on debt securities	9,288		9,288	18,647	36,971
Fees on credit derivatives					
Commitments received/given on securities		-2,974	-2,974	-3,722	-8,416
Other interest income and expenses					
Macro-hedging transactions (netting)		-136,970	-136,970	-140,531	-281,486
Net changes of provisions		-166	-166	-2,226	-1,058
TOTAL INTEREST AND SIMILAR INCOME AND EXPENSES	1,231,590	-1,202,916	28,674	156,785	278,984

* Net impact on customer interest under net interest margin.

NOTE 17. NET FEES AND COMMISSIONS

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Commissions on interbank and cash transactions (Net)	-4	-4	-8
Income			
Expenses	-4	-4	-8
Commissions on transactions with customers (Net)*	66,648	33,182	82,969
Income	66,648	33,182	82,969
Expenses			
Commissions on securities transactions (Net)	-609	-719	-1,441
Income			
Expenses	-609	-719	-1,441
Other commissions (Net)	-268	-308	-594
Income	3	-5	3
Expenses	-271	-303	-598
Income	66,651	33,177	82,972
Expenses	-884	-1,026	-2,047
NET FEES AND COMMISSIONS	65,767	32,151	80,926

* Commissions on customer transactions are the fees received from customers following the early repayments. The level of these fees is therefore directly correlated to the volume of loans repaid. The level of early repayments rests very high, it accounts for 20.4% during the first half of 2017.

NOTE 18. GAINS/LOSSES ON TRADING PORTFOLIO TRANSACTIONS

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Gains on currency and arbitrage transactions	-22	-301	-456
Losses on other financial instruments			
Gains on other financial instruments			
Charge to provisions for risks on financial forward instruments			
Reversals from provisions for risks on financial forward instruments			
NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS	-22	-301	-456

NOTE 19. TOTAL OTHER BANKING INCOME AND EXPENSES

<i>(in thousands of euros)</i>	06/30/2017			06/30/2016	12/31/2016
	Income	Expenses	Net	Net	Net
Transfers of expenses and income, reallocated expenses					
Total other banking income and expenses	90	-1,059	-969	1	2
Other operating income and expenses*	90	-45	45	1	2
Additions to and reversals from provisions for other operating income and expenses*		-1,014	-1,014		
TOTAL	90	-1,059	-969	1	2
* DETAILS					
Other operating income and expenses	90	-1,059	-969	1	2
• <i>Transfers to exceptional gains</i>	73		73	1	2
• <i>Other operating income</i>	17		17	2	7
• <i>Losses on deferred interests and variable rate loans</i>				-1	-4
• <i>Transfers to exceptional losses</i>		-45	-45		
• <i>Other operating expenses</i>					
• <i>Allocations to provisions</i>		-1,014	-1,014		

NOTE 20. OPERATING EXPENSES

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
TOTAL PAYROLL COSTS	-28	-16	-60
Wages and salaries		-10	-54
Costs of defined-contribution plans		-2	-2
Other social security costs and payroll-based taxes*	-28	-5	-5
Additions/reversals of provisions for litigation			
TOTAL OTHER ADMINISTRATIVE EXPENSES	-64,800	-59,774	-127,629
Taxes other than on income	-10,713	-11,409	-23,033
CET (local business tax) and CVAE (tax on company value added)	-799	-1,881	-3,650
Social solidarity contribution	-1,553	-2,263	-4,617
Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority (ACPR)	-407	-398	-835
Systemic banking risk tax	-1,370	-1,657	-3,481
Contributions to Single Resolution Fund	-5,536	-4,206	-8,411
Control fees paid to ECB	-514	-523	-1,018
Taxes other than on income	-533	-483	-1,020
Additions/reversals of provisions for tax disputes			
External services	-54,087	-48,364	-104,596
Leasing			
External services provided by the Group	-52,154	-46,708	-100,802
Fees, subcontracting and services	-1,749	-1,460	-3,467
Advertising	-120	-138	-200
Remuneration of intermediaries			
Transport and travel			
Maintenance and repairs			
Insurance premiums			
Other external services	-63	-57	-128
Additions/reversals from provisions for disputes relating to external services			
Additions/reversals from provisions for external services costs			
Other expenses			
Transfers of expenses			
GENERAL OPERATING EXPENSES	-64,828	-59,789	-127,689

* The total amount of remuneration received by governing bodies at December 31, 2016 amounted to €15k. Following the decision by the Board of Directors of Compagnie de Financement Foncier on February 9, 2016, no additional remuneration is paid to the executive bodies since February 1, 2016. The amount recorded in 2017 as "other social and tax charges" corresponds to apprenticeship tax reminders for previous years.

NOTE 21. COST OF RISK

<i>(in thousands of euros)</i>	06/30/2017			06/30/2016	12/31/2016
	Expenses	Income	Net	Net	Net
Net additions/reversals on held-to-maturity securities					
Net additions/reversals on securities transactions					
Net additions/reversals on customer transactions	-25,550	24,087	-1,463	-22,738	-44,156
Impairment of customer transactions	-25,550	23,787	-1,763	-22,740	-40,908
Provisions for counterparty risks on performing loans		300	300	2	-3,248
Sectoral provisions					
Gains/losses on customer transactions	-5,981	3,803	-2,177	18,319	17,079
Losses on the covered irrecoverable loans and receivables	-868		-868	15,130	19,791
Losses on irrecoverable loans and receivables not covered by provisions	-5,112		-5,112	-4,647	-6,741
Recoveries of bad debts written off		3,803	3,803	7,836	4,029
Losses/recoveries on other transactions					
Losses on the covered irrecoverable loans and receivables					
COST OF RISK	-31,531	27,890	-3,641	-4,418	-27,078

NOTE 22. GAINS OR LOSSES ON LONG-TERM INVESTMENTS

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Capital gains or losses on disposals of held-to-maturity securities	7,319	-48	-48
Provisions for impairment on held-to-maturity securities			
Reversals for impairment on held-to-maturity securities			
GAINS OR LOSSES ON OTHER ASSETS	7,319	-48	-48

NOTE 23. INCOME TAX

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Tax expense components			
Current tax expenses (income) ⁽¹⁾	35,536	-14,571	-16,862
Deferred tax liabilities (income) ^{(1) (2)}	-48,764	-30,894	-94,104
Provisions for deferred taxes			
Provisions for risks or for tax litigations			
TOTAL	-13,228	-45,465	-110,965
<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
Breakdown of deferred taxes for the period			
Termination swap balance	-55,734	-39,407	-111,212
Client provisions including credit risk provisions	2,070	771	-231
Other temporary differences	4,900	7,742	17,339
TOTAL	-48,764	-30,894	-94,104

(1) Pursuant to the tax consolidation agreement signed by Compagnie de Financement Foncier, BPCE and Crédit Foncier, the Company has recognized 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).

Conversely, the Company has recognized a potential tax expense stemming from the tax benefit recorded for the period, to be paid to the consolidating parent company Crédit Foncier.

(2) Including -€1,5m recorded on the liabilities method for the first half 2017.

NOTE 24. TRANSACTIONS WITH RELATED CREDIT INSTITUTIONS ⁽¹⁾

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016	06/30/2017 Valuation of assets received as collateral ⁽²⁾
BALANCE SHEET				
Assets items				
Receivables from credit institutions				
Sight deposit	467,686	185,621	243,976	
Term				
Term deposits guaranteed by repo securities	29,251,847	19,316,493	19,439,806	29,834,036
• <i>Loans guaranteed by French local authority loans (SPT) under L. 211-38</i>	12,359,081	12,702,841	12,826,941	12,427,328
• <i>at Crédit Foncier</i>	9,845,500	10,172,000	10,303,000	9,916,758
• <i>to BPCE</i>	2,320,000	2,320,000	2,320,000	2,316,393
• <i>to other Group entities</i>	193,581	210,841	203,941	194,177
• <i>Loans guaranteed by mortgage loans under L. 211-38</i>	10,277,000			10,763,998
• <i>individual customers</i>	10,004,500			
• <i>professional customers</i>	272,500			
• <i>Loans registered as replacement values under L. 211-38</i>	6,600,000	6,600,000	6,600,000	6,642,710
• <i>to BPCE</i>	6,600,000	6,600,000	6,600,000	6,642,710
• <i>Related receivables</i>	15,766	13,652	12,865	
Customer transactions				
Receivables				
Securities transactions				
Bonds and other fixed-income securities	791,186	6,317,599	7,389,310	760,765
• <i>Mortgage notes</i>	730,000	6,249,500	7,321,281	760,765
• <i>at Crédit Foncier</i>	730,000	6,249,500	7,321,281	760,765
• <i>Other fixed income securities</i>	59,720	63,863	61,497	
• <i>Related receivables</i>	1,465	4,236	6,532	
Other assets ⁽²⁾				
Other debtors	35,704			
TOTAL ASSETS	30,546,422	25,819,713	27,073,092	30,594,801
Liabilities items				
Due to credit institutions				
Sight deposit		2,387		
Term	4,659,238	5,005,348	5,151,053	
Securities sold under repurchase agreements	1,947,642	3,234,737	3,629,830	
Customer transactions				
Sight deposit				
Debt securities				
Subordinated debts				
Other liabilities				
Other creditors	32,478	14,936	50,967	
TOTAL LIABILITIES	6,639,359	8,257,408	8,831,850	

Compagnie de Financement Foncier does not conduct transactions not concluded under normal market conditions between related parties (Regulation No. 2014-07).

(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 25. STATEMENT OF FOREIGN EXCHANGE POSITIONS

■ At 06/30/2017

Heading (in thousands of euros)	Australian \$	Canadian \$	US \$	£ Sterling	Swiss Franc	Yen	Hungarian Forint	New Zealand \$	Norwe- gian Krone	Danish Krone	Total
BALANCE SHEET											
Financial assets	35	9	2,126,148	115,382	1,363,565	1,818,478	11	38	9,761	7	5,433,434
Financial liabilities			268,745	643,617	2,804,093	179,940			444,295		4,340,690
Balance sheet differential (I)	35	9	1,857,403	-528,235	-1,440,528	1,638,538	11	38	-434,534	7	1,092,744
OFF-BALANCE SHEET											
Commitments received			397,181	626,415	2,741,863	163,860			434,534		4,363,853
Commitments given			2,254,534	98,177	1,299,426	1,802,365					5,454,502
Off-balance sheet differential (II)			-1,857,353	528,238	1,442,437	-1,638,505			434,534		-1,090,649
TOTAL DIFFERENTIAL (I)+(II)	35	9	50	3	1,909	33	11	38	0	7	2,095

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 26. STATEMENT OF LIQUIDITY POSITION

■ At 06/30/2017

Heading (in thousands of euros)	Remaining maturity					Total ⁽²⁾
	< 3 months	3M<T<6M	6M<T<1Y	1Y<T<5Y	> 5 years	
BALANCE SHEET						
Financial assets ⁽¹⁾	7,960,171	1,269,141	2,222,119	18,341,056	44,732,588	74,525,075
Receivables from credit institutions	7,353,500	502,010	942,127	8,485,776	13,045,533	30,328,946
Receivables from customers	574,512	674,051	1,140,237	8,493,249	24,389,609	35,271,658
Bonds and other fixed-income securities	32,159	93,080	139,755	1,362,031	7,297,446	8,924,471
Subordinated term loans						
Financial liabilities	8,264,634	3,722,626	4,669,547	23,889,694	31,750,610	72,297,111
Due to credit institutions	5,745,799	831,518	1,614	10,617	13,037	6,602,585
Due to customers						
Debt securities:	2,518,835	2,891,108	4,667,933	23,879,077	31,737,573	65,694,526
• <i>Retails certificates of deposit</i>						
• <i>Interbank market securities</i>						
• <i>Negotiable debt securities</i>				150,000		150,000
• <i>Bonds</i>	2,518,835	2,891,108	4,667,933	23,729,077	31,737,573	65,544,526
• <i>Other debt securities</i>						
Subordinated term debt						
Balance sheet differential (I)	-304,463	-2,453,485	-2,447,428	-5,548,638	12,981,978	2,227,964
OFF-BALANCE SHEET						
Commitments given			852,914			852,914
Commitments received	265,625			3,000,000		3,265,625
Off-balance sheet differential (II)	265,625	0	-852,914	3,000,000	0	2,412,711
TOTAL DIFFERENTIAL (I)+(II)	-38,838	-2,453,485	-3,300,342	-2,548,638	12,981,978	4,640,675
Conditional positions				33,122	1,755,049	1,788,171

(1) The financial assets of Compagnie de Financement Foncier include €5.1bn of securities (unencumbered assets) that meet the refinancing criteria of the European Central Bank.

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

NOTE 27. CASH FLOW STATEMENT

1. Principles

The cash flow statement analyzes 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 financial statements as regulated by 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, amortization and impairment 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 securitization 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 French National Accounting Board. It includes cash on hand and demand deposits at the Banque de France, in post office accounts and with credit institutions.

2. Cash flow statement

<i>(in thousands of euros)</i>	06/30/2017	06/30/2016	12/31/2016
OPERATING ACTIVITIES			
Net income for the year	19,073	78,914	93,676
Restatement of earnings related to operating activities			
Tangible and intangible fixed assets, excluding goodwill			
Net provisions/customers and credit institutions	3,237	8,624	17,380
Net provisions/available-for-sale securities			
Net provisions/held-to-maturity securities			
Net provisions for risks/loans	-134	2,224	4,306
Net gain on sale of fixed assets			
Other transactions without cash payments	63,409	505,149	957,331
Cash flows on loans to credit institutions and customers	-4,735,584	-631,329	945,978
Cash flows on short-term investment securities	6,591,281	-499,538	-1,571,315
Cash flows on long-term investment securities	367,085	-401,532	-384,249
Cash flows on other assets	1,565	167,994	258,864
Cash flows on debts/credit institutions and customers	-2,173,974	-1,627,912	-1,062,401
Net borrowing	-892,717	-1,721,544	-1,423,161
Cash flows on other liabilities	-505,126	-81,271	-747,505
Net cash flows used for operating activities	-1,261,886	-4,200,221	-2,911,096
INVESTING ACTIVITIES			
Cash flows related to the sale of:			
Financial assets			
Property, plant and equipment and intangible assets			
Disbursements for the acquisition of:			
Financial assets			
Property, plant and equipment and intangible assets			
Net cash flows from other investment activities			
Net cash flows used for investment activities			
FINANCING ACTIVITIES			
Cash flows from share issuances			
Dividends paid	-93,569	-126,873	-126,873
Net issuances of subordinated debt			
Other			
Net cash flows from financing activities	-93,569	-126,873	-126,873
NET CHANGE IN CASH POSITION	-1,355,455	-4,327,094	-3,037,969
Opening cash and cash equivalents	2,428,398	5,466,367	5,466,367
Closing cash position	1,072,943	1,139,273	2,428,398
Net	-1,355,455	-4,327,094	-3,037,969
Cash: deposits at Banque de France	1,019,958	1,100,043	2,400,000
Due to credit institutions on demand*	52,985	39,230	28,398
TOTAL	1,072,943	1,139,273	2,428,398
* Of which:			
BPCE	49,587	35,549	27,744

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: €2,537,459,936

For the six-month period ended June 30, 2017

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 June 30, 2017;
- 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 in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain 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.

French original signed by

Paris la Défense, August 28, 2017

KPMG SA

Xavier de Coninck

Partner

Neuilly-sur-Seine, August 28, 2017

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 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 in verifying the information on the financial position and the financial statements provided in this update to the Registration document as well as a review of the entire document.

Signed in Charenton-le-Pont, on August 29, 2017

Chief Executive Officer of Compagnie de Financement Foncier

Olivier Avis



Risk control and monitoring report

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Foreword

With a view to transparent financial disclosure, and above and beyond its regulatory obligations, Compagnie de Financement Foncier includes in its update to the 2016 Registration document a detailed Risk Management report based on IFRS rules (which do not apply to Compagnie de Financement Foncier) and prudential standards. This report is based on the data input into the risk management system; the consistency of this information with accounting data is ensured by the Risk department of Crédit Foncier.

1. Main risks of Compagnie de Financement Foncier

Compagnie de Financement Foncier's business model is, by its very nature, highly secured. The legislative framework prevents it from holding a trading book, which protects it against market risks associated with proprietary trading, and from holding interests in affiliates, which, as a result, protects it from difficulties originated outside its own assets. The banking and financial environment in

which Compagnie de Financement Foncier operates exposes it to many types of risk and forces it to implement a demanding and rigorous policy to monitor and control these risks.

The main risks are set out in the Registration document for Compagnie de Financement Foncier (p. 133).

1.1. Potential impact of Great Britain's withdrawal from the European Union

The process of Great Britain's withdrawal was made official on March 30, 2017 by triggering Article 50 of the Treaty on European Union.

Since this process is unprecedented in the history of the European Union, it is impossible to predict the outcome of the negotiations for Great Britain's exit from the European Union. The potential impact of this exit will depend on the agreements that Great Britain will be able to negotiate to maintain access to European markets during the transitional period or on a more permanent basis. Brexit could adversely affect the European and world economic environment

and/or market conditions, and could also lead to increased market volatility, particularly with exchange rates.

However, the direct impact on Compagnie de Financement Foncier is expected to be moderate, involving Pound Sterling exposures hedged against the currency risk. The only indirect (and as yet unproven) risk concerns the relocation of the LCH Clearnet euro-clearing house of which Crédit Foncier is a member. This risk is being monitored by Crédit Foncier, although initial discussions on implementing the Brexit vote do not provide a clear view of the solution that will ultimately be adopted.

2. Governance and risk management system

2.1. Organization of the following divisions: Risk, Compliance and Permanent Control Coordination, Information Systems Security, Contingency and Business Continuity Plan

The Risk and Compliance Division of Crédit Foncier is responsible for internal control and compliance for Compagnie de Financement Foncier. It comprises the Risk department, the Compliance and Permanent Control Coordination Division, the Information Systems Security Division, and the Contingency and Business Continuity Plan (CBCP) Division. This division reports to the single Chief Risk Officer of Crédit Foncier. The Director of Compliance is the head of investment services compliance, as declared to the French Financial Market Authority (AMF).

The Compliance Division includes the Financial Security department, in charge of the prevention and treatment of money laundering, terrorist financing, internal and external frauds risks.

Crédit Foncier's Risk and Compliance Division is an integral part of the risk framework of Groupe BPCE. Compagnie de Financement Foncier relies on the systems and the network organization set up at Crédit Foncier.

2.1.1. ORGANIZATION OF GROUPE CRÉDIT FONCIER'S RISK DEPARTMENT

Crédit Foncier's Risk department, reporting functionally to the Risk Compliance and Permanent Control Division (RCPCD), covers all subsidiaries controlled by Crédit Foncier, including Compagnie de Financement Foncier. The institution's risk policy has been formally set out in a document describing its various responsibilities and its organization, which serves as a framework for the development of its activities, including activities carried out on behalf of Compagnie de Financement Foncier and the management of the capital of groupe Crédit Foncier entities.

In the specific case of Compagnie de Financement Foncier, the Risk department conducts its activities within the framework of the

agreements signed between Crédit Foncier and its *société de crédit foncier*. The Risk department reports on its activities to the Risk Executive Committee, Risk Committee and Executive Management of Compagnie de Financement Foncier.

The Corporate Secretariat of Compagnie de Financement Foncier, which is in charge of monitoring outsourced services of Compagnie de Financement Foncier and, therefore, the proper implementation of the agreements signed with Crédit Foncier, is an integral part of groupe Crédit Foncier's Internal Control arrangement.

MAIN RESPONSIBILITIES OF THE RISK COMMITTEES

Compagnie de Financement Foncier is part of the overall organization of Crédit Foncier: The Compagnie de Financement Foncier Risk Executive Committee and Crédit Foncier Internal Control Committee are the umbrella committees of this organization.

Compagnie de Financement Foncier's **Risk Executive Committee** is chaired by its Chief Executive Officer. Meeting at least quarterly, its main responsibilities are to deal with:

- the general risk policy;
- analyzing and monitoring the institution's overall risk profile based on the results of the scoring systems, measurement and assessment systems (stress scenarios, etc.) and its largest exposures;
- measuring the quality of its exposure and debt collection efforts on the basis of summary reports;
- risk management: monitoring risk, reviewing regulatory and specific ratios, monitoring the risk charge, drawing up and analyzing stress scenarios, and monitoring capital.

The **Internal Control Committee**, chaired by the Chief Executive Officer of Crédit Foncier, meets at least four times a year and comprises the representatives of control functions. This committee has the following duties:

- ensure the good organization and completeness of the permanent controls of the activities, the effectiveness of the monitoring and control systems for operational risks and compliance;
- coordinate actions to ensure risk control, the compliance of operations and internal procedures, quality, availability of information processed by the Information System (IS) and the security of the latter;
- ensure the resolution of the malfunctions identified by the General Inspectorate and the implementation of the recommendations;
- act as a Volcker Committee under the US Dodd-Frank Wall Street Reform and Consumer Protection Act, which has added a new section 13 to the Bank Holding Company Act of 1956 (BHC Act), section 13, commonly referred to as "Volcker Rule".

The **ALM and Liquidity Oversight Committee** is the decision-making body for the ALM function. It is responsible for financial risk management in line with the risk policy and limits established by the Risk Executive Committee in accordance with Groupe BPCE rules.

The operational implementation of guidance and management decisions taken in this body is ensured by the **Treasury Committee** and the **Financial Management Committee**.

2.1.2. ORGANIZATION OF GROUPE CRÉDIT FONCIER'S COMPLIANCE DEPARTMENT

Crédit Foncier's Compliance Division manages groupe Crédit Foncier's compliance function.

Crédit Foncier's Compliance Division reports functionally to the Risk, Compliance and Permanent Control Division of BPCE (RCPCD). It is independent of all other business lines, in accordance with banking regulations.

Under the Group charter on risks, compliance and permanent control of March 29, 2017, the Compliance department is responsible for preventing, identifying, assessing and monitoring risks related to banking compliance, investment services compliance, financial and general ethics, and financial security (combating money laundering and terrorist financing, and combating internal and external fraud).

It relies on the Permanent Control department run by the Permanent Control Coordination Division, and provides regular reports to the Corporate Secretariat of Compagnie de Financement Foncier on its business and the controls conducted.

2.1.3. ORGANIZATION OF GROUPE CRÉDIT FONCIER'S PERMANENT CONTROL COORDINATION DEPARTMENT

The Permanent Control Coordination Division ensures the existence and effectiveness of the first- and second-level permanent control system, and works in close collaboration with teams of permanent second-level controllers, which are hierarchically independent from the units controlled, and with the Corporate Secretariat of Compagnie de Financement Foncier.

2.1.4. ORGANIZATION OF THE INFORMATION SYSTEMS SECURITY DEPARTMENT

The Head of Information Systems Security for groupe Crédit Foncier is also in charge of the Compagnie de Financement Foncier scope.

Governance in terms of Information Systems Security at groupe Crédit Foncier is organized around:

- Information Systems Security Policy (ISSP) specific to Crédit Foncier, and its thematic variations underpinned by the Security Policy and the rules of Groupe BPCE;
- bodies such as the Internal Information Systems Security Committee (ISSIC) chaired by a member of Executive Management;
- outreach plan to raise awareness about cyber attacks and security risks among all employees;
- permanent control mechanism for Information Systems Security, combined with a quarterly security report (security indicators).

2.1.5. ORGANIZATION OF THE CONTINGENCY AND BUSINESS CONTINUITY PLAN (CBCP)

The Contingency and Business Continuity Plan (CBCP) of Crédit Foncier encompasses the business continuity of Compagnie de Financement Foncier. The Contingency and Business Continuity Plan is under the responsibility of the Head of Information Systems Security, who reports to the Executive Director for Risk and Compliance at Crédit Foncier.

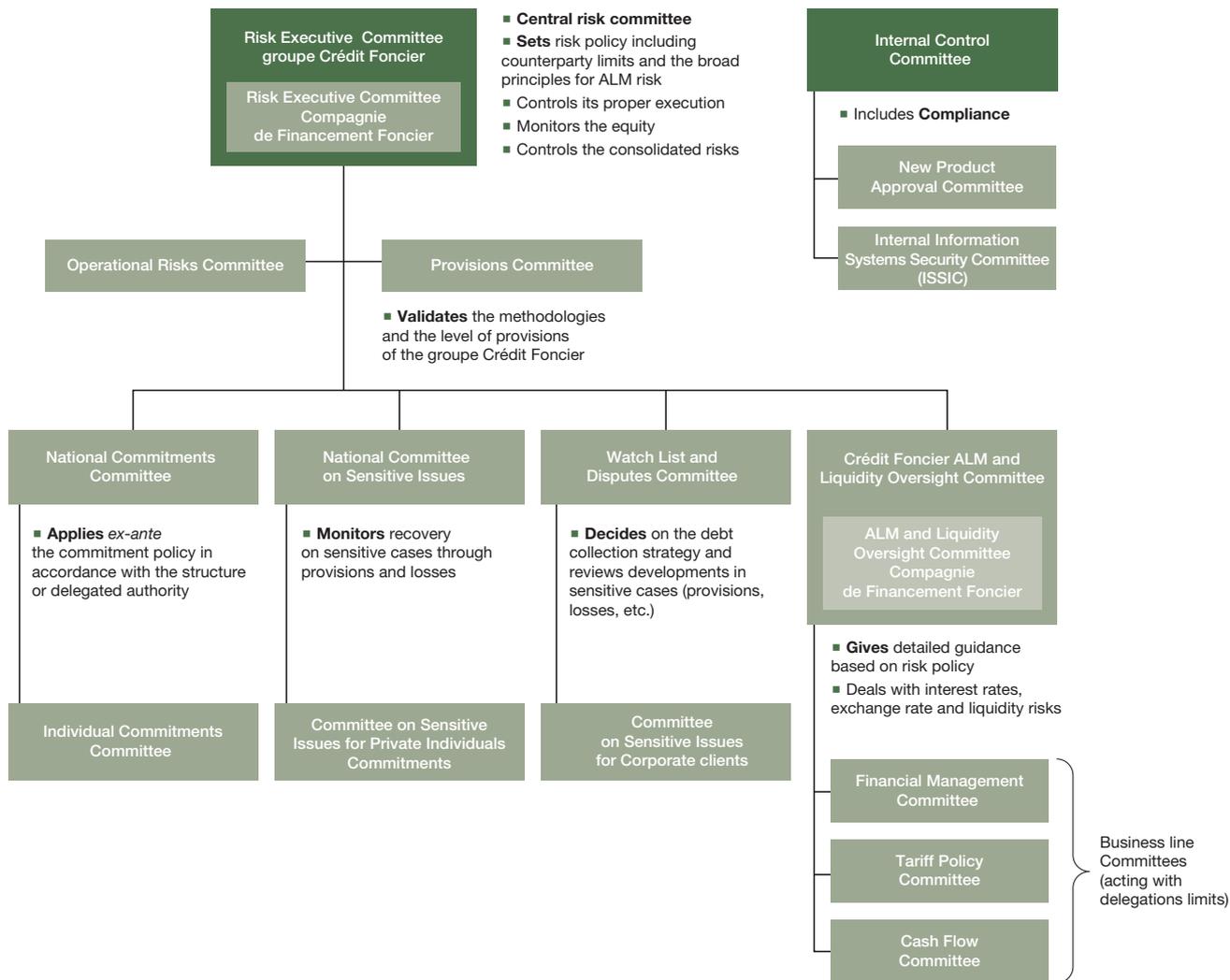
Compagnie de Financement Foncier has its own CBCP manager, fully integrated in the group Crédit Foncier plan.

2.1.6. INFORMATION SYSTEMS AND DATA CONSISTENCY

To comply with Basel II and subsequently Basel III, the Risk department ensures the accounting consistency of the data input into the risk management system. Compagnie de Financement Foncier's exposures are fully integrated into this data consistency mechanism.

Accordingly, all Groupe BPCE entities ensure that all data transferred to Group regulatory production systems are checked for accounting consistency at least quarterly.

RISK ORGANIZATION – COMMITTEE STRUCTURE



2.2. Assets selection process

For more information, see Compagnie de Financement Foncier's 2016 Registration document (p. 141).

3. Changes in assets

In accordance with its *société de crédit foncier* status, Compagnie de Financement Foncier's assets are broken down into three main categories:

- secured loans, as defined under Articles L. 513-3 and L. 513-6 of the French Monetary and Financial Code, backed by a first-rank

mortgage (or, to a lesser extent, equivalent real estate collateral or a surety);

- exposures to public entities, as defined under Article L. 513-4;
- replacement values as defined in Article L. 513-7, limited to 15% of the nominal value of the privileged liabilities.

BREAKDOWN OF ASSETS BY GUARANTEE

	06/30/2017		12/31/2016	
	€m	% balance sheet	€m	% balance sheet
Secured loans	38,792	48.3%	39,377	46.7%
• mortgage loans secured by the FGAS	14,846	18.5%	16,941	20.1%
• other mortgage loans	10,648	13.3%	12,381	14.7%
• guaranteed loans	2,287	2.8%	2,729	3.2%
• mortgage notes	730	0.9%	7,325	8.7%
• secured loans assigned under L. 211-38	10,281	12.8%	0	0.0%
Exposures on public entities	31,543	39.3%	34,719	41.2%
• Public sector loans	9,837	12.3%	10,623	12.6%
• public loans assigned under L. 211-38	12,371	15.4%	12,840	15.2%
• public entity securities	8,315	10.4%	8,856	10.5%
• deposits at Banque de France	1,020	1.3%	2,400	2.8%
Other assets (interests on IFAT, adjustment accounts, etc.)	2,888	3.6%	3,409	4.0%
Replacement values	7,071	8.8%	6,844	8.1%
TOTAL ASSETS	80,294	100.0%	84,349	100.0%

During the half year, the €4bn decline in Compagnie de Financement Foncier's assets can be observed mainly in Public sector outstandings. Call deposits at the Banque de France dropped by €1.4bn and long-term investments decreased by €1.8bn, due mainly to the contractual amortization of receivables and, to a lesser extent, to the disposal of three fixed-income lines for €0.2bn. Overall, this compartment's contribution to the balance sheet therefore dropped from 41.2% to 39.3%.

In return, mortgage and related assets increased in relative terms, from 46.7% to 48.3% of the balance sheet, even though their value in absolute terms saw a slight decline, from €39.4bn to €38.8bn. This near-stability of outstandings results, on the one hand, from very significant early repayments recorded in the portfolio of loans to individuals, amounting to more than €3bn in the 1st half-year at an annual rate of 20.4% observed over the period, and, on the other hand, from new funding of loans granted by Crédit Foncier for a comparable amount.

During the half-year period, Compagnie de Financement Foncier changed the legal nature of assigned mortgages and related assets, as is now legally assigned following the enactment of the Act of December 9, 2016, *i.e.* the Sapin II Law, and in particular its Article 154.

Mortgage notes assigning receivables pledged in France were all repaid in January and replaced by loans to Crédit Foncier secured

by a portfolio of receivables of the same kind and governed by Article L. 211-38 of the French Monetary and Financial Code.

Furthermore, during the half-year period, new loans of this type were granted to Crédit Foncier to fund a portion of its new production, thereby increasing the share of assignments posted in the balance sheet. The remaining mortgage notes in the balance sheet at June 30, 2017 (€0.7bn) reflect loans assigned to individuals by the Belgian branch of Crédit Foncier.

In addition, the regional breakdown saw very few changes over the half-year period, and the vast majority of assets in the balance sheet continued to have underlyings located in France, *i.e.* 87.6% at June 30, 2017, compared with 87.5% sixth months earlier.

At June 30, 2017, international assets, mainly from the Public sector, amounted to €9.9bn, broken down into three categories:

- four countries with the highest exposures, namely Italy (€3.5bn), the United States (€1.6bn), Japan (€1.5bn) and Switzerland (€1.2bn);
- four countries with moderate exposure, namely Belgium (€0.7bn), Spain (€0.5bn), Canada (€0.5bn) and Poland (€0.4bn);
- two other countries with outstandings of less than €0.1bn, namely Portugal and the Netherlands.

4. Changes in liabilities

Under the regulations governing *sociétés de crédit foncier*, Compagnie de Financement Foncier's liabilities can be divided into two main categories:

- privileged liabilities that legally protect bondholders by guaranteeing priority repayment and compliance with repayment schedules, even in the event of issuer default or default of its parent company;
- other resources that help reinforce the security of privileged debt holders. These resources which come after the privileged debts in terms of debt ranking priority consist of unsecured debts with different counterparties, subordinated debts and lastly equity which is mainly provided by Crédit Foncier.

BREAKDOWN OF LIABILITIES BY GUARANTEE RANK

	06/30/2017		12/31/2016	
	€m	% balance sheet	€m	% balance sheet
Privileged liabilities	65,990	82.2%	66,803	79.2%
<i>Obligations foncières</i> at the reporting date	66,302	82.6%	67,423	79.9%
Foreign exchange difference on <i>obligations foncières</i>	-519	-0.6%	-827	-1.0%
Other privileged liabilities	207	0.3%	208	0.2%
Difference associated with hedging balance sheet items*	1,257	1.6%	1,587	1.9%
Non-privileged resources	13,046	16.2%	15,959	18.9%
Unsecured debt	7,683	9.6%	10,521	12.5%
Subordinated debt and similar debt	2,216	2.8%	2,217	2.6%
• of which associate current account	2,100	2.6%	2,100	2.5%
Shareholders' equity, provisions and FRBG	3,147	3.9%	3,221	3.8%
TOTAL LIABILITIES	80,294	100.0%	84,349	100.0%
<i>Regulatory capital according to CRR/CRD IV:</i>	3,026	3.8%	3,045	3.6%
<i>of which Common Equity Tier 1 capital</i>	3,026	3.8%	3,045	3.6%
<i>of which Additional Tier 1 capital</i>	0	0.0%	0	0.0%
<i>of which Tier 2 capital</i>	0	0.0%	0	0.0%

Over the half-year period, Compagnie de Financement Foncier recorded a decline in liabilities, mainly related to unsecured resources with the following main causes:

- the €1.7bn reduction in repurchase transactions with the parent company;
- the non-renewal of a portion of intragroup unsecured debt, corresponding to €0.5bn;
- the €0.4bn drop in deposits received for swap counterparties, of which the amounts vary depending on the changes observed in the fixed-income and currency markets.

Privileged liabilities also declined over the half-year period, but for a more limited amount of €0.8bn, since the issuance of *obligations foncières* (for a total amount of €3.7bn over the period) largely offset the contractual amortization of previously issued debt.

The overall amount, consisting of subordinated debt and shareholders' equity, remained stable at nearly €5.4bn; this last-level protection of *obligations foncières* holders represented 6.7% of Compagnie de Financement Foncier's balance sheet total at June 30, 2017.

* In 2013 and 2014, Compagnie de Financement Foncier reviewed the treatment of swaps for the purposes of determining its regulatory coverage ratio. Since 2013, assets and liabilities have been recognized at historical cost for the purposes of this calculation, i.e. after taking into account their initial currency hedging, and accrued interest on swaps is now calculated after netting for each counterparty. These changes, which only affect prudential ratio items, required adjustments in the above presentation of liabilities, and the creation of the item "Difference relating to hedging of balance sheet items".

5. Prudential ratios

5.1. Specific ratios

As a *société de crédit foncier*, Compagnie de Financement Foncier is subject to several specific regulatory ratios that must be complied with at all times and that are regularly validated by the Specific Controller.

COVERAGE RATIO

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 affected three types of assets:

- LTV overruns on mortgage loans either held directly or assigned;
- assets sold under repos;
- the portion of unsecured intragroup loans above the regulatory threshold of 25% of non-privileged liabilities.

Regulations limit outstanding loans financed with *obligations foncières* to the fraction of outstanding loans with an LTV ratio (equal to the outstanding principal in relation to the updated 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 end-June 2017, overruns of the LTV threshold amounted to €0.4bn, still significantly lower than overruns for non-privileged liabilities, standing at €13bn at that date.

In addition, assets used to secure other transactions are deducted from the assets recognized on the balance sheet. Thus the outstanding amount of securities sold to Crédit Foncier under repurchase agreements, representing €1.8bn at June 30, 2017, was not included for the purposes of calculating the ratio.

Lastly, the application of the new limit on intragroup exposures established by the Order of May 26, 2014 led to the deduction of €2bn in assets, mainly on account of the fact that a portion of the receivables provided as collateral for short-term loans granted to BPCE did not have all the characteristics required to be eligible for funding through *obligations foncières*.

As a result, the overcollateralization ratio at end-June 2017 was estimated at 114.2%, including any associated currency hedging for assets and liabilities. As it was still being finalized upon publication of this report, the final level of coverage of privileged liabilities will be certified by the Specific Controller by end-September at the latest.

As of December 31, 2016 this ratio was 117.6%. The change of the ratio over the first half of the year results from the management decisions taken in order to control the level of non-privileged resources.

Regardless of the minimum ratio required by law, Compagnie de Financement Foncier already committed to maintain at any time a level of non-privileged liabilities in excess of 5% of privileged liabilities (both considered after currency swaps). At June 30, 2017, this ratio was 16.8%.

LOAN TO VALUE

As part of its risk monitoring and management rules, Compagnie de Financement Foncier sets the LTV of mortgage loans that it holds directly or through assignment. This LTV is also the ratio of the present value of the collateral to the outstanding principal. Every year, Compagnie de Financement Foncier, like every *société de crédit foncier*, re-examines the value of this collateral using procedures that are checked for compliance by the Specific Controller. This certification and a description of the methods used to value and re-value property together with their results are presented in the Risk control and monitoring report in section 6.3.2 of Compagnie de Financement Foncier's 2016 Registration document.

Considering all outstanding mortgages, whether held directly or as collateral for mortgage notes or loans governed by Article L. 211-38, the average loan to value at end-June 2017 amounted to 73.9% for total outstandings of €39.7bn.

For loans to individuals, which represent Compagnie de Financement Foncier's core business and amount to total outstandings of €38.9bn, average loan to value was 74.2%, slightly down over the half year, breaking down as follows:

- 81.6% on loans guaranteed by FGAS amounting to €19.8bn;
- 66.5% on other mortgage loans to individuals, with €19.1bn outstanding.

OTHER LIMITS

Compliance with the various holding limits applicable to certain assets is also verified. Notably, at June 30, 2017:

- Guaranteed loans amounted to 5.6% of total assets, still well below the legal limit of 35%; this calculation includes directly-held guaranteed loans (2.8%) as well as loans used to guarantee mortgage notes (2.7%);
- replacement values have an outstanding amount equal to 8.4% of the nominal amount of privileged liabilities, 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.

SOLVENCY AND LIQUIDITY RATIOS

As a credit institution, Compagnie de Financement Foncier monitors its liquidity ratios, which remain well above the minimum requirements set by banking regulations. In addition, Compagnie de Financement Foncier has in excess of €10bn of eligible assets in the Eurosystem (excluding securities sold under repurchase agreements) that would provide it with an estimated additional €7bn in cash resources on the basis of the ECB's current rules, while keeping its coverage ratio above the legal minimum of 105%.

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 January 1, 2014, it has been doing so in accordance with the CRD IV directive and the CRR Regulation and reports them to the French Prudential Supervision and Resolution Authority (ACPR).

Accordingly, at the end of June 2017, according to the standard Basel III method, its Common Equity Tier One (CET1) ratio was 18.9%, equal to its Tier One ratio and its solvency ratio (versus 18.5% at December 31, 2016). Total risk exposures (RWA) amounted to €16bn, corresponding to an average risk weighting of 18% of outstanding assets subject to credit risk.

5.2. Management of capital

The management of Compagnie de Financement Foncier's capital is supervised directly by its Executive Management. Its management ensures permanent compliance with regulatory ratios and aims to optimize the allocation of capital and to secure its overcollateralization ratio; as such, it contributes directly to the Aaa/AAA/AAA rating by Moody's/S&P/Scope Ratings.

The solvency ratio is calculated for informational purpose at the individual Compagnie de Financement Foncier's level.

COMPOSITION OF CAPITAL

Capital is determined in accordance with the CRD IV directive and the Regulation CRR, applicable as from January 1, 2014, taking into account the national options specified by the Autorité de Contrôle Prudentiel et de Résolution (ACPR – French Prudential Supervisory and Resolution Authority) and comprises three major categories: Common Equity Tier 1, Additional Tier 1 Capital, and Tier 2 Capital.

The amount of capital of Compagnie de Financement Foncier was €3.03bn at June 30, 2017. This amount also represents the Core Equity Tier-1 capital.

CAPITAL REQUIREMENTS

Capital requirements were calculated using the standard Basel III method. Mortgage notes and French local authorities (FLA) L. 211-38 outstanding loans were treated in a transparent manner, that is, by calculating the requirements based on the underlying loans.

Loans to Groupe BPCE affiliates 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 in order to reflect the priority allocation of collections to Compagnie de Financement Foncier and the resulting lower loss rate.

<i>(in millions of euros)</i> Exposure categories	06/30/2017		12/31/2016	
	Capital requirements	RWA	Capital requirements	RWA
Central governments	74	929	75	936
Institutions	23	292	25	309
Regional governments	364	4,554	408	5,104
Corporations	28	344	13	159
Retail customers	129	1,617	131	1,643
Mortgage-backed exposure	548	6,852	541	6,761
Exposure at default	37	466	39	488
Other assets	1	17	1	13
Requirements for credit risk (A)	1,206	15,071	1,233	15,413
Requirements for market risk (B)	-	-	-	-
Requirements for operational risk (C)	46	571	46	571
Credit value adjustment (D)	31	383	37	466
CAPITAL REQUIREMENTS (A)+(B)+(C)+(D)	1,282	16,025	1,316	16,455

SOLVENCY RATIO

Compagnie de Financement Foncier's solvency ratio at June 30, 2017 is determined using the standard approach.

	06/30/2017	12/31/2016
Solvency ratio	18.90%	18.50%
CET1 ratio	18.90%	18.50%
Tier-1 ratio	18.90%	18.50%

Source: COREP (Common solvency ratio reporting) at June 30, 2017.

6. Analysis of credit and counterparty risk

The balance sheet comprises two major categories: assets financed by preferential debts in the form of loans or securities, and replacement values corresponding to a portion of cash balances. These assets meet differentiated approaches as to the measuring and monitoring of their credit risk:

- loans granted to natural persons and loans to professional customers, mainly in the Public sector: these loans are either acquired directly by Compagnie de Financement Foncier, or assigned from Crédit Foncier or any other entity of Groupe BPCE, in the form of mortgage notes related to real estate loans, or secured loans in application of Article L. 211-38 related to Public sector loans or real estate loans;
- subsidized loans secured by the French government were transferred to Compagnie de Financement Foncier upon its creation in 1999 and no new subsidized loans are issued;
- public sector securities, which mainly comprise Compagnie de Financement Foncier's international exposure;
- replacement values composed of short-term investments with credit institutions that have the highest external rating.

6.1. Breakdown of Compagnie de Financement Foncier's commitments

6.1.1. ANALYSIS OF CREDIT RISK EXPOSURES

Financed assets are analyzed in terms of transparency: accordingly, we will study the underlying assets backing the mortgage exposures and public-sector exposures assigned pursuant to Article L. 211-38 or through mortgage notes.

Replacement values, on the other hand, are analyzed by counterparty: loans granted to BPCE, essentially in the form of loans under L. 211-38-RV ⁽¹⁾, although collateralized, are considered as an exposure to BPCE.

Compagnie de Financement Foncier reports that it still has no exposure to the following asset classes:

- CDO (Collateralized Debt Obligation) or direct exposures to monoline insurers;
- exposures to CMBS (Commercial Mortgage-Backed Securities);
- sub-prime, Alt-A or, more broadly, any exposure to US mortgage securities;
- special purpose vehicles;
- leveraged buyouts operations (LBOs).

(1) Short-term loans to BPCE guaranteed by collateralized assets.

The tables below show the breakdown of assets excluding endorsements and financial guarantees given.

(in millions of euros) Risk exposures	Exposures at 06/30/2017			Exposures at 12/31/2016		
	Sold	Assigned	Balance sheet	Sold	Assigned	Total
A – Individuals mortgage loans ^{(1) (2)}	27,832	10,648	38,481	32,336	7,017	39,353
B – Public sector	18,782	12,368	31,150	21,479	12,772	34,251
French public sector	9,703	11,773	21,476	11,827	12,176	24,003
<i>Social housing</i>	1,331	1,849	3,180	1,501	1,991	3,492
<i>French local authorities (FLA)</i> ⁽³⁾	6,347	9,371	15,718	6,876	9,498	16,374
<i>Sovereign France</i>	2,026	553	2,578	3,450	687	4,137
Infrastructure Project Financing (IPF)	635	595	1,231	640	596	1,236
International public sector	8,443		8,443	9,012		9,012
<i>International public sector (IPS)</i>	5,328		5,328	5,844		5,844
<i>International Sovereign</i>	2,692		2,692	2,710		2,710
<i>Public sector large corporations</i>	424		424	458		458
C – Commercial mortgage exposures	148	348	496	157	376	532
D – Banking sector exposures	839	6,600	7,439	836	6,600	7,436
Banks with sovereign guarantees or similar	693		693	706		706
Other banks	145		145	131		131
L. 211-38-RV ⁽⁴⁾		6,600	6,600		6,600	6,600
Total risk exposure (A+B+C+D)	54,201	23,364	77,565	61,409	20,164	81,573
Miscellaneous adjustments and other assets ⁽⁵⁾	2,711	18	2,729	2,775	1	2,776
TOTAL	56,912	23,382	80,294	64,184	20,165	84,349

(1) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€52m at June 30, 2017 and €57m at December 31, 2016).

(2) Of which BH Belgium for €761m as of June 30, 2017 (carrying amount).

(3) Of which €80.5m L. 211-38 with Caisses d'Épargne and €113m with Banques Populaires as of June 30, 2017.

(4) Short-term loans to BPCE, guaranteed by collateralized assets.

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

At June 30, 2017, the total risk exposure was down by €4bn to €77.6bn. This change was due to:

- a drop in individual mortgage loans of €0.9bn to €38.5bn with a strong increase in assignments (€3.61bn) and a consistently high level of early repayments recorded in the period;

- the drop of €2.5bn in French public sector loans to €21.5bn, with a decrease in the Sovereign France exposure (-€1.6bn) and in the French local authorities (-€0.66bn);
- the drop of €0.5bn in International public sector exposures.

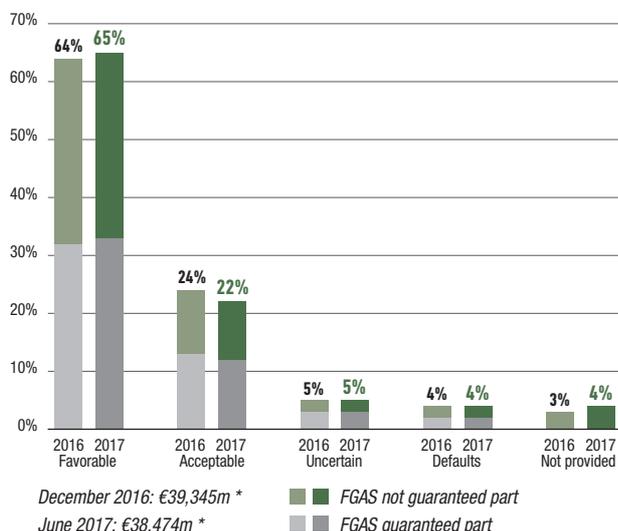
Geographical breakdown of exposures

(in millions of euros)	06/30/2017		12/31/2016
	Balance sheet (€m)	%	%
France	70,345	88	88
Other countries in the European Economic Area	5,205	6	6
• of which Italy	3,487	4	4
• of which Belgium	761	n.s	n.s
• of which Spain	457	n.s	n.s
• of which Poland	361	n.s	n.s
• of which Portugal	88	n.s	n.s
• of which Netherlands	52	n.s	n.s
Switzerland	1,231	1	1
North America (USA & Canada)	2,018	3	3
Japan	1,496	2	2
TOTAL	80,294	100	100
REMINDER OF TOTAL EXPOSURES AT 12/31/2016			84,349

6.1.2. QUALITY OF THE PORTFOLIO EXPOSED TO CREDIT RISK

PORTFOLIO OF LOANS TO INDIVIDUALS

Internal rating and quality of mortgage loans made to private individuals



The ratings attest to the ongoing good quality of outstanding loans.

FRENCH PUBLIC SECTOR PORTFOLIO

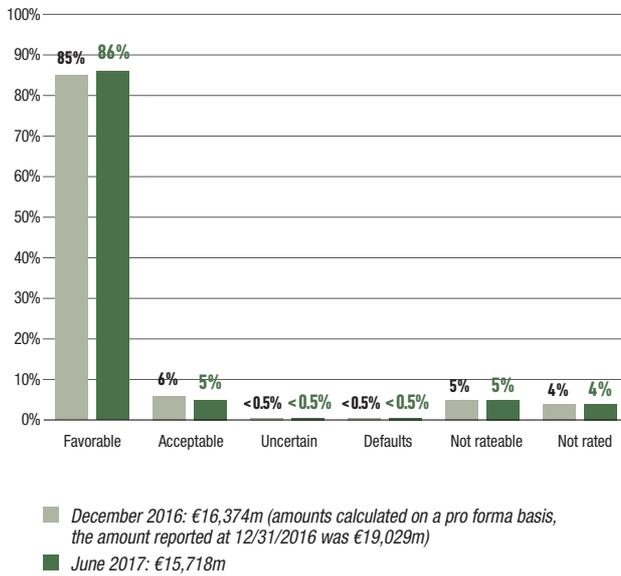
The French public sector portfolio stood at €21.5bn as at June 30, 2017, breaking down as follows:

- French local authorities and Social housing: €18.9bn;
- Sovereign France: €2.6bn.

* Excluding professionals and associations.

French local authorities

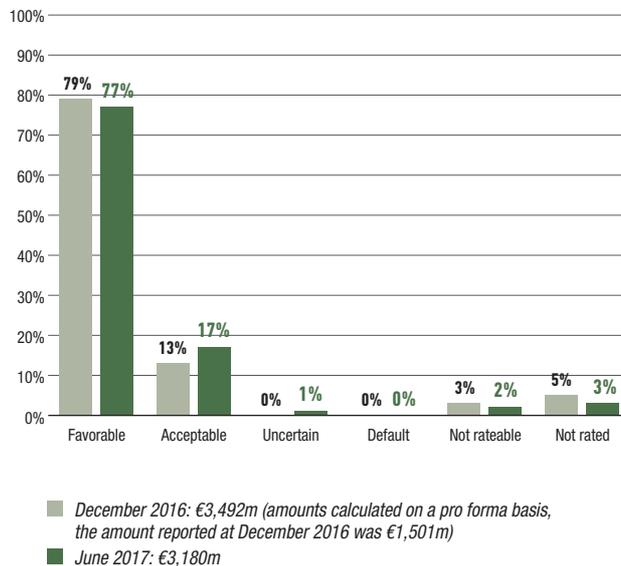
■ **Breakdown by risk category**



The quality of French local authorities' outstandings held by Compagnie de Financement Foncier stays at a very high level.

Social housing

■ **Breakdown by risk category**



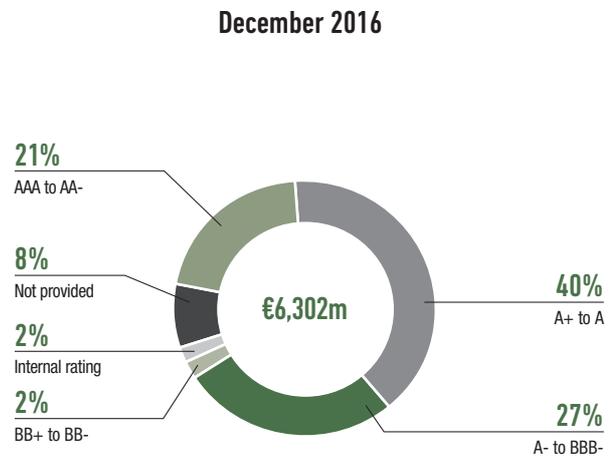
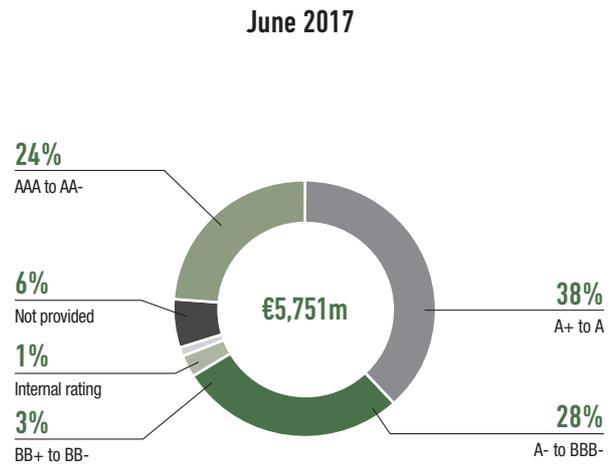
The quality of Social housing portfolio held by Compagnie de Financement Foncier stays at a very high level.

INTERNATIONAL PUBLIC SECTOR (IPS) PORTFOLIO

International Public Financing (excluding Sovereigns) and Large Public sector corporations

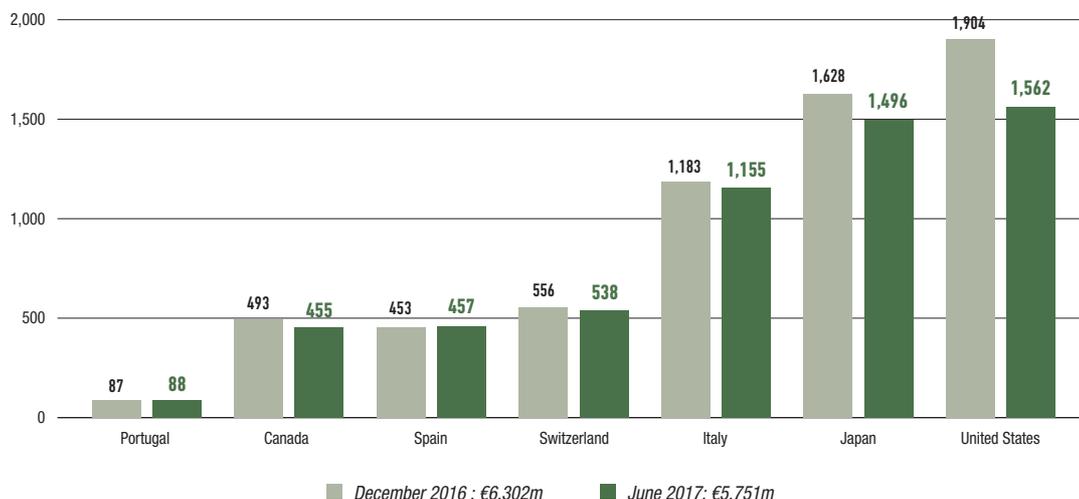
At June 30, 2017, outstandings in the IPS portfolio (excluding Sovereigns) and large IPS Large corporations are down by 8.7%. As a reminder, over the past several fiscal years, Compagnie de Financement Foncier has not acquired any loans from this sector.

■ **Breakdown of exposures by internal rating on International Public Financing and Large corporations**



The quality of the rating continues to be high.

■ Breakdown of direct exposures to International public sector and Large Corporates



The drop in exposures to Japan and the United States is due to the sale of securities and currency differences.

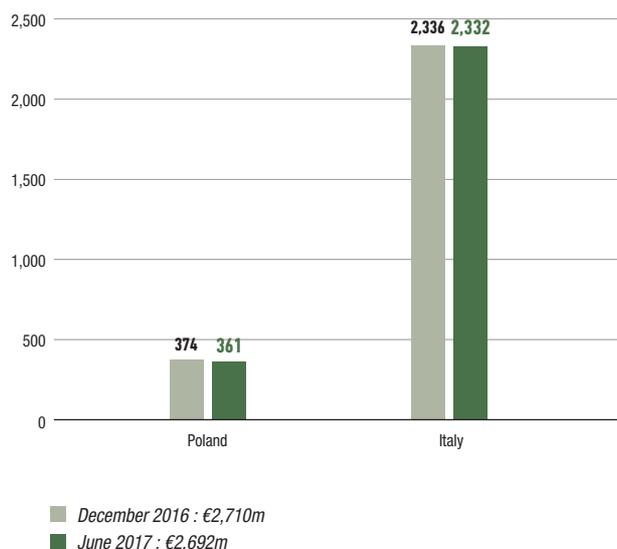
It should be noted that currency exchange fluctuations affect the outstandings of assets denominated in foreign currencies (USD, JPY, CAD, etc.) as they are shown before swap.

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.

International Sovereign

Following the disposals and repayments, Compagnie de Financement Foncier is now only exposed to Italian and Polish Sovereigns. Some of the exposures are denominated in foreign currencies, which explains some fluctuations from one year to another. The variation of outstandings from one year to another is explained by exchange rate fluctuations as some of the exposures are in foreign currencies and given the fact that the presentation is made on before swaps basis.

■ Breakdown of direct exposures to Sovereigns outside France



Compagnie de Financement Foncier’s whole International Sovereign portfolio is rated investment grade (rating≥BBB-). The ratings used are those of Groupe BPCE.

Monoline insurers on exposures to IPS, large corporations and Sovereigns.

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.

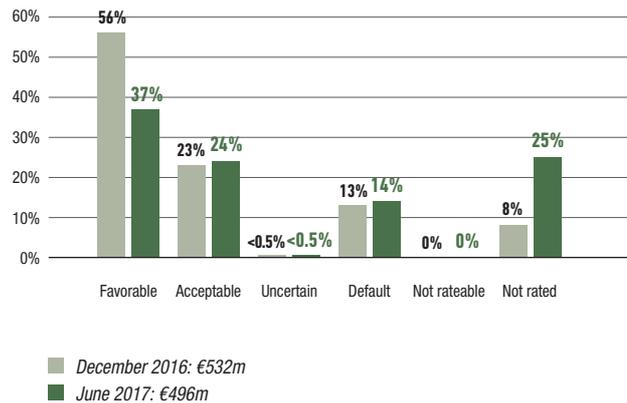
A portion of this portfolio (€1.6bn) is counter-guaranteed by monoline insurers. For FGIC, the deterioration of its creditworthiness means that its guarantee is less effective than at the outset (due to fact that the transaction's intrinsic credit rating is higher than the one of the credit guarantor).

This is, however, not the case for Assured Guaranty Municipal Corp. (formerly FSA) and for Assured Guaranty Corp (which took over CIFG), rated respectively AA/A2 and AA/A3 by S&P and Moody's, which guarantees a total outstanding amount of €1.27bn in securities; or for National Public Finance Guarantee Corp. (formerly MBIA), rated A by Standard & Poor's and A3 by Moody's, and which guarantees a total outstanding amount of €0.2bn in securities.

PRIVATE CORPORATES PORTFOLIO

At June 30, 2017, private corporate outstandings sold and assigned amounted to €496m, with 60% of the outstandings benefiting from "Favorable" or "Acceptable" ratings.

37% (vs. 56% at fourth quarter 2016) had a favorable rating. This decline is not due to deteriorated risk, but to the fact that some ratings are outdated, leading to the outstandings being posted in the unrated category.



BANKING SECTOR PORTFOLIO

At €7.4bn at June 30, 2017, exposures to the banking sector remained stable over this half-year period. They consist mainly of short-term transactions with BPCE (€6.6bn). Compagnie de Financement Foncier also had an exposure to financial institutions benefiting from public authority guarantees (primarily to Swiss cantonal banks) as part of long-term loans from the former IPS activity.

6.2. Delinquencies

6.2.1. COMPAGNIE DE FINANCEMENT FONCIER'S RISK HEDGING

The table below shows the breakdown of assets excluding endorsements and financial guarantees given along with the doubtful loan rates.

(in millions of euros) Risk exposures	Exposures at 06/30/2017				Exposures at 12/31/2016			
	Total balance sheet	Doubtful loan rate sold	Doubtful loan rate assigned	Doubtful loan rate overall	Total balance sheet	Doubtful loan rate sold	Doubtful loan rate assigned	Doubtful loan rate overall
A – Individuals mortgage loans ^{(1) (2)}	38,481	5.02%	-	3.63%	39,353	4.16%	-	-3.42%
B – Public sector	31,150	<0.5%	-	<0.5%	34,251	<0.5%	-	<0.5%
French public sector	21,476	<0.5%	-	<0.5%	24,003	<0.5%	-	<0.5%
<i>Social housing</i>	3,180	<0.5%	-	<0.5%	3,492	<0.5%	-	-
<i>French local authorities (FLA)</i> ⁽³⁾	15,718	<0.5%	-	<0.5%	16,374	<0.5%	-	-
<i>Sovereign France</i>	2,578	-	-	-	4,137	-	-	-
Infrastructure Project Financing (IPF)	1,231	-	-	-	1,236	-	-	-
International public sector	8,443	-	-	-	9,012	-	-	-
<i>International public sector (IPS)</i>	5,328	-	-	-	5,844	-	-	-
<i>International Sovereign</i>	2,692	-	-	-	2,710	-	-	-
<i>Public sector large corporations</i>	424	-	-	-	458	-	-	-
C – Commercial mortgage exposures	496	45.50%	-	13.58%	532	42.80%	-	12.61%
D – Banking sector exposures	7,439	-	-	-	7,436	-	-	-
Banks with sovereign guarantees or similar	693	-	-	-	706	-	-	-
Other banks	145	-	-	-	131	-	-	-
L. 211-38-RV ⁽⁴⁾	6,600	-	-	-	6,600	-	-	-
Total risk exposure (A+B+C+D)	77,565	2.71%	-	1.89%	81,573	2.31%	-	1.74%
Miscellaneous adjustments and other assets ⁽⁵⁾	2,729	-	-	-	2,775	-	-	-
TOTAL	80,294	2.58%	-	1.83%	84,349	2.21%	-	1.68%

(1) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€52m at June 30, 2017 and €57m at December 31, 2016).

(2) Of which BH Belgium for €761m as of June 30, 2017 (carrying amount).

(3) Of which €80.5m L. 211-38 with Caisses d'Épargne and €113m with Banques Populaires as of June 3, 2017.

(4) Short-term loans to BPCE, guaranteed by collateralized assets.

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

The overall doubtful loan rate was low at 1.8%.

Regarding mortgage-backed securities for individual customers, the doubtful loan rate amounted to 3.6% at June 30, 2017, versus 3.4% at December 31, 2016.

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

The doubtful loan rate for commercial mortgage exposures held by Compagnie de Financement Foncier was 45.5%, but it mainly concerns a single case in the subsidized sector for an amount of €64.4m.

6.2.2. RISK CHARGE OF COMPAGNIE DE FINANCEMENT FONCIER

<i>(in millions of euros)</i>	06/30/2017	12/31/2016
Individual cost of risk (A)	-3.9	-23.8
Collective provisions (B)	0.3	-3.2
Cost of risk (A+B)	-3.6	-27.1
Risk charge, net banking income (C)	-2.5	-0.1
NET (A+B+C)	-6.1	-27.2
Cost and Charge of risk, annualized in % of total balance sheet	-0.01%	-0.03%

At June 30, 2017, cost of risk for Compagnie de Financement Foncier was low at -€3.6m. On an individual basis, the cost of risk was -€3.9m and on a collective basis, +€0.3m.

The risk charge recorded in net banking income was -€2.5m.

6.3. Risk mitigation techniques**6.3.1. RISK MITIGATION FACTORS**

Compagnie de Financement Foncier's portfolio is very secure as it consists mainly of either risks secured by mortgages or equivalent or risk exposures to the Public sector. Both risks are further reduced by additional guarantees. Thus, for example, 51.6% of outstanding loans to private individuals are covered by a FGAS guarantee.

In terms of individual customers, the main supplier 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 to secure social home ownership loans governed by regulations on contractual loans secured by a first-ranking security right (mortgage or privilege of the money lender). For this reason, SGFGAS benefits from the external ratings assigned to the French state and allows a 0% weighting of loans for which FGAS coverage was signed prior to December 31, 2006. Due to a change in FGAS coverage methods, guarantees granted thereafter have a Basel III weighting equal to a half of what would have been obtained with only a mortgage guarantee. Nevertheless, the part not guaranteed by FGAS, but borne by Crédit Foncier, benefits from a weighting of 0% for Compagnie de Financement Foncier.

Furthermore, some loans to individual customers benefit from sureties and financial guarantees, related to a financial institution risk: mainly Crédit Logement, the subsidiary of most major French banking networks.

Loans covered by Crédit Logement were assigned a Basel III weighting of 50% until the 3rd quarter of 2014. Since the 4th quarter of 2014, exposures guaranteed by Crédit Logement are weighted at 35% following the decision of BPCE to harmonize the financial communication on the guaranteed exposures of all Groupe BPCE entities.

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

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

6.3.2. VALUATION AND PERIODIC REVIEW METHODS FOR REAL ESTATE ASSETS

The methodology remained unchanged in the 1st half of 2017. For more information, see Compagnie de Financement Foncier's 2016 Registration document (p. 155).

7. Financial risk analysis

Compagnie de Financement Foncier does not conduct any proprietary trading and does not have any positions in the trading book. Its activities in the markets are limited to the balance sheet hedging operations.

Crédit Foncier provides Compagnie de Financement Foncier with ALM structural risk monitoring services, pursuant to an agreement to this effect. The management rules are set out in Compagnie de Financement Foncier's Financial Charter.

7.1. Methodology used in the valuation of liquidity, interest and exchange rate risks

The methodology remained unchanged in the 1st half of 2017. For more information, see Compagnie de Financement Foncier's 2016 Registration document (p. 168).

7.2. Liquidity risk monitoring

7.2.1. ORGANIZATION OF COMPAGNIE DE FINANCEMENT FONCIER'S FUNDING

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

In the 1st half of 2017, Compagnie de Financement Foncier issued €3.7bn of *obligations foncières*.

Furthermore, Compagnie de Financement Foncier has a number of potentially assignable assets that are eligible for the ECB's refinancing operations. At June 30, 2017, these outstandings amounted to close to €10.1bn in nominal value, divided into:

- €8.3bn in Public sector loans;
- €1.8bn in securities.

7.2.2. LIQUIDITY RISK MONITORING

Liquidity risk is the risk that Compagnie de Financement Foncier may not be able to honor its liquidity requirements.

As stated above, cash requirements are analyzed using a combination of 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, depending on whether or not account is taken of Compagnie de Financement Foncier's capacity to raise liquidity over the next 20 years.

The very prudent liquidity management policy was continued in 2017. Other than 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 Executive Committee.

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

At June 30, 2017, Compagnie de Financement Foncier had available cash of €1bn on current accounts with the Banque de France.

It also had €7bn in replacement values, including investments of which €6.6bn lent to BPCE with a term of less than two months and fully guaranteed by a loans portfolio.

7.2.3. COMPLIANCE WITH LIMITS

LCR (LIQUIDITY COVERAGE RATIO)

Compagnie de Financement Foncier's LCR ratio was above 110% as of June 30, 2017, in excess of the regulatory minimum of 80% applicable from January 1, 2017. It should be noted that the regulatory minimum will be of 100% starting from January 1, 2018.

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 order of May 26, 2014.

According to this order, a 180-day liquidity forecast is submitted for very close scrutiny to the Specific Controller and then quarterly instructed to the ACPR.

ASSET/LIABILITY MATCHING INDICATOR AND MATURITY GAP

The order of May 26, 2014 introduced the calculation of an asset-liability matching indicator.

It requires that the average maturity of eligible assets, held to cover the 105% minimum regulatory overcollateralization ratio, may not exceed the average maturity of outstanding privileged liabilities by more than 18 months. The calculation is submitted quarterly for very close scrutiny to the Specific Controller and then to the ACPR.

In the 1st half of 2017, without restricting eligible assets within the requirements of the regulatory overcollateralization ratio, this limit was also respected.

In addition to these requirements, Compagnie de Financement Foncier undertook to ensure a maximum gap of two years between the maturity of all its liabilities and assets. On the liabilities side, equity is included for a maturity equal to the longest issued liabilities. In the 1st half of 2017, this commitment was also honored.

In addition, complementary liquidity limits are supervised regarding Compagnie de Financement Foncier:

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 Executive 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 1st half of 2017, Compagnie de Financement Foncier was in compliance with this limit and the reference level.

COVERAGE PLAN FOR PRIVILEGED LIABILITIES

This indicator was introduced by order of May 26, 2014. The reporting institution defines, depending on its specific characteristics, the quarterly coverage plan of privileged liabilities that shall be applied in case it may no longer issue privileged liabilities. According to the order of May 26, 2014, the plan is submitted to the Specific Controller for certification, then to the ACPR every quarter.

The institution provides, at the reporting date and on a quarterly basis until repayment of the last privileged resource, the following information:

- assets used to cover privileged liabilities;
- safe and liquid securities and values 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.

7.3. Monitoring of overall interest rate risk

7.3.1. MANAGEMENT PROCEDURES

The management procedures remained unchanged in the 1st half of 2017. For more information, see Compagnie de Financement Foncier's 2016 Registration document (p. 170).

7.3.2. INTEREST RATE RISK MONITORING

The interest rate risk monitoring remained unchanged in the 1st half of 2017. For more information, see Compagnie de Financement Foncier's 2016 Registration document (p. 170).

7.3.3. 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. According to the rules applicable to Compagnie de Financement Foncier, these gaps measure the difference between the utilizations and fixed rates sources over time assuming no new asset acquisitions or new issuances and excluding adjustable indices for which the periodicity of the reference rate is less than one year.

The current limits for interest rate gaps are:

Horizon	Limits as percentage of the projected balance sheet
Less than 2 years	2%
2-5 years	3%
5-10 years	5%
10-15 years	10%

At June 30, 2017, the limits were complied with.

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 linearly amortized over 20 years.

During the 1st half of the year, Compagnie de Financement Foncier was in compliance with this limit.

At June 30, 2017, sensitivity came to -15.2% for the shock at -200 bp and to 11.3% for the shock at +200 bp.

7.4. Monitoring foreign exchange risk

Foreign exchange risk arises from exchange rate movements in currencies in which Compagnie de Financement Foncier's assets and liabilities are denominated that negatively affect the value of assets or commitments denominated in foreign currencies. Compagnie de Financement Foncier prohibits any open foreign exchange positions.

This means that all assets and liabilities denominated in currencies other than the euro are systematically swapped as soon as they are recognized on the balance sheet. This hedging can be achieved using exchange rate swaps, term loans or currency swaps. Residual differences arising from the adjustment of balance sheet positions, particularly those created by cashing in margins are hedged monthly.

They are monitored by Crédit Foncier's Risk department, which centralizes 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 €1m.

Compagnie de Financement Foncier has established an additional internal limit equal to the exchange value of €5m for all currencies combined and to €3m per currency.

During the 1st half of 2017, the limit was respected.

7.5. Monitoring settlement risk

The settlement risk monitoring remained unchanged in the 1st half of 2017. For more information, see Compagnie de Financement Foncier's 2016 Registration document (p. 171).

8. Operating risks

Within Groupe BPCE, operational risks are defined as the risk of loss resulting from inadequate or faulty procedures, personnel, information systems or external events. Operating risks include in-house and external fraud, reputational risk and model risk.

Compagnie de Financement Foncier's operating risk management is entrusted to Crédit Foncier under service agreements signed between the two institutions. The greater part of operational risk is linked to the services outsourced to the parent company. Any consequence of operational incidents detected in the framework of a Crédit Foncier process relating to a Compagnie de Financement Foncier balance sheet item is borne by Crédit Foncier.

These risks include in particular accounting, legal, regulatory and tax risks, as well as risks relating to security of staff, property and information systems and models.

Compagnie de Financement Foncier's operating risk management relies on Crédit Foncier's system according to Groupe BPCE rules. These operational risks are specifically mapped and presented to the Operating Risks Committee every quarter. No incident related to Compagnie de Financement Foncier's specific risk mapping was detected in the 1st half of 2017.

8.1. General management

All of groupe Crédit Foncier's Operational Risk processes are managed by its Risk department, which relies on Groupe BPCE's risk charters, on the operational risk standards and methods employed by Groupe BPCE's Risk department and on groupe Crédit Foncier's operational risk policy.

8.2. Governance

Governance is detailed in Compagnie de Financement Foncier's 2016 Registration document (p. 172).

8.3. Management environment

For more information, see Compagnie de Financement Foncier's 2016 Registration document (p. 172).

8.4. Organization of the Contingency and Business Continuity Plan (CBCP)

For more information, see Compagnie de Financement Foncier's 2016 Registration document (p. 173).

8.5. Information technology risk

Under the agreements governing its activity, Compagnie de Financement Foncier makes use of human and technical resources provided by Crédit Foncier. Accordingly, Compagnie de Financement Foncier fully benefits from upgrades to Crédit Foncier's IT systems and from all the mechanisms that guarantee its smooth operation.

In 2016, the IS Security monitoring system was reconstructed in direct collaboration with the SOC ISS teams of ITCE and BPCE IT. Accordingly, a classification of the sensitive assets and mapping of ISS risks were initiated and finalized in mid-June 2017. The ISS monitoring system became operational in 2017. Lastly, in May, an intensive communication campaign was launched on the subject of ISS in groupe Crédit Foncier.

The cyber risk once again increased significantly in the 1st half of 2017, with the occurrence of large-scale attacks such as WANNACRY and NotPetya, covered in the press. The Group's security systems, combined with active operations to ensure internal security at Crédit Foncier, have to date maintained the necessary level of security. ITCE and BPCE IT and their security monitoring systems, combined with the IT security initiatives carried out by Crédit Foncier (raising awareness among employees, monitoring ISS alerts, operational interventions, workstation monitoring, etc.) have protected information assets and IT processing within the establishment.

8.6. Insurance

For more information, see Compagnie de Financement Foncier's 2016 Registration document (p. 173).

8.7. Legal risks

Among the highlights of the 1st half of 2017, the following point should be noted.

The difficulties faced by a major operator in the French overseas departments led it to consider a withdrawal scheme through the sale of assets. Various companies of this operator were forced to

declare bankruptcy at the end of 2016, including the borrowing company, which was placed into receivership. It is specified that the corresponding loan is secured by both real estate collateral on these assets and the guarantee of the State, under Article L. 312-1 of the Code of Construction and Housing.

9. Non-compliance risk

Compliance responsibilities for Compagnie de Financement Foncier are performed by the Crédit Foncier's Compliance Division in accordance with the terms of the relevant agreements (framework agreement and internal control and compliance service agreement) between the two entities. Annual guidelines specify the outlines of the work carried out on behalf of Compagnie de Financement

Foncier. The Compliance Division is organized in two separate units: compliance and ethics, on the one hand, and financial security, on the other hand. Crédit Foncier's Director of Compliance is responsible for the compliance of investment services provided by Compagnie de Financement Foncier.

9.1. Risk monitoring and measurement systems

Non-compliance risk monitoring and control is based on the methods used by BPCE and covers all of Crédit Foncier's business lines including, in particular, activities carried out on behalf of Compagnie de Financement Foncier. It is supplemented by a risk

management system that covers all business lines and the major risks to which they are exposed, factoring in specific elements of Compagnie de Financement Foncier's range of activities.

9.2. Risk identification and monitoring

Non-compliance risks are identified using a dual approach:

- detecting and factoring the specific aspects of Compagnie de Financement Foncier into the implementation of statutory instruments to avoid potential implementation difficulties and to guarantee accurate translation into operating procedures;
- analyzing the results of first-level controls by Crédit Foncier's operational teams within the scope of Compagnie de

Financement Foncier. These controls target the thematic non-compliance areas identified in the group's compliance standards or the results of thematic approaches.

Operational risk reports entered into the PARO applications rely on risk mapping that integrates non-compliance. Risks are identified in this application based on their type and are subject to an assessment of any risk event.

9.3. Risk management

The control of non-compliance risks is divided between:

- the controls carried out by Crédit Foncier on its business activity (real estate financing, financial management, etc.) which directly benefit Compagnie de Financement Foncier;

- the compliance controls specifically set up for Compagnie de Financement Foncier notably relate to compliance with the regulations that apply to the acquisition of receivables and the updating of the value of collateral.

9.4. Monitoring of dysfunctions

Specific action plans are drawn up by the operational units to address dysfunctions identified during audits or revealed by recurrent operational risk incidents. These action plans are monitored by the permanent control and compliance officers of the departments concerned. The monitoring of these dysfunctions and

the progress of the corresponding action plans is undertaken through coordination by the Internal Control Coordination department, which reports on them to groupe Crédit Foncier's Internal Control Committee and Compagnie de Financement Foncier's Risk Executive Committee.

9.5. Compliance of investment services

Regarding investment services for its own account, related to refinancing activities, cash flow and balance sheet coverage, Crédit Foncier continued to develop the EMIR Regulation. The Compliance Division is involved in works to implement changes to the MIFIR Regulation, entering into force on January 3, 2018.

Blackout periods were applied in compliance with the calendars of Crédit Foncier and BPCE. Accordingly, three blackout period notifications have been issued since the beginning of the year.

9.6. Compliance with the Volcker rule and the SRAB law

As part of the process of compliance with the Volcker rule and the law on the Separation and Regulation of Banking Activities (hereinafter SRAB), the Compliance Division drafted the Senior Management report (SMR). As a reminder, this SMR is a summary of the enhanced compliance program implemented within groupe Crédit Foncier. The Senior Management report was approved by the Board of Directors of Compagnie de Financement Foncier on February 8, 2017. Furthermore, it was presented to the Volcker Committee on April 26, 2017. The Liquidity Management Plan sets out the rules for groupe Crédit Foncier's cash flow management. It was presented to the ALM and Liquidity Oversight Committee on March 24, 2017 by the Financial Management Division.

The Compliance Division updated the mapping of groupe Crédit Foncier's Volcker and SRAB units in collaboration with Crédit

Foncier's Risk Division. It then centralized the sub-certifications required to successfully complete the annual certification of Compagnie de Financement Foncier. The Chief Executive Officer of Crédit Foncier sent groupe Crédit Foncier's certification to BPCE SA, together with the Senior Management report, during the month of March in order to obtain certification from the small Groupe BPCE ⁽¹⁾.

The Compliance Division, in collaboration with the Risk Division – financial risks, presented the results of the first annual controls to Crédit Foncier's Volcker Committee.

The Compliance Division rolled out a Group Volcker Rule e-learning program to train the employees of risk units and to meet the requirements of regulators.

9.7. Approval of new products or services

Consideration of non-compliance risk is integrated into Crédit Foncier's approval process for new products and services. As part of the review and approval process for new products, services or activities, matters specifically related to Compagnie de Financement Foncier, in particular the eligibility of future outstandings for its balance sheet, are systematically examined.

The end goal of this process is to ensure that all impacts have been analyzed and incorporated by the operational and support businesses. The role of the Compliance Division, as secretary of the

committee, is to guarantee that this body has all the information necessary to make an assessment and take a decision. The Compliance Division also issues an opinion based on its scope of intervention. Within this framework, it monitors the enforcement of decisions and the waiver of any conditions set prior to the marketing of the products and services in question. An autorisation of new financial products and indices as well as a launch of new activities are the integral parts of this process.

(1) Composed of BPCE SA and its subsidiaries held at more than 25% and all its affiliates (groupe Crédit Foncier, Banque Palatine, BPCE-I and Natixis).

9.8. Ethics – Market abuse – Conflicts of interest

Financial ethics standards specifically incorporate regulatory measures arising out of the Market Abuse directive. Corporate officers, Directors and other personnel acting on behalf of Compagnie de Financement Foncier are governed by this procedure to the extent they are concerned.

The standards in place within Crédit Foncier were revised in 2015, including the Company's Rules of Procedure and an application procedure. They were monitored and the list of people concerned was updated following the publication of the Group charter on risks, compliance and permanent control of March 29, 2017.

Regulations related to market abuse were strengthened on July 3, 2016, when Regulation No. 596/2014 of the European Parliament became effective. The Compliance Division broke down its main provisions, whether regarding closely related persons or permanent insiders. An internal procedure circulated to all employees lists their obligations, with those concerned having also received an individual reminder of each blackout period during which securities may not be purchased or sold.

9.9. Combating money laundering and financing of terrorism

Groupe Crédit Foncier combats money laundering and the financing of terrorism by means of a due diligence and monitoring system involving all Group stakeholders across the banking and credit transactions processes. This system includes adequate procedures as well as training and awareness programs for staff.

The system, incorporating the risk approach deriving from the anti-money-laundering regulations, provides for systematic scrutiny prior to forming any new customer relationship. Outstandings are regularly checked against international lists of persons with links to terrorism and for the enforcement of embargoes. Unusual events during the life of loans, in particular prepayments, are scrutinized by the Financial Security Unit of the Compliance department.

9.10. Outsourced services

Essential Outsourced Services within the meaning of Articles 231 to 240 of the ministerial order of November 3, 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to supervision by the French Prudential Supervisory and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution – ACPR) are those covered by agreements between Crédit Foncier and Compagnie de

Financement Foncier. The Corporate Secretariat of Compagnie de Financement Foncier together with the Permanent Control Coordination Division is in particular responsible for monitoring services outsourced to Crédit Foncier.



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Material changes to legal information in the first half of 2017 are outlined below. The other legal information contained in the Registration document at December 31, 2016 (filed under the number D. 17-0215) is unchanged.

1. Corporate governance

Executive management as of June 30, 2017

Mr Thierry DUFOUR, Chief Executive Officer;

Mr Olivier AVIS, Deputy Chief Executive Officer.

Remuneration of the Executive Management

The Executive Management of Compagnie de Financement Foncier does not receive any remuneration.

Board of Directors as of June 30, 2017

Members of the Board of Directors at June 30, 2017 and professional addresses of its members:

Mr Bruno DELETRÉ

Chairman of the Board of Directors since December 18, 2013

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

Mr Thierry DUFOUR

Director since December 18, 1998

Chief Executive Officer since December 14, 2007

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

Mr Benoît CATEL

Director since February 9, 2016

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

Mr Pascal CHABOT

Director since March 25, 2014

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

Mr Jean CHEVAL

Director since March 25, 2014

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

Ms Christine FABRESSE

Director since March 25, 2014

Caisse d'Épargne Languedoc-Roussillon – 254, rue Michel-Teule – ZAC d'Alco – BP 7330 – 34184 Montpellier Cedex 4

Mr Alexandre FOURNEAU

Director since March 30, 2017

Banque Populaire Val de France – 9 avenue Newton – 78180 Montigny le Bretonneux

Mr Dominique GARNIER

Director since March 25, 2014

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

Mr Cédric MIGNON

Director since March 25, 2014

BPCE – 50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13

BPCE SA, represented by Mr Francis DELACRE

Director since March 28, 2011

BPCE – 50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13

Crédit Foncier de France SA, represented by Mr Eric FILLIAT

Director since December 28, 1998

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

Changes within the Board of Directors in the first half of 2017

The Board of Directors on March 30, 2017 noted that Mr Francis DELACRE resigned as Director on March 6, 2017, and that he was appointed by Mr François PÉROL as a permanent representative of BPCE as from March 20, 2017 in place of Mr Olivier IRISSON.

Following a proposal by the Appointments Committee, the Board of Directors on March 30, 2017 appointed Mr Alexandre FOURNEAU as a Director to replace Mr Francis DELACRE for the remaining term of his corporate office, *i.e.* until the General Meeting approving the accounts for the 2021 financial year.

The General Meeting of May 15, 2017:

- renewed Crédit Foncier de France's corporate office as Director;
- renewed BPCE's corporate office as Director;
- ratified the appointment of Mr Alexandre FOURNEAU as Director.

At June 30, 2017, the Audit Committee had the following members:

- Crédit Foncier de France, represented by Mr Éric FILLIAT, Chairman;
- BPCE, represented by Mr Francis DELACRE;
- Ms Christine FABRESSE;
- Mr Dominique GARNIER.

At June 30, 2017, the Risk Committee had the following members:

- Crédit Foncier de France, represented by Mr Éric FILLIAT, Chairman;
- BPCE, represented by Mr Francis DELACRE;
- Mr Pascal CHABOT;
- Ms Christine FABRESSE;
- Mr Dominique GARNIER.

At June 30, 2017, the Appointments Committee had the following members:

- Mr Bruno DELETRÉ, Chairman;
- Mr Jean CHEVAL.

CHANGES TO THE COMPOSITION OF THE EXECUTIVE MANAGEMENT AND OF THE BOARD OF DIRECTORS THAT TOOK PLACE SINCE THE JUNE 30, 2017

On February 8, 2017 the Board of Directors was informed by letter of the decision of Mr Thierry DUFOUR to resign as Chief Executive Officer and as Director starting from the July 22, 2017.

Following a proposal by the Appointments Committee, the Board of Directors on March 30, 2017 coopted Ms Muriel COLLE as a Director to replace Mr Thierry DUFOUR starting from July 23, 2017 and for the rest of his term until the General Meeting called to approve the financial statements for the 2018 financial year.

Following a proposal by the Appointments Committee, the Board of Directors on June 28, 2017 appointed Mr Olivier AVIS to replace

Mr Thierry DUFOUR as a Chief Executive Officer starting from July 23, 2017 for a five-year period. Mr Olivier AVIS had been Deputy Chief Executive Officer since February 9, 2016.

Following a proposal of Mr Olivier AVIS and having heard the Appointments Committee report, the Board of Directors on June 28, 2017 appointed Mr Paul DUDOUIT to replace Mr Olivier AVIS as a Deputy Chief Executive Officer starting from July 23, 2017 for a five-year period.

There were no changes in the Committees' composition which are within the Board of Directors' responsibility.

Executive management from July 23, 2017

- **Mr Olivier AVIS**, Chief Executive Officer;
- **Mr Paul DUDOUIT**, Deputy Chief Executive Officer.

Remuneration of the Executive Management

The Executive Management of Compagnie de Financement Foncier does not receive any remuneration.

Board of Directors from July 23, 2017

Members of the Board of Directors at July 23, 2017 and professional addresses of its members:

Mr Bruno DELETRÉ

Chairman of the Board of Directors since December 18, 2013

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

Mr Benoît CATEL

Director since February 9, 2016

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

Ms Muriel COLLE

Director since July 23, 2017

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

Crédit Foncier de France SA, represented by Mr Eric FILLIAT

Director since December 28, 1998

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

BPCE SA, represented by Mr Francis DELACRE

Director since March 28, 2011

BPCE – 50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13

Mr Cédric MIGNON

Director since March 25, 2014

BPCE – 50, avenue Pierre-Mendès-France – 75201 Paris Cedex 13

Mr Pascal CHABOT

Director since March 25, 2014

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

Ms Christine FABRESSE

Director since March 25, 2014

Caisse d'Épargne Languedoc-Roussillon – 254, rue Michel-Teule – ZAC d'Alco – BP 7330 – 34184 Montpellier Cedex 4

Mr Alexandre FOURNEAU

Director since March 30, 2017

Banque Populaire Val de France – 9 avenue Newton – 78180 Montigny-le-Bretonneux

Mr Dominique GARNIER

Director since March 25, 2014

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

Mr Jean CHEVAL

Director since March 25, 2014

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

2. Resolutions submitted to the Annual General Shareholders' Meeting

During the General Meeting, which was held on May 15, 2017, all of the resolutions were approved unanimously:

FIRST RESOLUTION

The Annual General Shareholders' Meeting, having considered the management report of the Board of Directors and the report of the Statutory Auditors, approves the annual financial statements for the fiscal year ended December 31, 2016 as presented and that show a profit of €93,676,428.26.

Consequently, the Annual General Shareholders' Meeting grants full and unconditional discharge to the members of the Board of Directors for this fiscal period.

The Annual General Shareholders' Meeting takes note that the fiscal statements for the past fiscal year do not include any non-tax deductible expenses as per Article 39-4 of the French General Tax Code.

SECOND RESOLUTION

The Annual General Shareholders Meeting, having recorded the distributable earnings of €185,565,839.33, composed of net income for the fiscal year of €93,676,428.26 plus retained earnings of €91,889,411.07, resolved to allocate said distributable earnings as follows:

- Allocated to legal reserves: €4,684,000.00;
- Dividend: €93,568,835.14;
- Retained earnings: €87,313,004.19.

The dividend per share for each of the 158,591,246 shares comprising the share capital is therefore fixed at €0.59.

Pursuant to Article 243a of the French General Tax Code, it is specified that the total dividend proposed is eligible for the 40% discount available to individuals who are resident in France for tax purposes, provided for in Article 158-3 of the French General Tax Code.

The dividend payment date is set for June 30, 2017.

Pursuant to Article 24 of the Bylaws, the Annual General Shareholders' Meeting decides to grant each shareholder the

possibility of choosing to receive payment of the dividend in shares. New shares will have the same features and the same rights as the shares that gave the entitlement to the dividend. Their vesting date is set for January 1, 2017.

The issuance price of the new shares will be equal to the amount of shareholders' equity after allocation, as shown in the balance sheet as of December 31, 2016 approved by the Annual General Shareholders' Meeting in the first resolution set forth above, divided by the number of existing shares.

It amounts to €19.46 per share.

The number of shares that can be allocated to shareholders who have chosen to receive payment of the balance of the dividend in shares will be determined in function of the calculated price. It is understood that shareholders cannot receive the dividend to which they are entitled partly in shares and partly in cash.

If the dividends thus determined do not give rise to a whole number of shares, shareholders who have chosen to receive payment in shares may subscribe for the nearest whole number of shares below the dividend payable, with the balance being paid in cash or the nearest whole number above the dividend payable, with the shareholder paying the difference in cash.

Shareholders must make their choice between June 1, 2017 and June 15, 2017.

Any shareholder who has not exercised his option by June 15, 2017 at the latest will receive the dividends in cash on the dividend payment date of June 30, 2017.

The Annual General Shareholders' Meeting gives full powers to the Board of Directors to record the number of shares issued and the corresponding increase in capital stock and to amend Article 6 of the Bylaws accordingly.

Pursuant to Article 47 of the Act of July 12, 1965 and Article 243bis of the French General Tax Code, it is recalled that the dividend and total return per share have evolved as follows over the last three fiscal years:

Fiscal Year	Number of shares	Overall remuneration per share	Dividend distributed *
2013	74,216,246	€0.41	€0.41
2014	74,216,246	€1.00	€1.00
2015	158,591,246	€0.80	€0.80

* Eligible for the 40% discount provided for in Article 158-3 of the French General Tax Code.

THIRD RESOLUTION

The Annual General Shareholders' Meeting, pursuant to Article 24 of the Bylaws and Articles L. 232-12, L. 232-18 and L. 232-20 of the French Commercial Code, authorizes the Board of Directors to consider allowing shareholders to receive all or part of any interim dividends for the 2017 fiscal year in shares and to establish the terms thereof, pursuant to the regulations in force.

FOURTH RESOLUTION

The Annual General Shareholders Meeting, having considered the Statutory Auditor's special report concerning the agreements referred to in Article L. 225-38 of the French Commercial Code, approves the agreements mentioned therein.

FIFTH RESOLUTION

The Annual General Shareholders' Meeting, noting that the term of Crédit Foncier de France was expiring, resolved to renew its term of office for six years, ending at the Annual General Shareholders Meeting called to approve the financial statements for the 2022 fiscal year.

SIXTH RESOLUTION

The Annual General Shareholders' Meeting, noting that the term of office of BPCE was expiring, resolved to renew its term of office for six years, ending at the Annual General Shareholders' Meeting called to approve the financial statements for the 2022 fiscal year.

SEVENTH RESOLUTION

The General Meeting ratifies the appointment by the Board of Directors on March 30, 2017, of Mr Alexandre FOURNEAU as Director to replace Mr Francis DELACRE, resigning director, for the remaining term of office of his predecessor, *i.e.* until the General Meeting approving the accounts for the 2021 fiscal year.

EIGHTH RESOLUTION

The Annual General Shareholders' Meeting, noting that the appointment of KPMG, the Acting Statutory Auditor, was expiring, resolved to renew their appointment for six years, ending at the Annual General Shareholders' Meeting called to approve the financial statements for the 2022 fiscal year.

NINTH RESOLUTION

The Annual General Shareholders' Meeting notes that the appointment of Mr Boris ÉTIENNE, Substitute Statutory Auditor, was expiring.

On the proposal of the Board of Directors and in accordance with Article 19 of the Bylaws, hereby appoints KPMG Audit FS I as Substitute Statutory Auditor for a period of six years. The appointment will end at the Annual General Shareholders' Meeting called to approve the financial statements for 2022.

TENTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, hereby expresses a favorable opinion on the remuneration due or allocated, for the financial year ended December 31, 2016, to Mr Bruno DELETRÉ, Chairman of the Board of Directors and executive director, as mentioned in the financial report.

ELEVENTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, hereby expresses a favorable opinion on the remuneration due or allocated, for the financial year ended December 31, 2016, to Mr Thierry DUFOUR, Chief Executive Officer and executive director, as mentioned in the financial report.

TWELFTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, hereby expresses a favorable opinion on the remuneration due or allocated, for the financial year ended December 31, 2016, to Mr Olivier AVIS, Deputy Chief Executive Officer and executive director, as mentioned in the financial report.

THIRTEENTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, hereby expresses a favorable opinion on the remuneration due or allocated, for the financial year ended December 31, 2016, to Ms Sandrine GUÉRIN, Deputy Chief Executive Officer and executive director, as mentioned in the financial report.

FOURTEENTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, following the reading of the report drafted according Article L. 225-37-2 of the French Commercial Code, hereby expresses a favorable opinion on the remuneration of Mr Bruno DELETRÉ, Chairman of the Board of Directors, forecasted for the 2017 financial year.

FIFTEENTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, following the reading of the report drafted according Article L. 225-37-2 of the French Commercial Code, hereby expresses a favorable opinion on the remuneration of Mr Thierry DUFOUR, Chief Executive Officer, forecasted for the 2017 financial year.

SIXTEENTH RESOLUTION

The Annual General Shareholders' Meeting, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, following the reading of the report drafted according Article L. 225-37-2 of the French Commercial Code, hereby expresses a favorable opinion on the remuneration of Mr Olivier AVIS, Deputy Chief Executive Officer, forecasted for the 2017 financial year.

SEVENTEENTH RESOLUTION

Consultation pursuant to Article L. 511-73 of the French Monetary and Financial Code regarding the overall package of all kinds of compensations paid to persons referred to in Article L. 511-71 of the French Monetary and Financial Code, for the financial year ended December 31, 2016.

The Annual General Shareholders' Meeting, consulted pursuant to Article L. 511-73 of the French Monetary and Financial Code, acting in accordance with the quorum and majority requirements for Ordinary General Shareholders' Meetings, having considered the

report of the Board of Directors, expresses a favorable opinion on the overall compensation package, totaling €14,127, paid in the financial year ended December 31, 2016 to the persons referred to in Article L. 511-71 of the French Monetary and Financial Code, either with respect to the office of Chief Executive Officer or of Deputy Chief Executive Officer.

EIGHTEENTH RESOLUTION

The Annual General Shareholders' Meeting gives full powers to the bearer of a copy or excerpt of the minutes of this meeting for the accomplishment of all filing and publication formalities:

3. General information

Outlook for Compagnie de Financement Foncier

RECENT EVENTS

The Company has not recorded any recent events that significantly impact the evaluation of its solvency. The issuances carried out by Compagnie de Financement Foncier during the 1st half of 2017 amounted to €3.7bn, in line with the 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 reasonably 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 EVENTS

No significant changes in the financial or commercial position have occurred between July 31, 2017 – the date at which the Board of Directors closed the accounts – and the filing date of this update to the Registration document.

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.

As of June 30, 2017, there were no exceptional events or legal disputes (government, legal or arbitration procedures) likely to have

or to have had a material impact on Compagnie de Financement Foncier's financial position, operations, results or assets.

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

AMF Cross-reference Table

In annex IV of European Commission regulation (EC) N° 809/2004

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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 December 31, 2016 and the Statutory Auditors' report on the corporate financial statements, included in the Registration document no. D.17-0215 filed with the Autorité des Marchés Financiers (AMF – French Financial Markets Authority) on March 23, 2017 are incorporated by reference in this document. The sections of Registration document no. D.17-0215 not referred to above are either of no consequence to investors or covered by another section of this Registration document.

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Contacts

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The annual reports, half-year reports, quarterly reports relating to the quality of the financed assets and ECBC label *reportings* of Compagnie de Financement Foncier can be downloaded at ww.foncier.fr

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