

# COMPAGNIE DE FINANCEMENT FONCIER

2015 Registration document

including the annual financial report







*This is a free translation into English of Compagnie de Financement Foncier 2015 annual report issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails. Only the French version of the Registration document has been submitted to the AMF. It is therefore the only version that is binding in law.*

The original document was filed with the Autorité des marchés financiers (French Financial Market's Authority) on April 5, 2016, in accordance with Article 212-13 of its general regulation and registered under the number D.16-0278 and represents the French "Document de référence" of Compagnie de Financement Foncier.

As such, it may be used in support of a financial transaction when accompanied by a prospectus duly approved by the AMF. It was prepared by the Issuer and its signatories assume responsibility for it.

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Abbreviations used in the document:  
Billions of euros: €bn  
Millions of euros: €m  
Thousands of euros: €k



# Activity report 2015

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# Profile

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

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

Compagnie de Financement Foncier's obligations are French legal covered bonds that comply with the European directives UCITS 52-4<sup>(2)</sup> and CRD<sup>(3)</sup> and with the Article 129 of the European Regulation CRR<sup>(4)</sup>. All *obligations foncières* of Compagnie de Financement Foncier are eligible for the European Central Bank (ECB) refinancing operations.

Since 2012, Compagnie de Financement Foncier is a member of the ECBC<sup>(5)</sup> 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 €69bn as of December 31, 2015 and an issuance volume of €7bn, excluding non-recurring operations (buy-back and intragroup placements).

(1) Standard & Poor's/Moody's/Fitch Ratings, updated as of the 2015 Registration document's filing date.

(2) 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.

(3) CRD: Capital Requirements Directive.

(4) CRR: Capital Requirements Regulation.

(5) ECBC: European Covered Bond Council.

# Chairman's message

**Bruno Deletré**

Chairman

***“ Compagnie de Financement Foncier: high creditworthiness of a key actor of the Groupe BPCE's strategy. ”***

Seven years on from one of the most serious financial crises, the global economy continued on the road to stability in 2015, despite a few difficulties along the way. According to the International Monetary Fund, global growth stands at 3.1% in 2015, 0.3 points down than in 2014.

Led by the United States, developed economies continued their recovery in 2015 but at a slower pace than anticipated.

In this context, the European Central Bank has strengthened its efforts by cutting its deposit rate in December to -0.30% to support the recovery. The US Federal Reserve, on the other hand, raised its key interest rate by 0.25%, illustrating the newfound health of the economy on the other side of the Atlantic.

The weakness of central bank interest rates had consequences at every level, in France, for example, the steady drop in real estate lending rates led to an all-time low of around 2%.

In this environment, Compagnie de Financement Foncier has been able to adapt its issuance strategy and to raise long-term funds at competitive rates on the financial markets, once again confirming its creditworthiness and the relevance of its business model to serve all Groupe BPCE entities.

# Message of Executive Management

**Thierry Dufour**

Chief Executive Officer

***“ Covered bonds: a privileged refinancing tool. ”***

Covered bonds remain an attractive product for the capital markets: their total outstanding was €931 billion in 2014, and €925 billion in 2015.

In 2015, covered bonds continued to be a sought-after product due to ever-stronger regulatory frameworks that led to high subscription levels. For many years now, the covered bonds market has confirmed its capacity to offer investors an opportunity of a well-diversified and secure investment.

This year, the European Commission undertook an initiative to harmonise the European covered bonds regulatory framework with the aim of improving public sector financing within the European Union and facilitating transnational investments. These measures, as well as the ECB's favourable monetary policy, are also behind the success of this product and provide a renewed stimulus for its future development.

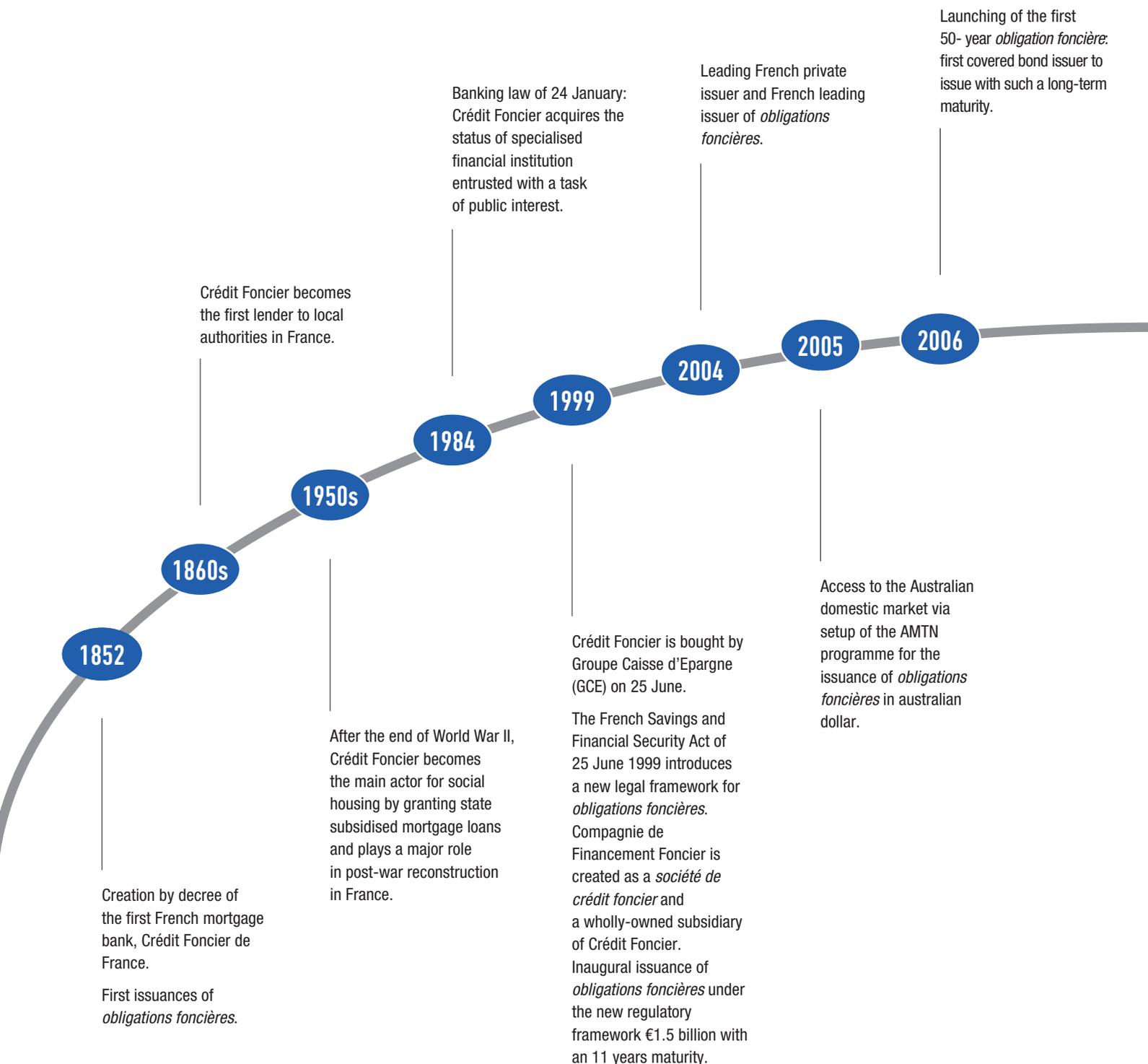
In 2015, Compagnie de Financement Foncier remains one of the leading issuers of euro benchmark covered bonds with an outstanding of €69 billion.

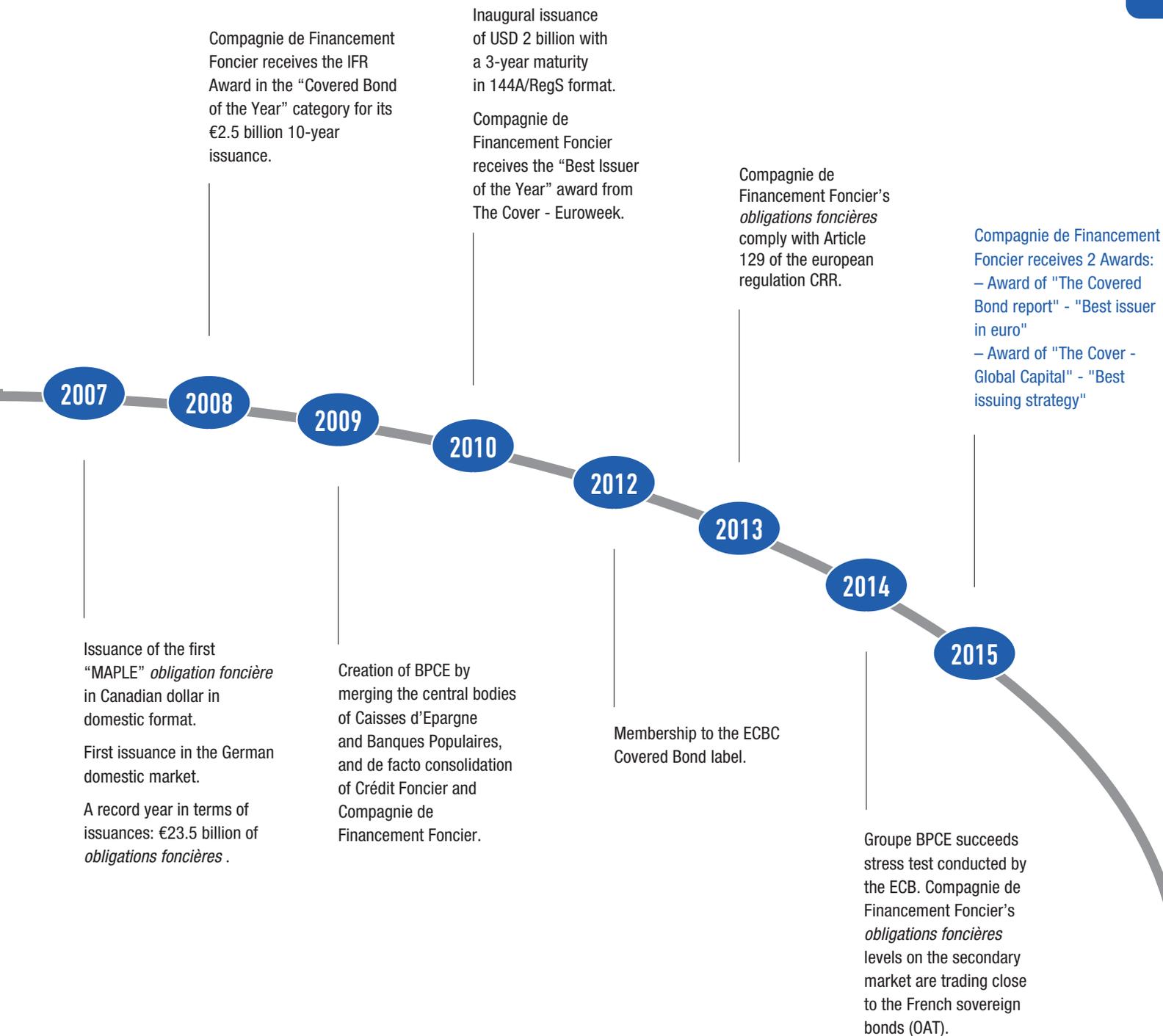
During this year, Compagnie de Financement Foncier raised €7.0 billion in new issuances excluding non-recurrent operations (buy-back and intragroup placements). This volume includes, in particular, five benchmark issuances: a 10-year €1.0 billion issuance in January, a 5-year €1.0 billion issuance in February, a 3-year €1.5 billion issuance in June, a 7-year €1.5 billion issuance in September and a 5-year €1.25 billion issuance in October. These benchmarks were carried out with historically low spreads and benefited from a very high investors' demand.

As an issuer of covered bonds, Compagnie de Financement Foncier is playing an important part in the refinancing strategy of all Groupe BPCE entities.

# History

Created in 1852, Crédit Foncier de France, whose main activity is to grant property loans backed by first-ranking mortgages, became the leading lender to local authorities in France and maintained that position until World War II. From the 1950s onward, Crédit Foncier was entrusted with numerous public interest assignments and has continued to play a key role in the real estate sector, becoming one of the State's major partners in this area.





# 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 programmes:** EMTN, AMTN & USMTS

**Sole service provider:**

Crédit Foncier [A-(stable)/A2(stable)/A(stable)] <sup>(1)</sup> <sup>(2)</sup>

A subsidiary of BPCE [A(stable)/A2(stable)/A(stable)] <sup>(1)</sup> <sup>(2)</sup>

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

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

(2) Ratings updated as of the Registration document's filing date.

## SIMPLIFIED ECONOMIC BALANCE SHEET

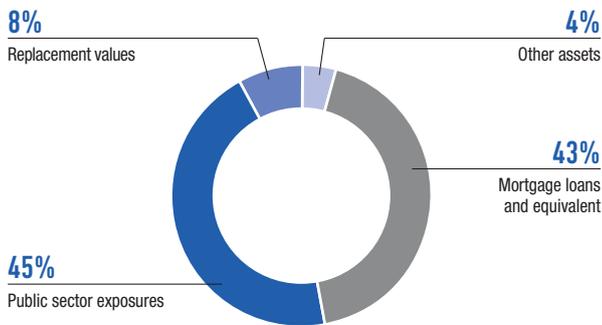
ASSETS (by type of exposures)	At 12/31/2015		At 12/31/2014	
	€bn	%	€bn	%
<b>Mortgage loans or equivalent</b>	<b>38.0</b>	<b>43.3%</b>	<b>40.4</b>	<b>45.9%</b>
<b>Public sector exposures</b>	<b>39.3</b>	<b>44.9%</b>	<b>36.4</b>	<b>41.4%</b>
French public sector *	29.3	33.5%	25.5	29.0%
Foreign public sector	10.0	11.4%	10.9	12.4%
<b>Replacement values and other assets</b>	<b>10.3</b>	<b>11.8%</b>	<b>11.1</b>	<b>12.7%</b>
Replacement values	7.1	8.1%	6.9	7.9%
Other assets	3.2	3.7%	4.2	4.8%
<b>TOTAL ASSETS</b>	<b>87.6</b>	<b>100.0%</b>	<b>87.9</b>	<b>100.0%</b>

\* Including deposits and short term loans at Banque de France of €5.4bn at the end of 2015 and €1.2bn at the end of 2014.

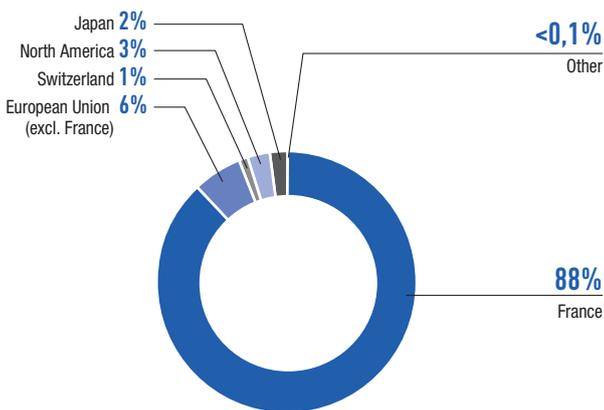
LIABILITIES	At 12/31/2015		At 12/31/2014	
	€bn	%	€bn	%
<b>Privileged resources</b>	<b>68.0</b>	<b>77.7%</b>	<b>70.6</b>	<b>80.3%</b>
<i>Obligations foncières</i>	69.0	78.8%	71.1	80.9%
Foreign exchange rate difference on <i>obligations foncières</i>	-1.2	-1.3%	-0.8	-0.9%
Other privileged resources	0.2	0.3%	0.3	0.3%
<b>Difference associated with hedging balance sheet items</b>	<b>1.5</b>	<b>1.7%</b>	<b>1.0</b>	<b>1.2%</b>
<b>Non-privileged resources</b>	<b>18.1</b>	<b>20.7%</b>	<b>16.3</b>	<b>18.6%</b>
Unsecured debt	12.6	14.4%	10.8	12.3%
Subordinated debt or equivalent	2.2	2.6%	3.7	4.2%
Shareholders' equity, provisions and reserve for general banking risks	3.3	3.7%	1.9	2.1%
<b>TOTAL LIABILITIES</b>	<b>87.6</b>	<b>100.0%</b>	<b>87.9</b>	<b>100.0%</b>
Regulatory capital according to CRR/CRD IV	3.1	3.5%	4.9	5.6%

**BREAKDOWN OF ASSETS:  
€87.6bn**

**By type of assets**

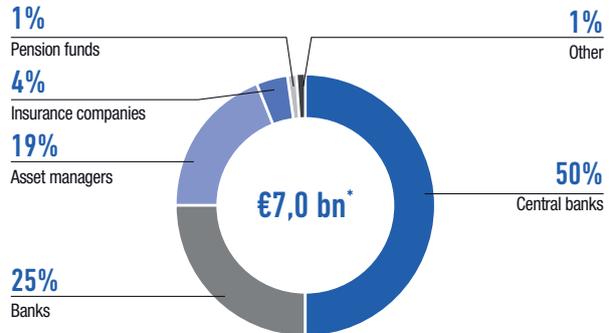


**By region**



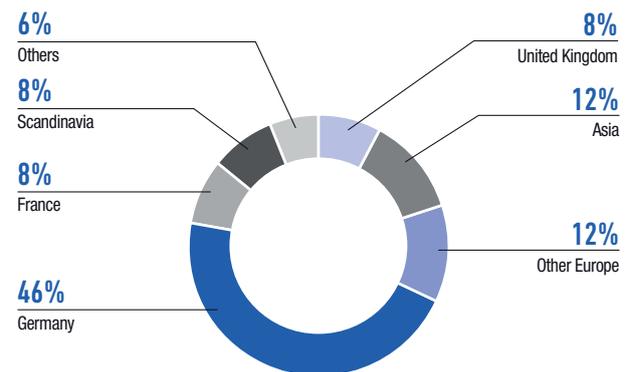
**BREAKDOWN OF 2015 ISSUANCES:  
€7.0bn**

**By investor type \***



\* Excluding non-recurring operations (buy-back and intra-group placements).

**By region \*\***



\*\* Excluding non-recurring operations (buy-back and intragroup placements) and Eurosystem.

**2015 HIGHLIGHTS**

Having launched five euro benchmarks in 2015, Compagnie de Financement Foncier occupies a central place on the euro market and rests a reference player as the *obligations foncières* issuer.

As such, in 2015, Compagnie de Financement Foncier won two Awards: an Award for “the best bond issuance strategy” and an Award for “excellence as a euro issuer”.

**PERFORMANCE INDICATORS**

**€7.0bn**

Obligations foncières issued in 2015 <sup>(6)</sup>

**€132m**

Net income

**€364m**

Net banking income

**€3.1bn**

Regulatory capital

**122.1%**

Regulatory overcollateralisation ratio

**21.7%**

Non-privileged resources/privileged resources ratio

**75.5%**

Average LTV of mortgage loans

**18.7%**

Common Equity Tier-1 ratio

**18.7%**

Tier-1 ratio

**18.7%**

Solvency ratio \*

\* Calculated according to the standard method.

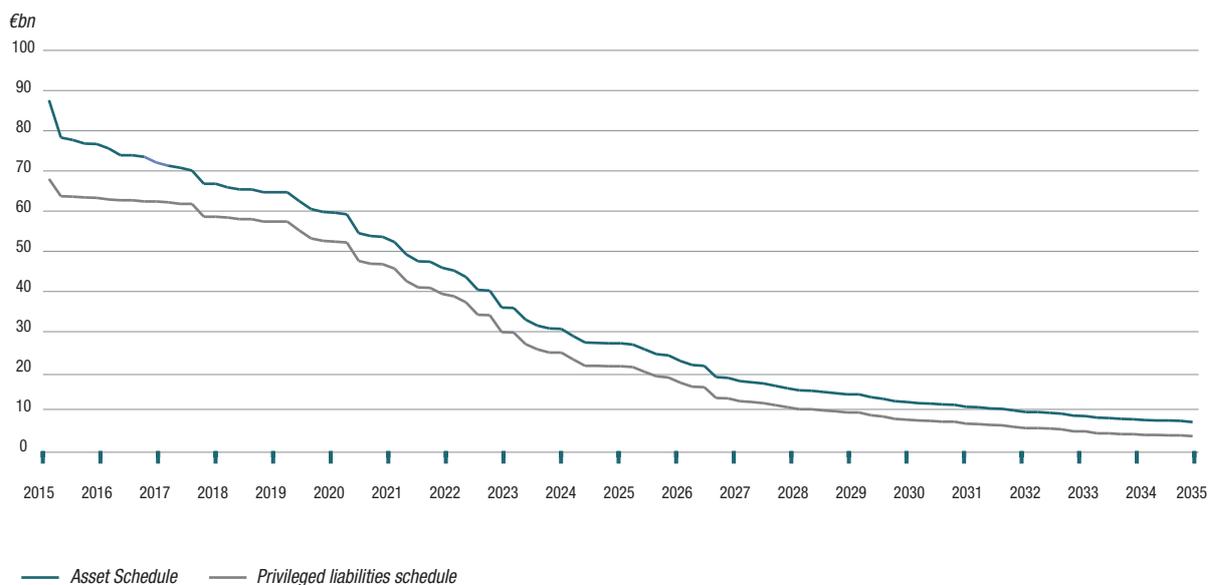
**Outstanding privileged liabilities as of December 31, 2015**

€69bn of obligations foncières

**Positioning**

One of the leaders in the covered bonds segment in Europe in terms of outstanding (€69bn) at December 31, 2015.

**AMORTISATION OF ASSETS AND PRIVILEGED LIABILITIES**



(6) Excluding non-recurring operations (buy-back and intragroup placements).

# Increasing synergies with Groupe BPCE

## Crédit Foncier at a glance

Crédit Foncier is a leading specialist in real estate financing and services in France. As a wholly-owned subsidiary of Groupe BPCE, Crédit Foncier serves all those who seek the expertise and unique insight that will help them find the answers tailored to their

real estate needs: individuals of course, but also professionals, investors and local authorities. Crédit Foncier has provided, to all these players, its innovation and creativity as well as its market experience for over 160 years.

## Groupe BPCE at a glance

Groupe BPCE is the second largest banking group in France <sup>(7)</sup>, with over 108,000 employees, serves a total of 35 million customers, 8.9 million of whom have decided to become cooperative shareholders. Groupe BPCE posted solid performance in 2015, with a moderated risk profile and a strong improvement in solvency.

The 2015 net income attributable to equity holders of the parent increased by 11.6% to €3.2bn compared with 2014. The Common Equity Tier-1 ratio of the group has strengthened further from 11.9% in 2014 to 13.2% in 2015. The group regulatory capital amounts to €65.8bn at December 31, 2015.

## Synergies

In 2015, in line with the targets set out in Groupe BPCE's 2014-2017 strategic plan "Growing differently", Groupe Crédit Foncier continued to develop synergies with other group entities, in particular with regard to individual customers, local authorities and social housing business lines.

Developing synergies with BPCE entities also involved the group's IT systems. The pooling of Crédit Foncier and Caisses d'Epargne IT platform (MUT SI programme), which was launched in late 2012, was successfully completed in mid-November 2015.

<sup>(7)</sup> Market shares: 22.4% of market share for customer savings and 20.7% for customer credits (source: Banque de France Q3-2015 – all non-financial customers).

# Covered bonds: legal and regulatory framework

The European regulatory framework regarding covered bonds has been constantly undergoing changes since the beginning of the financial crisis and this has translated into the European and National legislative frameworks.

At the European level, two pieces govern the legal framework of covered bonds: the UCITS and the CRD directives. These European directives are transposed into French law in the CMF<sup>(8)</sup>.

## Covered bonds

Covered bonds are bonds backed by an asset cover pool. Cash flows deriving from these assets enable bondholders to be repaid, in priority over all other creditors.

In the European Union, covered bond features are defined by Article 52-4 of the European UCITS directive (2009/65/EC amended), according to the following criteria:

- the issuer must be a credit institution having its registered office in a European Union Member State and subject to a specific and legal supervision;
- the bondholder must have a preferential claim on cash flows deriving from underlying assets, in the event of the issuer's default, over all other creditors. The exposure limit to this type of assets can be raised up to 25%.

### UCITS directive – Article 52-4

**Directive 2009/65/EC of the European Parliament and the Council of July 13, 2009 (initial directive 85/611/EEC of December 20, 1985)**

[...]

4. Member States may raise the 5% limit laid down in the first subparagraph of paragraph 1 to a maximum of 25% where bonds are issued by a credit institution which has its registered office in a Member State and is subject by law to special public supervision designed to protect bond-holders. In particular, sums deriving from the issue of those bonds shall be invested in accordance with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in the event of failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

[...]

The compliance of covered bond issuers with the Article 52-4 of the UCITS directive has enabled to standardise the asset cover pool controls and their banking supervision.

The second European text providing definition of covered bonds is the Capital Requirements Directive (CRD) on regulatory capital

adequacy. Covered bond holders, particularly European banks and insurance companies, benefit from a favourable regulatory framework. Indeed, the latter are taking advantage of a favourable risk weighting of their covered bonds with the highest rating.

<sup>(8)</sup> CMF: Code Monétaire et Financier (French Monetary and Financial Code).

**CRD IV directive: 2013/36/EU, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, repealing directives 2006/48/EC and 2006/49/EC.**

**CRR regulation: No. 575/2013 of the European Parliament and of the Council, on prudential requirements applicable to credit institutions and investment firms.**

**Article 129 – Exposures in the form of covered bonds.**

1. To be eligible for the preferential treatment set out in paragraphs 4 and 5, bonds referred to in Article 52(4) of directive 2009/65/EC (covered bonds) shall meet the requirements set out in paragraph 7 and shall be collateralised by any of the following eligible assets:

a) exposures to or guaranteed by central governments, ESCB<sup>(9)</sup> central banks, public sector entities, regional governments or local authorities in the Union;

b) exposures to or guaranteed by third country central governments, third-country central banks, multilateral development banks, international organisations that qualify for the credit quality step 1 as set out in this Chapter, and exposures to or guaranteed by third-country public sector entities, third- country regional governments or third-country local authorities that are risk weighted as exposures to institutions or central governments and central banks in accordance with Article 115(1) or (2), or Article 116(1), (2) or (4) respectively and that qualify for the credit quality step 1 as set out in this Chapter, and exposures within the meaning of this point that qualify as a minimum for the credit quality step 2 as set out in this Chapter, provided that they do not exceed 20% of the nominal amount of outstanding covered bonds of the issuing institutions;

c) exposures to institutions that qualify for the credit quality step 1 as set out in this Chapter. The total exposure of this kind shall not exceed 15% of the nominal amount of outstanding covered bonds of the issuing institution;

[...]

d) loans secured by:

i) residential property [...]

[...]

4. Covered bonds for which a credit assessment by a nominated ECAI<sup>(10)</sup> is available shall be assigned a risk weight according to Table 6a which corresponds to the credit assessment of the ECAI in accordance with Article 136.

**Table 6a**

Credit quality step	1	2	3	4	5	6
Risk weight	10%	20%	20%	50%	50%	100%

The main feature of covered bonds is the specific mechanism established to protect bondholders. Indeed, bondholders benefit from a special legal privilege on the underlying assets of the cover pool in case of the issuer's default, giving them the right to be paid

prior to all other creditors. To ensure a sufficient level of quality, said assets are strictly defined in the appropriate legislation (mainly real estate with first rank guarantee and claims on central or regional governments, or local authorities).

<sup>(9)</sup> ESCB: European System of Central Banks.

<sup>(10)</sup> ECAI: External Credit Assessment Institution.

The new LCR (Liquidity Coverage Ratio) regulation, which came into force on October 1, 2015, enables investors to include covered bonds in their liquidity reserves, as long as they comply with certain criteria. The main eligibility criteria for covered bonds at each liquidity reserve level are as follows:

Eligibility criteria	Level 1A	Level 2A EU member issuer	Level 2B*
Compliance with Article 52-4 of the UCITS directive or with Article 129 of the CRR.			
Minimum rating or, in case of no available rating, risk weighting in accordance with the CRR.	AA- or 10%	A- or 20%	35%
Minimum issuance amount	€500m	€250m	€250m
Minimum overcollateralisation ratio to be respected	2%	7% or 2% if rating ≥ AA-	10% and monthly disclosure
Disclosure of the information below, in compliance with Article 129 (7) of the CRR regulation, and according to the applicable periodicity :	Semi-annually	Semi-annually	quarterly
<ul style="list-style-type: none"> <li>• the value of the cover pool and the outstanding of the covered bonds,</li> <li>• the geographical distribution and type of cover assets, loan size, interest rate and currency risks,               <ul style="list-style-type: none"> <li>• the maturity structure of cover assets and covered bonds;</li> <li>• the percentage of loans more than ninety days past due.</li> </ul> </li> </ul>			

\* For level 2B, the cover pool must consist of residential property and exposures on public entities.

Within the context of ECBC Covered Bond Label reporting, Compagnie de Financement Foncier publishes the information listed in the table above on its website ([www.foncier.fr](http://www.foncier.fr)) according to the periodicity scheduled, with the exception of each issuance size. The latter is available on the company's website in the legal documentation related to each issuance.

The European Covered Bond Council, an association representing mainly issuers whose members account for over 95% of outstanding covered bonds, established the Covered Bond Label in 2012, who performs its own governance in which French issuers are represented. For investors, regulators and key market players, the label promotes access to relevant, uniform and transparent information on 76 issuers and 88 cover pools in 14 European countries. This quality label is based on a convention, which

defines the core characteristics and criteria for a covered bond programme to qualify.

For issuers, the label requires compliance with Articles 52(4) of the UCITS directive and 129 of the CRR regulation and enhanced transparency of information provided. Information for investors is also subject to specific reporting drawn up in accordance with common national frameworks and harmonized under a signe format by the end of 2016. Under this label, the French template already allows all information required pursuant to Article 129(7) of the CRR to be provided to investors.

Compagnie de Financement Foncier complies with all the label requirements, and has therefore renewed its membership for 2016. All information and reports are available on the website [www.coveredbondlabel.com](http://www.coveredbondlabel.com).

## A french covered bond: the *obligations foncières*

### THE BASICS OF OBLIGATIONS FONCIÈRES

#### FRENCH LAW AND COMPLIANCE WITH EUROPEAN REGULATIONS

In 1999, the French government passed legislation on the modernisation of the *obligations foncières* framework. This law provides the French financial markets with a category of bond instruments, which are competitive and uniform in terms of risks and liquidity, controlled by the Autorité de Contrôle Prudentiel et de Résolution (ACPR)<sup>(11)</sup> and by a Specific Controller. Until then, the legislation of 1852 on *sociétés de crédit foncier* allowed only Crédit Foncier de France or Crédit Foncier et Communal d'Alsace et de Lorraine to issue *obligations foncières*. Since 1999, *société de crédit foncier*'s business activities have been governed by the French Monetary and Financial Code (CMF).

French law is the transposition of the European directives UCITS and CRD on covered bonds:

- *sociétés de crédit foncier* are credit institutions having their registered office in a Member State of the European Union,

France. They are legally subject to specific supervision protecting the holders of those bonds, via a Specific Controller, whose appointment is approved by the ACPR;

- bondholders of *obligations foncières* are protected by a pool of underlying assets (whose eligibility criteria are defined by law) towards which they have priority recourse in the event of the issuer's default: this is the legal privilege granted to bondholders.

The French legal framework imposes additional liquidity and disclosure requirements for the benefit of investors.

#### SOCIÉTÉS DE CRÉDIT FONCIER

*Sociétés de crédit foncier* are credit institutions whose sole purpose is defined in Article L. 513-2 of the French Monetary and Financial Code: granting or acquiring guaranteed loans i.e. loans that are backed by first-rank mortgages or real property collateral conferring at least an equivalent guarantee, or exposures to public entities, and financing them by issuing *obligations foncières*. The business activities of a *société de crédit foncier* are restricted by law: they are not allowed to hold equity interests or share portfolios.

Their financial statements must provide a clear view of major balance sheet items, including:

#### Structure of a *société de crédit foncier*'s balance sheet

Assets	Liabilities
<ul style="list-style-type: none"> <li>• Guaranteed loans: backed by a first-rank mortgage or real estate securities conferring at least an equivalent guarantee</li> </ul>	<ul style="list-style-type: none"> <li>• Privileged resources (mainly <i>obligations foncières</i>)</li> </ul>
<ul style="list-style-type: none"> <li>• Exposures on public entities</li> </ul>	<ul style="list-style-type: none"> <li>• Non-privileged resources: senior debt (unsecured debt), subordinated and related debts</li> </ul>
<ul style="list-style-type: none"> <li>• Replacement values</li> </ul>	<ul style="list-style-type: none"> <li>• Provisions</li> </ul>
	<ul style="list-style-type: none"> <li>• Shareholders' equity</li> </ul>

*Obligations foncières*, which finance eligible assets, are covered bonds that have a legal privilege that confers to their holders a preferential claim on cash flows deriving from the underlying assets.

#### Article L. 513-2 (formerly Art. L. 515-13)

##### I. – *Sociétés de crédit foncier* are specialised credit institutions, whose sole purpose is:

- 1° to grant or acquire guaranteed loans or exposures to public entities and securities as defined in Articles L. 513-3 to L. 513-7;
- 2° financing these types of loans, exposures, investments and securities by issuing covered bonds (*obligations foncières*) benefiting from the "privilege" defined in Article L. 513-11 and raising other resources, whose contract or public information document within the meaning of Article L. 412-1 or any equivalent document required for admission on foreign regulated markets mentions this privilege.

[...]

(11) French Prudential Supervisory and Resolution Authority is an administrative authority that supervises the activity of financial institutions. For further details, please refer to the dedicated paragraph under "Regulatory bodies" on page 21.

The eligibility criteria for *sociétés de crédit foncier*'s assets are defined in Articles L. 513-3 to L. 513-7 of the French Monetary and Financial Code. The following assets are eligible:

- loans guaranteed by a first-rank mortgage or equivalent guarantee, when the underlying assets are located in the European Economic Area or in a country with the highest credit rating;
- exposures on public entities such as loans or off-balance sheet commitments, when they concern public entities or entities that are totally guaranteed by them (central administrations, central banks, public institutions, local authorities or their associations, etc.), and having the highest credit quality step established by an ECAI recognised by the Autorité de contrôle prudentiel et de résolution (ACPR French Prudential Supervisory and Resolution Authority) in accordance with Article L. 511-44 (or the second highest quality step under conditions). Exposures to public entities particularly include debt securities issued or totally guaranteed by one or more public entities. Shares and debt securities issued by securitisation vehicles as well as those issued by similar entities are considered as loans and exposures;

- replacement values (limited to 15% of the face value of the privileged resources): securities, and deposits that are adequately safe and liquid.

All eligible assets are held by the *société de crédit foncier* in a dedicated balance sheet separated from the parent company's.

## INVESTOR PROTECTION

### LEGAL PRIVILEGE OF HOLDERS OF OBLIGATIONS FONCIÈRES

According to Article L. 513-11 of the French Monetary and Financial Code, which defines the legal privilege on cash flows from assets and the terms of the guarantee that it provides, the assets held by a *société de crédit foncier* allow the priority repayment of privileged debt, i.e. *obligations foncières*. The legal privilege is the fundamental principle of legal security for *obligations foncières*' holders. It remains valid even if the *société de crédit foncier* or its parent company goes bankrupt or goes into receivership. It thus affords investors the maximum protection. Privileged debts are paid on their contractual due date, in priority to all other debts, for both their interest and principal payments, until they have been fully repaid, under all circumstances.

#### Article L. 513-11 (formerly Art. L. 515-19)

##### Notwithstanding any contrary legislative provisions, including those of Book VI of the French Commercial Code:

1. sums from the loans or similar debts, exposures, securities and instruments referred to in Articles L. 513-3 to L. 513-7 of the financial instruments referred to in Article L. 513-10, after compensation, if applicable, as well as claims resulting from deposits made by the *société de crédit foncier* with credit institutions, shall first be allocated to the payment of *obligations foncières* and other privileged resources referred to in item 2 of I of Article L. 513-2;
2. when a *société de crédit foncier* is subject to safeguard, restructuring or insolvency or conciliatory proceedings, the debts arising from the transactions referred to in item 2 of I of Article L. 513-2 shall be paid on their contractual due date and in priority to all other claims, regardless of whether the latter are backed by privileges or security interests, including interests from contracts, of whatever duration. Until the holders of preferential claims within the meaning of the present Article have been fully repaid, no other creditor of the *société de crédit foncier* may exercise any right over the Company's property or rights;
3. a *société de crédit foncier*'s liquidation does not accelerate the repayment of its bonds or other debt benefiting from the privilege referred to in part 1 of this article.

[...]

The bondholders of *obligations foncières* are also protected by the following legal and regulatory frameworks:

#### • Overcollateralisation

#### Article L. 513-12 (formerly Art. L. 515-20)

The total amount of the *société de crédit foncier*'s assets must be higher than the amount of their liabilities benefiting from the privilege as indicated in Article L. 513-11. The Minister in charge of the Economy determines how to measure these assets and liabilities.

Article R. 513-8 of the CRBF (French Banking and Financial Regulatory Committee) regulation sets the minimum legal overcollateralisation ratio at 105%. It should be noted that non-collateralised exposures in the group may not exceed 25% of non-privileged resources. One of the Specific Controller's duties

is to monitor compliance with this overcollateralisation rule. The regulatory overcollateralisation ratio of Compagnie de Financement Foncier has always exceeded 108% since its establishment in 1999.

**Article R. 513-8** (formerly R. 515-7-2)

A *société de crédit foncier* must at all times maintain a cover ratio between its eligible assets, including so-called replacement values, and its liabilities benefiting from the Privilège of at least 105% in accordance with the criteria laid down by the Minister in charge of the Economy.

- **Asset-liability matching in terms of maturity and interest rates**

Article 12 of CRBF No. 99-10 requires that matching of maturity and interest rates of assets and liabilities has to be respected in the *société de crédit foncier's* balance sheet management. It is subject to very close scrutiny by the Specific Controller, who instructs the executives and the ACPR if he or she determines that the matching of interest rates and maturity could create excessive risks for privileged creditors (decree of February 23, 2011). The decree of May 23, 2014 then the order of May 26, 2014 established a maximum duration gap between assets and liabilities. The average maturity for assets held to maintain a cover ratio of 105% and used by transparency in the case of collateralised assets (such as mortgage notes or mobilisations pursuant to Article L. 211-38), may not exceed the average maturity of outstanding privileged liabilities by more than 18 months.

Since May 2014, *sociétés de crédit foncier* are also obliged to prepare an estimate, based on a yearly plan approved by

the decision-making body and submitted to the ACPR, of the privileged resources' cover ratio up to their maturity, considering the available eligible assets and the forecasted new production based on conservative assumptions.

- **180-day liquidity buffer**

At all times, *sociétés de crédit foncier* must ensure that all cash requirements are covered for a period of 180 days. Therefore, *sociétés de crédit foncier* hold replacement values, cash deposits at Banque de France, assets eligible for Banque de France monetary policy operations or other assets defined by Article R. 513-7 that permanently cover all identified cash requirements for the next 180 days.

Further to the decree of May 23, 2014 and the order of May 26, 2014, refinancing agreements to cover these cash requirements at 180 days are no longer authorized.

**Article R. 513-7** (formerly R. 515-7-1)

At all times, the *société de crédit foncier* hedges its cash requirements over a period of 180 days, recognising the hedging of forecasted cash flows of principal and interest on its assets as well as net cash flows relating to forward financial instruments mentioned in Article L. 513-10. Cash requirements are covered by replacement values, assets eligible for Banque de France monetary policy operations, in accordance with the procedures and conditions determined by the Banque de France for its monetary policy and intra day credit operations.

When the assets of a *société de crédit foncier*, excluding replacement values, include receivables guaranteed pursuant to Articles L. 211-36 to L. 211-40, L. 313-23 to L. 313-35, and L. 313-42 to L. 313-49, the calculation of cash requirements doesn't use the projected cash flows from the receivables recorded in the assets of the *société de crédit foncier*, but those arising from assets received in guarantee, in pledge or in full ownership.

**NON-EXTENSION OF THE PARENT'S INSOLVENCY TO ITS SOCIÉTÉ DE CRÉDIT FONCIER SUBSIDIARY**

Under French law, a *société de crédit foncier* has a specific legal framework guaranteeing that the holders of *obligations foncières* receive favourable treatment under normal management conditions and in the event of insolvency proceedings being initiated against its parent.

**Article L. 513-20** (formerly Art. L. 515-27)

Notwithstanding any legal or regulatory requirements to the contrary, notably those of Sections II to IV of Volume VI of the French Commercial Code, any safeguard, restructuring or insolvency proceedings against a company holding shares in a *société de crédit foncier* cannot be extended to the *société de crédit foncier*.

The cash flows derived from *société de crédit foncier's* assets are, under all circumstances, used to repay privileged debt. In the event of default of its parent, the *société de crédit foncier* and the holders of *obligations foncières* are fully protected by virtue of this non-extension rule.

If a French company is subject to insolvency proceedings, there will be no vacuum in authority at its level, as a legal receiver is appointed to ensure the continuity of management.

As a separate legal entity, a *société de crédit foncier's* subsidiary is not affected by the insolvency of its parent, the management of a *société de crédit foncier* is conducted *in bonis*, i.e. under normal management conditions, by its own managers.

If the parent is subject to preservation or insolvency proceedings, the *société de crédit foncier* may terminate its service and receivable management contracts if it determines this course to be appropriate. The *société de crédit foncier* may therefore change its service provider at any time to ensure the continued management of its assets and liabilities.

Since the decree of May 23, 2014 and the order of May 26, 2014, the Company must also identify the staff and resources required to recover receivables and to enforce contracts entered into by the Company, in addition to drafting a plan defining the conditions for transferring all of the required technical resources and data to perform recovery actions.

### IMMUNITY OF OBLIGATIONS FONCIÈRES HOLDERS

In the event of insolvency proceedings being initiated against a *société de crédit foncier*, holders of *obligations foncières* are entirely protected by the following procedures:

#### Repayment schedule of privileged debt is maintained

In the event of judicial liquidation, debt payment is not accelerated. The debts duly deriving from the transactions shall be paid on their contractual due date and repayment of debts that do not benefit from the privilege will only take place after repayment of *obligations foncières* and other privileged debts.

All other creditors (including the French State) are not paid until all *obligations foncières* holders' claims have been satisfied, as set out in the initial schedule. In contrast with the general law that transactions made when companies are in financial difficulty may be invalidated, *sociétés de crédit foncier*'s asset transfers made prior to a declaration of insolvency remain valid.

#### Continuity of management in case of insolvency of a *société de crédit foncier*

Article L. 612-34 of the French Monetary and Financial Code provides that, depending on the situation, a provisional administrator may oversee or advise managers or be given full powers. The provisional administrator can use the same asset-liability management (ALM) tools that are usually available to a *société de crédit foncier*, such as:

- disposing assets;
- assigning assets;
- issuing new *obligations foncières*;
- issuing non-privileged liabilities.

A *société de crédit foncier* continues its business according to the same rules, under all circumstances.

Thus, a *société de crédit foncier* carries out its business under normal management conditions because the provisional administrator has the same duties as the managers had previously. All activities are carried on to ensure the company is well managed, and all privileged debts are repaid in compliance with existing commitments.

#### Article L. 612-34

The French Prudential Supervisory and Resolution Authority may appoint a provisional administrator to any legal person under its supervision, to which all of the legal entity's administrative, management and representative powers are transferred.

[...]

In the event of insolvency of a *société de crédit foncier*, the Specific Controller, as set out in Article L. 513-22 of the French Monetary and Financial Code, must file claim statements on behalf of privileged creditors.

The Specific Controller continues to inform and notify the French Prudential Supervisory and Resolution Authority (ACPR), just as he or she must do when the *société de crédit foncier* is operating normally.

#### Affiliation to a central body

French cooperative banking groups have a central body and some of their subsidiaries may use a specific guarantee scheme: the affiliation. Compagnie de Financement Foncier is directly affiliated with BPCE SA, the central body of Groupe BPCE; holders of *obligations foncières* benefit from this additional protection.

#### Article L. 511-31

The central bodies represent the credit institutions affiliated with them in relation to the Banque de France and the ACPR. They are responsible for the coordination of their network and for ensuring that the institutions affiliated with them, function properly. To this end, they take all necessary steps to guarantee the liquidity and solvency of each of these institutions and of the entire network.

#### Articles L. 512-12 and L. 512-86-1

In order to ensure the liquidity and solvency of Banques Populaires and Caisses d'Épargne networks, the central body of the Caisses d'Épargne and Banques Populaires referred to in Article L. 512-106 has access to the common fund of guarantee and solidarity of Caisses d'Épargne network, and to the guarantee funds entered in the accounts of the Société de Participations du Réseau des Banques Populaires which, if they are used, it may decide to reconstitute by calling for the necessary contributions from Caisses d'Épargne and Banques Populaires.

**Article L. 512-107**

**The central body of Caisses d'Épargne and Banques Populaires exercises the powers referred to in Articles L. 511-31 and L. 511-32 of this Code. In this capacity is it responsible for:**

- 1° Determining the group's policy and strategic objectives and those of each of the networks it comprises;  
[...]
- 5° Taking any measures necessary to ensure the liquidity of the group and of each of the networks and, to this end, to determine the group's liquidity management rules, inter alia by establishing the principles and terms applicable to the investment and management of its member institutions' cash resources and the circumstances in which said institutions may enter into transactions with other credit institutions or investment firms, carry out securitisation transactions or issue financial instruments, as well as any financial transaction required in connection with their liquidity management;
- 6° Taking any measures necessary to ensure the liquidity of the group and of each of the networks, inter alia by implementing the group's appropriate internal solidarity mechanisms and by creating a guarantee fund common to the two networks for which it shall determine the operating rules, the terms of intervention in conjunction with the funds referred to in Articles L. 512-12 and L. 512-86-1, and the affiliated institutions' contributions for its appropriation and reconstitution;
- 7° Determining the organisational principles and conditions of the internal auditing mechanism of the group and of each of the networks and providing monitoring of said organisation and of the management and quality of the financial situation of the affiliated institutions, inter alia through on-the-spot inspections within the scope of the intervention described in the fourth paragraph of Article L. 511-31;
- 8° Determining the risk-management policy and principles, and the limits thereof, for the group and for each of the networks and providing monitoring thereof on a consolidated basis at all times.

## REGULATORY BODIES

### THE EUROPEAN CENTRAL BANK

Since November 2014, Compagnie de Financement Foncier is supervised by the European Central Bank according to the Single Supervisory Mechanism (SSM); while remaining under the supervision of the national competent authority, the ACPR.

### THE AUTORITÉ DE CONTRÔLE PRUDENTIEL ET DE RÉOLUTION (ACPR – FRENCH PRUDENTIAL SUPERVISORY AND RESOLUTION AUTHORITY)

The tasks of the French Prudential Supervisory and Resolution Authority are defined by Article L. 612-1 of the French Monetary and Financial Code.

The ACPR is responsible for three main tasks:

- contributing to the stability of the financial sector;
- protecting customers;
- strengthening the influence of France at European and international level.

As authorised credit institutions, *sociétés de crédit foncier* are placed under its authority.

The ACPR monitors these companies by examining reports and financial statements that they are required to provide and can also conduct on-site investigations.

As credit institutions, the *sociétés de crédit foncier* have to provide information about:

- internal control (Articles 258 to 270 of the Decree of November 3, 2014 on internal control of the banking sector);
- liquidity, via the liquidity and observation ratios.

The *sociétés de crédit foncier* must also publish specific reports about:

- the quality of their financed assets and, in particular, the characteristics and breakdown of loans and guarantees, liquidity at 180 days in a run-off scenario, as well as the level and sensitivity of interest rate positions. The report on these points is published on Compagnie de Financement Foncier's website and submitted to the ACPR four times a year, within 45 days following the end of each quarter;
- the calculation of the overcollateralisation ratio, which includes limits on the composition of assets, and the calculation of amounts eligible for refinancing by privileged resources.

The report on this information, completed with other regulatory indicators, is certified by the Specific Controller, and submitted to the ACPR within three months following the end of each quarter.

The *sociétés de crédit foncier* determine the solvency ratio and the regulatory overcollateralisation ratio provided to the French

Prudential Supervisory and Resolution Authority. These audits performed by the ACPR are an additional guarantee for the holders of *obligations foncières*.

**Order of November 3, 2014 regarding the internal control in the banking industry**

**Article 258** (formerly article 42 of regulation 97-02 as amended)

At least once a year, companies subject to this regulation are required to prepare a report on internal control.

**Article 259** (formerly article 42 of regulation 97-02 as amended)

This report covers the different categories of risk mentioned in this order, namely:

- a) a description of the main actions carried out in relation to internal control, pursuant to Article 13, and the lessons drawn from these actions;
- b) an inventory of enquiries carried out pursuant to Article 17 and the main lessons to be drawn, especially the main shortcomings identified and follow-up on any corrective action taken;
- c) a description of significant changes made in relation to permanent and periodic controls during the period under review, in particular to take into account changes in the business and risks;
- d) a description of the conditions under which procedures are put in place for new activities;
- e) a section relating to the permanent and periodic controls of foreign branches;
- f) a description of the main initiatives planned in relation to internal control;
- g) an appendix detailing the transactions concluded with executive directors, members of the supervisory body and, where applicable, with the major shareholders as defined in Article 5 of the aforementioned order of December 23, 2013;
- h) an up-to-date description of the classification of money laundering and terrorism financing risks, and justification of this classification.

**Article 260** (formerly article 42 of regulation 97-02 as amended)

Companies subject to this regulation and financial holding companies, parent companies of financial institutions and mixed financial holding companies supervised on a consolidated basis or, as the case may be, on a sub-consolidated basis, shall also prepare a report on internal control at group level, at least once a year. Companies subject to this regulation shall include this group report in the report mentioned in Article 258.

**Article 262** (formerly Article 43 of regulation 97-02 as amended)

At least once a year, companies subject to this regulation, financial holding companies, parent companies of financial institutions and mixed financial holding companies supervised on a consolidated basis or, as the case may be, on a sub-consolidated basis, shall prepare a report on risk assessment and monitoring that provides an overall picture of all the risks to which they are exposed, including the risks associated with banking and non-banking activities.

[...]

For companies subject to this regulation, financial holding companies and mixed financial holding companies, this report shall include an appendix relating to the security of payment instruments. They shall describe the assessment, measurement and monitoring of the security of payment instruments they issue or manage with regard to their internal standards, if any, and to the recommendations that the Banque de France or the European System of Central Banks bring to their attention.

**Article 263** (formerly Article 43 of regulation 97-02 as amended)

The report referred to in Article 262 shall include an analysis of changes in cost-of-liquidity indicators over the period.

For investment service providers and the persons referred to in Article L. 440-2 (3) and (4) of the French Monetary and Financial Code, this report shall include, among other things, the assumptions used with regard to the monitoring of liquidity.

**Article 264** (formerly Article 43 of regulation 97-02 as amended)

**The report referred to in Article 262 shall also include:**

- a) an appendix containing the assumptions and methodological principles used as well as the results of stress tests performed by companies subject to this regulation [...];
- b) an appendix indicating the methods, including stress tests, used for identifying the risks resulting from the use of credit risk mitigation techniques [...], in particular the risk of concentration and residual risk.

This report may be included in the report provided for in Article 258.

[...]

### Risk assessment and monitoring

Credit institutions subject to these rules must also implement risk assessment tools and methods in order to ensure effective management and monitoring of their risks. Selection processes (limits, approval delegations and methods of analysis) as well as monitoring tools and procedures for regularly assessing the levels of risks managed.

The regulation requires a periodic review of these assessment methods and tools.

These tools and procedures are used to assess, select and monitor the following types of risks:

- credit;
- liquidity;
- interest rate;
- foreign exchange;
- compliance;
- settlement and intermediation;
- legal;
- operational;
- extreme events (solutions provided in the Contingency and Business Continuity Plan).

### Documentation and information

Credit institutions are required to document the following:

- their organisation and the role of their staff;
- their information systems security procedures;
- risk assessment systems and their operational characteristics (limits, selection criteria, monitoring, etc.).

The following supervisory and control bodies must be kept informed:

- decision-making body: the Board of Directors and its sub-committees, the Audit Committee and the Risk Committee;
- the Company's central body or its shareholder;
- external auditors (Statutory Auditors, Specific Controller);
- regulatory authorities (ACPR – Autorité de Contrôle Prudentiel et de Résolution, AMF – Autorité des Marchés Financiers: French Financial Markets Authority).

## STATUTORY AUDITORS

### Appointment of the Statutory Auditors

As a French public limited company, *sociétés de crédit foncier*'s financial statements must be audited by Statutory Auditors. Article L. 511-38 of the French Monetary and Financial Code requires that credit institutions be audited by at least two Statutory Auditors, employed by two different auditing firms (whereas other countries require only one).

They are appointed by the General shareholder's meeting, and not by executive officers, for a six years term.

As credit institutions, *sociétés de crédit foncier* must first have their Statutory Auditors approved by the General Meeting for a six-year term, following a prior consultation.

The Statutory Auditors have a permanent legal obligation to ensure the quality and reliability of the financial and accounting information provided by their clients. Their duties include:

### AUDIT AND CERTIFICATION

Pursuant to the French Commercial Code, the Statutory Auditors must certify, while justifying their opinion, whether or not the annual financial statements give a true and fair view of the Company's results for the accounting period concerned and of its financial position and assets and liabilities at the end of each period. Their certification is published in this Registration document. For this purpose they carry out an audit, in accordance with the professional standards of the National Association of Statutory Auditors (CNCC, Compagnie Nationale des Commissaires aux Comptes).

### GENERAL REPORT

In their report to the Ordinary Shareholders' Meeting, the Statutory Auditors must report on the execution of their assignment. By certifying the Company's financial statements, they express that during the course of their assignment they have obtained reasonable assurance that the financial statements do not contain any material misstatement.

They must inform the Shareholders' Meeting of any irregularities or inaccurate information they may have observed during their assignment.

### SPECIFIC VERIFICATIONS

The Statutory Auditors verify the fairness of the following information and its consistency with the annual and half-year financial statements:

- the information provided in the management report;
- the documents sent to shareholders concerning the financial position and annual financial statements.

To carry out their assignment, the Statutory Auditors hold extended investigative powers.

Pursuant to the law, at any time of the year, the Statutory Auditors, together or individually, may carry out all verifications and controls they deem appropriate and may provide on-site and request any documents they consider necessary for their assignment, including contracts, accounting records and documents, and minutes of meetings.

These investigations may be conducted at the Company or at its parent, or if necessary at any subsidiary or at any entity included in the consolidation scope.

## Liability of the Statutory Auditors

**Liability of Statutory Auditors and Specific Controller**

The Statutory Auditors and the Specific Controller can be held liable as follows:

- civil, according to Article L. 513-22 of the French Monetary and Financial Code concerning the Specific Controller and Article L. 822-17 of the French Commercial Code concerning Statutory Auditors specifying that they are responsible vis-à-vis the Company as well as third parties; for the damaging consequences that may arise due to errors and negligence committed by them while performing their duties;
- disciplinary liability, pursuant to Article R. 822-32 of the French Commercial Code, because the Specific Controller is a registered statutory auditor;
- criminal liability, pursuant to Articles L. 820-6 and L. 820-7 of the French Commercial Code.

**SPECIFIC CONTROLLER**

The Specific Controller is selected from the official list of Statutory Auditors (French National Association of Auditors – CNCC). His appointment, proposed by the executive management of the *société de crédit foncier*, is subject to the approval of the ACPR for a four-year mandate. He is responsible for verifying that operations are functioning correctly and for ensuring strict compliance with laws and regulations. To avoid any conflict of interest, the Specific Controller may not be a statutory auditor for the group that consolidates the *société de crédit foncier*.

In accordance with the law and regulations, the Specific Controller must ensure that the *société de crédit foncier* is taking all necessary steps to secure the redemption of *obligations foncières* and other privileged resources. For this purpose, the Specific Controller must, either on an ongoing basis, or in response to specific events:

- assess the quality of the risk management and monitoring procedures that the *société de crédit foncier* has implemented in order to respect the principles above;
- control the eligibility of loans and other assets held by the *société de crédit foncier*;
- ensure the appropriate overcollateralisation of privileged resources by eligible assets, the compliance with regulatory limits and the LTV eligible for privileged refinancing;
- certify previous ratios, limits and LTV on a quarterly basis for the ACPR;
- issue certifications of quarterly bond issuance programmes and for issuances in euro equivalent of €500m or more;

- verify the asset-liability matching in maturities and interest rates of the *société de crédit foncier* (Article 12 of French Banking and Financial Regulatory Committee (CRBF) regulation No. 99-10);
- appraise the valuation and periodic review procedures of the underlying assets backing the eligible loans, pursuant to Article 5 of CRBF regulation No. 99-10;
- certifies, on a quarterly basis, the new reports introduced by the decree of May 23, 2014 and the order of May 26, 2014, in particular the items used to calculate the overcollateralisation ratio and the resources needed to cover cash requirements, the difference in average maturity between assets and the provisional cover of privileged resources with eligible assets.

The Specific Controller's controls supplement the Company's standard internal controls and those conducted by the Statutory Auditors.

During its missions as defined by law (Article L. 513-23 and 24 of the CMF), and for which he benefits from an extended investigation right, the Specific Controller can also:

- attend any shareholders meeting and be heard at its demand by the Management Boards of the company. He also has a duty of alerting the supervisory banking authorities;
- establish, for all Management Boards and social bodies, an annual report on the accomplishment of its mission, a copy of which is sent to the ACPR.

In the event the *société de crédit foncier* is subject to restructuring or insolvency proceedings, the Specific Controller would become the legal representative of the holders of *obligations foncières* and other privileged resources.

**Article L. 513-23** (formerly Art. L. 515-30)**Specific controller**

In each *société de crédit foncier*, a Specific Controller and an deputy Specific Controller, chosen among the persons on the official list of auditors, shall be appointed by its executives for a term of four years, with the approval of the French Prudential Supervisory Authority.

[...]

The controller shall supervise compliance by the *société de crédit foncier* with Articles L. 513-2 to L. 513-12. He shall ensure that the contributions made to a *société de crédit foncier* are in accordance with the purpose defined in Article L. 513-2 and meet the conditions provided for by Article L. 513-3 to L. 513-7.

The Specific Controller shall certify the documents sent to the French Prudential Supervisory and Resolution Authority in compliance with the foregoing provisions. He shall prepare an annual report on the fulfilment of his mission for the attention of the executives and deliberative bodies of the *société de crédit foncier*, a copy of which shall be sent to the French Prudential Supervisory and Resolution Authority.

He shall attend all shareholder meetings and at his request shall be heard by the Board of Directors or the Executive Board.

The Specific Controller, as well as his colleagues and experts, is bound by professional secrecy in respect of the facts, acts and information of which he may obtain knowledge by reason of his duties. However, he is released from the professional secrecy requirement with regard to the French Prudential Supervisory and Resolution Authority, to which he must immediately report any fact or decision of which he obtains knowledge in the course of his assignment that is liable to be detrimental to the operating conditions or continued operations of the *société de crédit foncier* [...]. The Specific Controller shall be responsible, as regards both the *société de crédit foncier* and third parties, for damage caused by faults and negligence committed by him in the performance of his office.

**Article L. 513-24** (formerly Art. L. 515-31)**Specific controller**

When a *société de crédit foncier* is the subject of safeguard, restructuring or insolvency proceedings, the Specific Controller makes the declaration as stipulated in Article L. 622-24 of the French Commercial Code for and on behalf of the holders of the privileged debt referred to in Article L. 513-11.

[...]

By exception to Article L. 823-14 of the French Commercial Code, the Controller's right to information may extend to communication of the contracts and other documents held by the Company responsible for administering or recovering the loans, exposures, similar debts, securities and instruments, bonds and other resources, pursuant to Article L. 513-55, provided that these contracts and other documents are directly related to the tasks performed by this company on behalf of the *société de crédit foncier*.

**THE AUTORITÉ DES MARCHÉS FINANCIERS  
(AMF – FRENCH FINANCIAL MARKETS AUTHORITY)****Prospectus directive**

The purpose of the European Prospectus directive, introduced in 2003 is to harmonise the format of bonds issued by all European issuers. It was transposed into French law in 2005.

Specifically, it requires choosing a listing market for registering securities from the issuing programme that matches either the issuer's home country or the country in which the issuer wants to have them listed.

*Sociétés de crédit foncier* who choose Paris as the place of registration must submit to the approval of the French Financial Markets Authority (AMF), in its capacity as the regulatory authority for issuers who register their programme in Paris, a prospectus that contains information intended for the public pursuant to the AMF's general regulation and Articles L. 412-1 and L. 621-8-1 of the French Monetary and Financial Code.

The revised directive of November 8, 2012 sets out new cases exempting the obligation of drawing up a prospectus and permits, in certain cases, an increase in the threshold, beyond which a financial securities offer does not constitute a public offering.

This prospectus is valid for 12 months and must be supplemented with addenda, if "any new material event, mistake or inaccuracy in relation to the information in the prospectus may have a material effect on the valuation of investment securities" occurs after the approval of the prospectus.

The AMF has the right to suspend or prohibit transactions if necessary.

Article 212-13 of this regulation also stipulates that *sociétés de crédit foncier* that choose to provide a Registration document, must do so under the conditions fixed by AMF's instruction.

**Transparency directive**

The Transparency directive of 2004 – transposed into French law by the Act of July 26, 2005 and the changes to the General Regulation of the AMF by the decree of January 4, 2007 – introduces transparency requirements for the quality of the information provided to investors regarding the company's performance and financial situation. Thus, it contributes to better investor protection and enhance investor confidence. Specifically, it harmonizes the content and frequency of the publication of information.

In this respect, as issuers of debt securities admitted to trading on a regulated market, *sociétés de crédit foncier*, are required to comply with the permanent and periodic disclosure requirement as defined in the AMF General Regulation.

Thus, Article 221-1-1° of the AMF General Regulation provides regulated information that the *société de crédit foncier* is required to disclose “effectively and in full” (Article 221-3 I of the AMF

general regulation). This disclosure consists in filing this information with the AMF and posting it on the issuer’s website as soon as it has been filed (Article 221-3 II of the AMF General Regulation). This list includes the annual financial report, the half-year financial report, and the statement of Statutory Auditors’ fees.

**Article L. 412-1**

I. – Without prejudice to the other provisions applicable thereto, persons or entities making a public offering shall, prior to doing so, publish and make available to any interested party a document designed to inform the public concerning the content and terms and conditions of the process which is the subject thereof and the issuer’s organisation, financial situation and business prospects and those of any guarantor of the financial instruments included in that process, as determined in the general regulations of the French Financial Markets Authority.

[...]

**Article L. 621-8-1**

**The French Financial Markets Authority**

I. – To issue the approval referred to in Article L. 621-8, the French Financial Markets Authority checks whether the document is complete and comprehensible, and whether the information it contains is consistent. The Financial Markets Authority indicates any statements to be altered or additional information to be inserted.

The Financial Markets Authority may also request any explanation or proof, particularly in regard to the issuer’s situation, business and results and concerning any guarantors of the financial instruments to which the transaction relates.

II. – The Financial Markets Authority may suspend the transaction for a period which shall not exceed a limit set by its General Regulation when it has reasonable grounds for suspecting that it is contrary to the laws or regulations applicable to it.

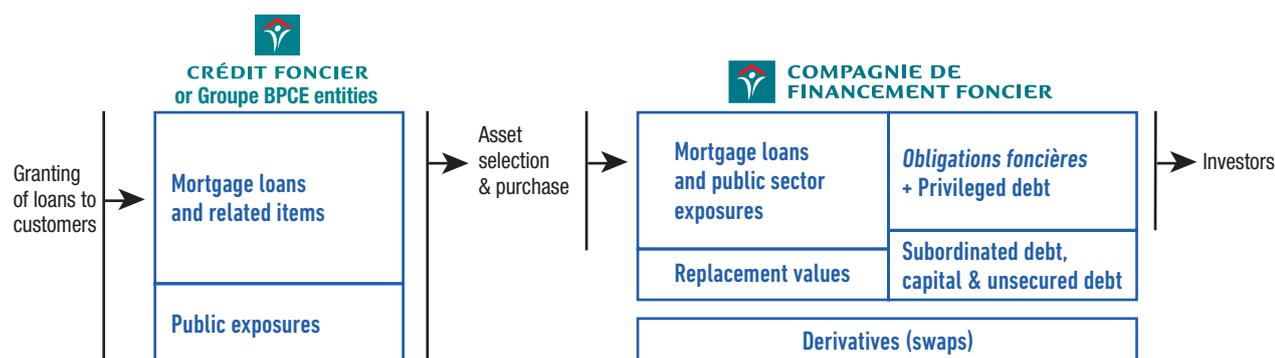
[...]

# Business model of Compagnie de Financement Foncier

Compagnie de Financement Foncier is a credit institution approved as a specialised credit institution and a *société de crédit foncier*. As a wholly-owned subsidiary of Crédit Foncier, affiliated to BPCE, Compagnie de Financement Foncier grants or acquires guaranteed loans or exposures to public entities, and finances them by issuing *obligations foncières*. In addition to the quality of its asset cover pool, security and robustness are the main features of its economic model.

This model is based on the selection and purchase of eligible assets originated by its parent company, Crédit Foncier, or by Groupe BPCE's entities. These assets are financed by issuing *obligations foncières*, the holders of which are granted with a legal privilege on the flows from the assets guaranteeing both principal and interest, with priority over all other creditors.

The asset selection and purchase are subject to rigorous scrutiny: this asset-selection process allows Compagnie de Financement Foncier to purchase only high quality loans, in line with its risk policy.



## Assets selection, management rules and control

### MARKET AND OPERATING CONTEXT

The nature of the assets that Compagnie de Financement Foncier may acquire, results in links with the following markets:

- home loans to private individuals, a market which is closely linked to the housing market;
- funding of local authorities and local public institution investments.

Compagnie de Financement Foncier can also grant long-term funding to other Groupe BPCE entities, by refinancing through the intermediary of Crédit Foncier, Research Tax Credits (*Crédit d'Impôt Recherche* – CIR), Employment Competitiveness Tax Credit (*Crédit D'Impôt Compétitivité Emploi* – CICE) or other exposures to the French State.

Furthermore, its funding through the issuance of *obligations foncières* makes Compagnie de Financement Foncier one of the main actors on the covered bond market.

### THE FRENCH HOUSING AND HOME LOANS MARKET

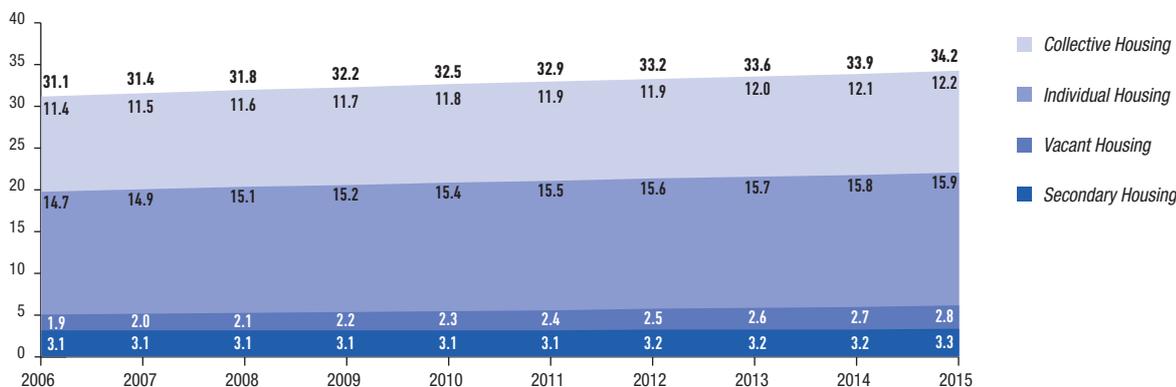
#### The structural features of the French real estate market

The French housing market has been driven for many years by strong demand for new housing, due in particular to the country's demographic growth and societal changes such as the increase in life expectancy and the fragmentation of the family unit.

A study of the General Commission on sustainable development estimates that housing demand in France will average between 300,000 and 400,000 units *per annum* up to 2030 <sup>(12)</sup>.

(12) Commissariat général au développement durable (General Commission for Sustainable Development) – n° 135, August 2012.

**Distribution by type of housing (in million of units) <sup>(13)</sup>**



Available housing stock in France has grown by nearly 3 million units in 10 years. Collective housing has increased by around 0.8 million units and individual housing by 1.2 million units. This reflects the strong aspiration to individual housing, which has resulted, since the 70s, in high concentrations of such dwellings in suburban areas.

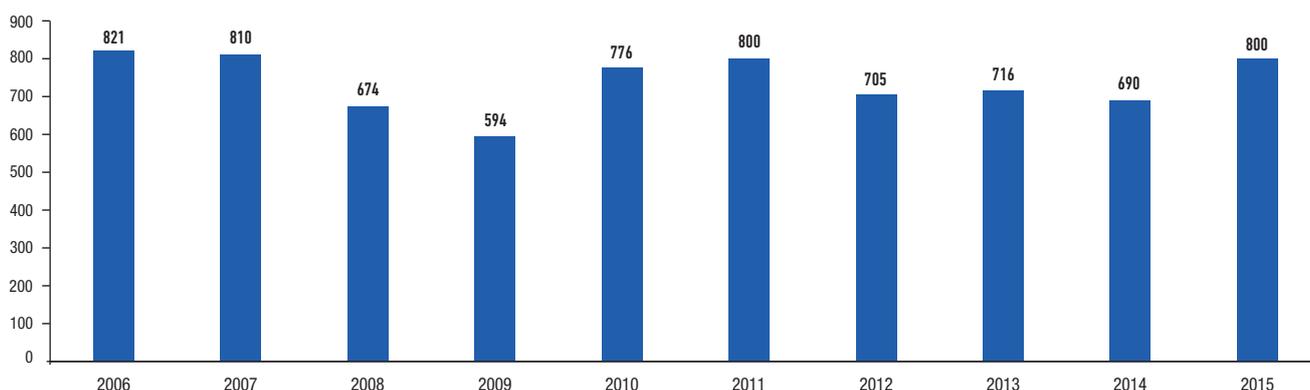
Most housing, whether new or existing, is in the private sector. However, there is also a system of social housing for low-income households, which receive subsidies from the French government. France has always sought to foster free choice regarding occupancy status (home ownership, private rental, social housing), while still attempting to maintain a balanced split between various modes of occupation.

**The housing market in 2015**

In the existing property market, prices are mainly on the decline. At end November 2015, prices over the last three months in Île-de-France were down by 1.3% for flats and by 1.1% for houses. Similarly, in provinces prices were down by 2.3% for flats and by 1.7% for houses <sup>(14)</sup>.

The number of existing property transactions over one year is estimated at 800,000 in 2015, up on the same period a year earlier (690,000) <sup>(14)</sup>.

**Number of transactions in existing property over a sliding 12-month period (in thousands) <sup>(14)</sup>**



The new property market had a mixed year. Permission for 368 thousand new homes had been granted by the end of December 2015. This level is slightly superior to the 359 thousand permissions recorded at the end of 2014 <sup>(15)</sup>, demonstrating a beginning of this market recovery.

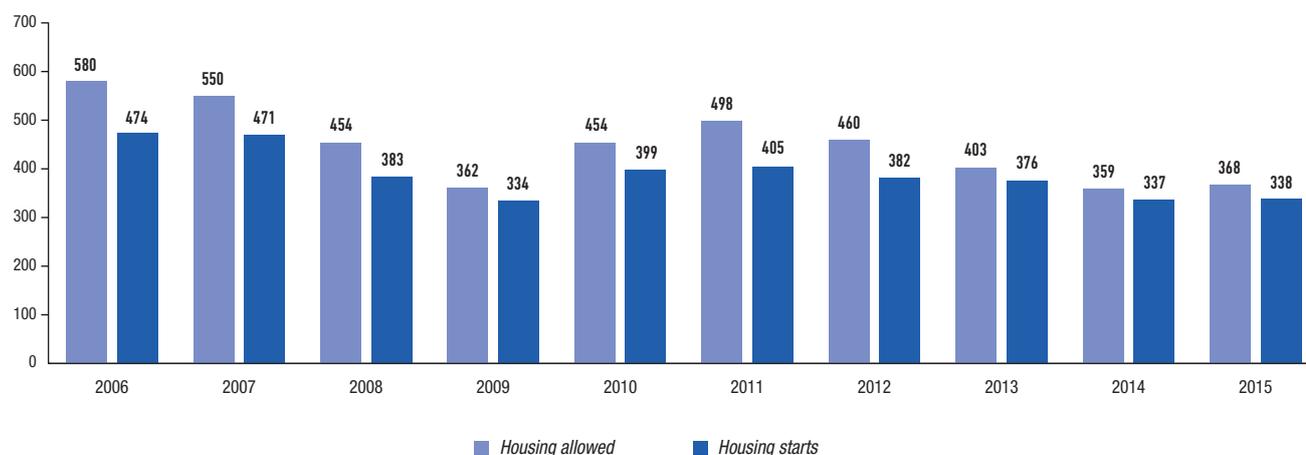
Likewise, the drop in the number of housing starts appears to have been interrupted in 2015. The number of housing starts over a rolling twelve-month period stood at around 338 thousand at the end of December 2015, stable compared to the 337 thousand housing starts recorded in 2014 <sup>(15)</sup>.

<sup>(13)</sup> INSEE – Estimation annuelle du parc de logement 2015 (Annual estimate of 2015 housing stock).

<sup>(14)</sup> INSEE/Notaire d'Île-de-France/Base Bien, Notaires de France/Perval, CFI study, January 2016.

<sup>(15)</sup> INSEE – Logements autorisés et commencés en France métropolitaine (Housing authorized and started in mainland France) – December 2015.

## ■ Number of housing authorised and started over a sliding 12-month period (in thousand of units) <sup>(15)</sup>



### The structural features of the housing market

Home loans in France are, in accordance with the applicable regulations, firstly granted on basis of the ability of borrowers to meet their repayments, and not only on the value of the property financed.

#### CONDITIONS FOR GRANTING LOANS IN FRANCE: A VERY SECURE SYSTEM

In France, loans are granted after an examination of the borrower's situation. This review covers both the amount of the borrower's income and his or her non-inclusion on the Banque de France register of payment incidents among individuals. This study also ensures that the customer has a sufficient residual income. In practice, French lenders agree to cap the maximum indebtedness ratio of individual borrowers at one third of their disposable income. The down payment is usually equal to 10% of the total cost of the transaction.

In France, the conditions for granting loans are based on a personal approach, i.e. based on the borrower's ability to repay the loan and not only the value of the underlying property. Moreover, the French mortgage market offers other features that increase security:

- for the borrower: the existence of a usury rate, which is the maximum total effective rate at which a loan may be granted, set by the Banque de France. It prevents borrowers from being faced with rising interest rate, which could put them in difficulty when repaying their debts and, as such, control level of arrears. In the fourth quarter of 2015, this rate is 3.92% for fixed-rate loans and 3.63% for variable-rate loans;
- for the lender: a clearly defined role and responsibility. The lender is required to examine the situation of each borrower, and therefore only to grant loans to people with the strongest records. As a rule of jurisprudential origin, the lender is also under an obligation to caution borrowers against excessive level of indebtedness. Hence, the credit lending policy is prudent: the default rate of French households is among the lowest in Europe.

Guarantee requirements are associated with the granting of a loan. The main types of safeguards are mortgages and sureties.

- Mortgage: right granted to a creditor on a real property as security for a debt, without dispossessing the owner of his right to the property. In the case of non-compliance with the commitment guaranteed by the mortgage, the beneficiary of this guarantee can require the sale of the property and be paid on the amounts due. The lending institution has other legal remedies against the borrower such as direct claim on wages;
- Surety: personal guarantee given by a third party (mutual guarantee company, insurance company, private person...) who undertakes to pay to the lending institution the amounts due if the borrower defaults.

Safety procedures secure the lending institution which grants housing loans, of which:

- Right to follow: right enabling the holder of a security to seize the property subject to the guarantee regardless of who possesses it, even between the hands of a third party purchaser, usually to sell the property and receive the sale price. So, the right to follow through a mortgage loan, enable the lender to seize the net proceeds of sale of the mortgaged property even if the property was sold by the borrower.

Most housing loans in France are redeemable loans, especially all loans to low-income families. The outstanding principal therefore decreases over time. The financing plan for the purchase of housing often combines a personal down payment and one or more home loans.

To promote home-ownership among low-income households, the French state put in place schemes to support the granting of interest-free loans, the allocation of subsidies to specific categories of homebuyers and introduced public guarantees.

#### THE FRENCH MORTGAGE MARKET

A mortgage is a guarantee, i.e. a right granted to a creditor on a property as a protection for a debt.

(15) INSEE – Logements autorisés et commencés en France métropolitaine (Housing authorized and started in mainland France) – December 2015.

If the borrower defaults on payment due, the creditor can seize the mortgaged property in order to offer it for sale and be repaid in priority on the sale price.

A mortgage is defined by the following features:

- registered in the “national mortgage registry”;
- enforceable at first demand;
- foreclosure process:
  - amount recoverable by the bank: principal + interests + late penalties,
  - average duration of the entire enforcement procedure: from 15 to 25 months.

It exists two types of mortgage loans:

- property loan: the mortgage acts as a guarantee for the lender;
- unassigned mortgage loan: a financial loan, whatever its purpose, and secured by a mortgage.

The French market is characterised by mainly fixed rate mortgage loans with constant monthly repayment and full amortisation at the end of the loan. Early repayments are provided for, but only possible with early repayment fees paid to the lender.

Regarding the property value, it is valued through objective criteria and excluding fluctuations of value due to economic environment and speculative events. It is no longer possible in France to reload a residential mortgage loan if the value of the property increases.

Mortgage loans granted to first time homebuyers can benefit from an additional guarantee provided by FGAS (*Fonds de Garantie à l'Accession Sociale* - Government fund promoting access to home ownership).

- FGAS provides services to banks which distribute subsidised loans established by the French government in order to promote

home-ownership for low-income households (0% mortgage loans, 0% Eco-loans and first-time home buying loans).

- The assumptions of responsibility by the FGAS depend on the loan features.
- The French State intervenes as ultimate guarantor.

Furthermore, the borrower has to subscribe to mandatory death and disability insurances, taking over the lender repayments upon the occurrence of events covered. Voluntary supplementary insurances may also be subscribed by the borrowers, particularly the job-loss insurance.

#### SUMMARY OF FEATURES OF HOUSING LOANS IN FRANCE

Every year, the French Prudential Supervisory and Resolution Authority conducts an exhaustive review of the home loans market based on data gathered from financial institutions and representing 96% of home loans outstanding. In 2014, the main features of home loans were as follows:

92% of home loans granted in 2014 were at a fixed rate, with an average affordability ratio of 29.8% and an average Loan To Value (LTV) on the grant date of 82.5%.

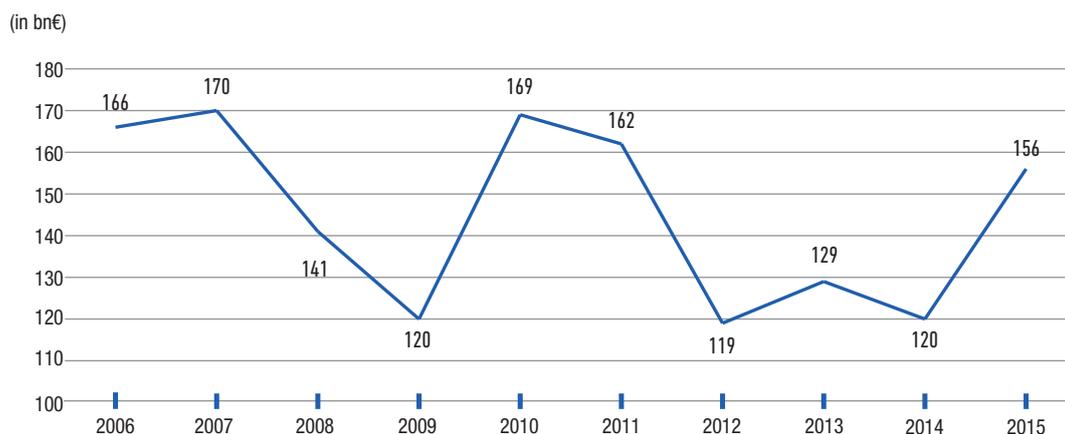
97.5% of outstanding loans were secured: mortgages or lender's liens accounting for 34.7%, credit institution sureties and financial guarantees accounting for 31.3%, insurance institution sureties and financial guarantees accounting for 21.4%, and other types of guarantees accounting for 10.1%.

The doubtful loan rate was 1.73% and the rate of provisioning for these outstanding loans stood at 27.3%, primarily due to the extent of the guarantees referred to above.

#### Real estate financing in 2015

The home loans market should show a marked upturn in 2015. The overall volume of loans agreed is estimated at around €156 billion in 2015, up on the €120 billion achieved in 2014 <sup>(16)</sup>.

### ■ Annual production of mortgage loans (bn€) <sup>(16)</sup>



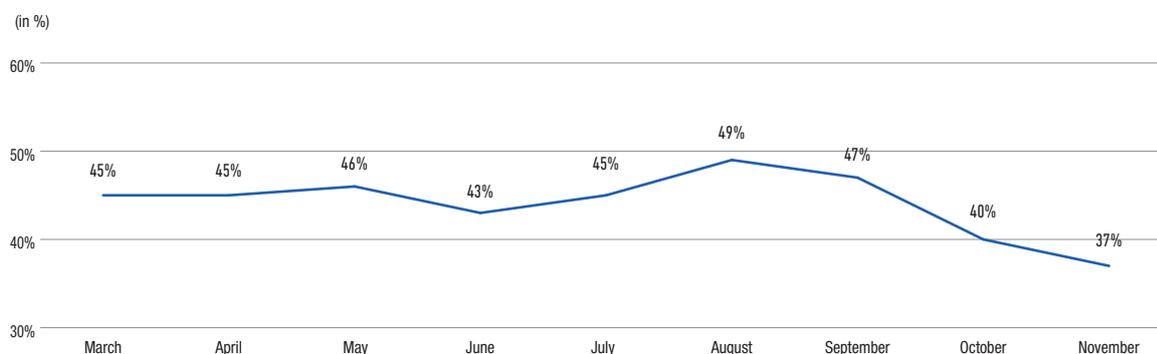
It is important to note that the loan originations shown above do not include debt renegotiations. The year 2015 was marked by a continued drop in interest rates, resulting in high level of

renegotiations and early repayment. Accordingly, 37% of home loans granted in end-November 2015 were renegotiated <sup>(17)</sup>.

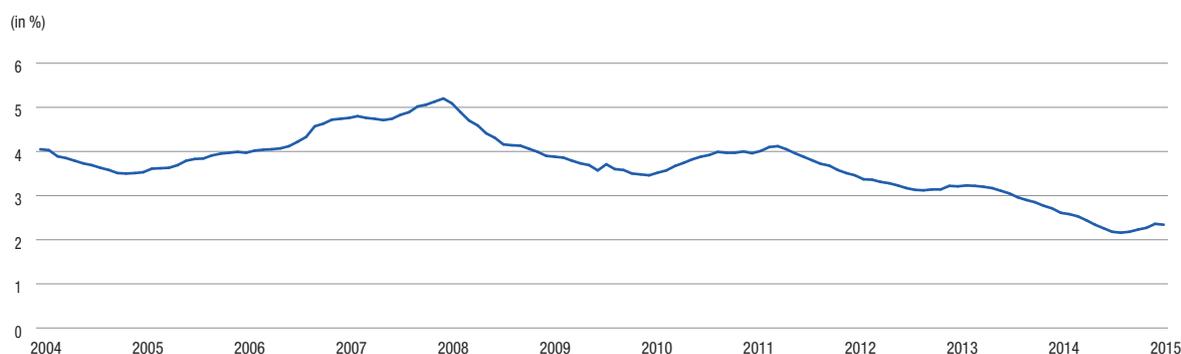
<sup>(16)</sup> Observatoire Crédit Logement CSA – 3rd quarter of 2015 – Data excluding loan repurchases.

<sup>(17)</sup> Banque de France, Customer loans outlook, November 2015.

## ■ Renegotiations' share in the overall production of mortgage loans in 2015 <sup>(17)</sup>



## ■ Interest rates of mortgage loans with a maturity of more than one year <sup>(17)</sup>



### THE FRENCH PUBLIC SECTOR

Regional and local authorities are French administrative structures separated from the State, which support the public interests of the population of a specific region and are defined by three criteria:

- contrary to State administration, they are endowed with legal personality. As they are decentralised, they have administrative autonomy. Thus, they have their own staff and budget;
- they have their own competences, entrusted to them by Parliament and, as such, by the legislative authority;
- they have regulatory decision-making authority that is exercised by deliberation within a council of elected representatives. The decisions are then applied by local executive authorities.

#### Organisation

The French public sector covers nearly 40,000 public structures. The most important are the regions, the departments and the municipalities.

- A region is a territorial authority with an elected regional council, headed by a president with executive powers, under the retrospective control of a regional prefect (Senior member of the French civil service, responsible for administration by the

State at the territorial level). The region has its own budget and its main focuses are economic development, vocational training and education (final years of secondary school).

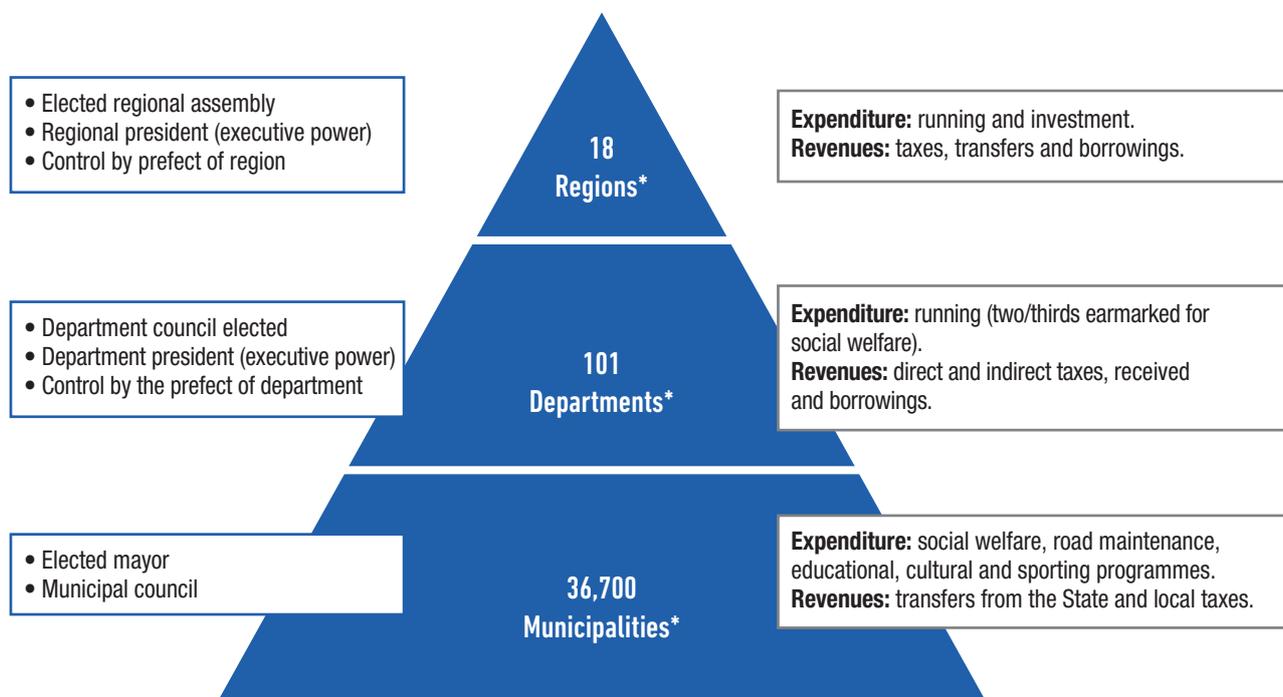
Operating expenses and investment make up the lion's share of spending by the region. Its revenues include taxes, incoming transfers <sup>(18)</sup> and borrowings.

- A department is a territorial subdivision between the region and the municipality, with an elected general council headed by a president with executive powers, under the retrospective control of a departmental prefect. The department has its own budget and powers covering social action, major road infrastructure, education (secondary school) and rural development.
- The municipality is in charge of local government programmes. It is headed by a municipal council and a mayor. Its spending is focused mainly on social welfare, road maintenance and the organisation of educational, cultural and sport activities. The municipality has budgets consisting mainly of direct local taxes (property, housing and professional taxes) and transfers from the State; it is responsible for local administration (water management, building permits, etc.). Its presence is mainly felt in land control, industrial development, architectural heritage and environment.

<sup>(17)</sup> Banque de France, Customer loans outlook, November 2015.

<sup>(18)</sup> Transfers: local taxes rebates, transferred taxes, global operations endowment, collected revenues, etc.

## ■ The public sector is subject to controls and managed with balanced budgets <sup>(19)</sup>



\* Of which France mainland 13 regions, 96 departments and 36,529 municipalities.

The French public sector underwent significant reform in January 2014 with the enactment of the act to modernise public local and regional action and reaffirm the cities (*loi dite de modernisation de l'action publique territoriale et d'affirmation des métropoles*). This act seeks in particular to streamline the structure of the public sector by clarifying and strengthening the powers at each level, with the goal of cutting public expenditure and better understanding the needs of citizens. In particular, this reform reduced the 22 metropolitan regions to 13 and groups together municipalities into inter-municipalities of at least 20,000 inhabitants at the 1st of January 2017 <sup>(20)</sup>.

### Public sector financing

The French legislative framework makes the public sector a highly controlled sector. The 1984 finance law <sup>(21)</sup> endowed public structures with management autonomy. As they are responsible for investment decisions to which they commit, they are required to repay their debts and fulfil their commitments at any time.

In the budget estimates, submitted to the Prefect's approval, revenues must be equal to or greater than expenditures to ensure the repayment of debts.

Borrowings are the third type of resources available to French regional and local authorities after taxes and transfers and support from the State. Regional and local authorities must follow

a budgetary "golden rule", according to which the borrowing can only be used to finance investments and must be repaid from own resources.

As a public legal entity, a French local authority cannot go bankrupt (Article L. 620-2 of the French Commercial Code).

Repayment is considered a mandatory expenditure for the authorities. In case of a late loan repayment, the matter is referred to the Prefect and sufficient revenues are budgeted by a correcting decision to pay the unpaid amounts.

### Market and environment

The French economy continued to recover in 2015, but at a very slow pace. The return to balanced public finances remains a priority for the French government. To meet this target, the strengthened supervision rules for local authorities were set up and the elected officials are encouraged to perform an even more rigorous management. In 2014, local authorities had contributed to the effort to restore the country's public finances, in particular by accepting, for the first time ever, a cut in the general operating grants provided annually by the government to local authorities, which were cut by €1.5 billion <sup>(22)</sup>. This effort to gain control of public spending continued in 2015 with another drop in the overall operating grant of €3.5 billion <sup>(22)</sup>.

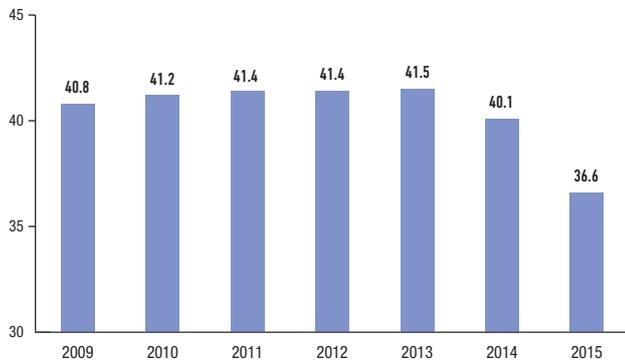
<sup>(19)</sup> Executive Management of local authorities – "Les collectivités locales en chiffre, 2014" (2014, local authorities in figures).

<sup>(20)</sup> French government website, territorial reform (<http://www.gouvernement.fr/action/la-reforme-territoriale>).

<sup>(21)</sup> Law No. 83-1179 of December 29, 1983 on the 1984 budget.

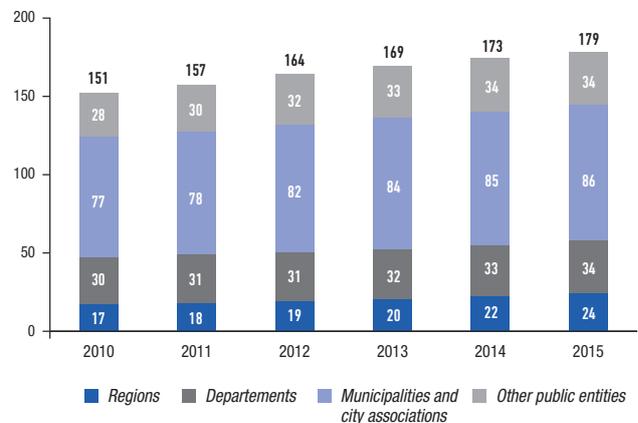
<sup>(22)</sup> Observatoire des finances locales – Les finances des collectivités locales en 2015 (Observatory of local finances – Finances of local governments in 2015).

### ■ The overall operating grant from the State to local authorities (in €bn)

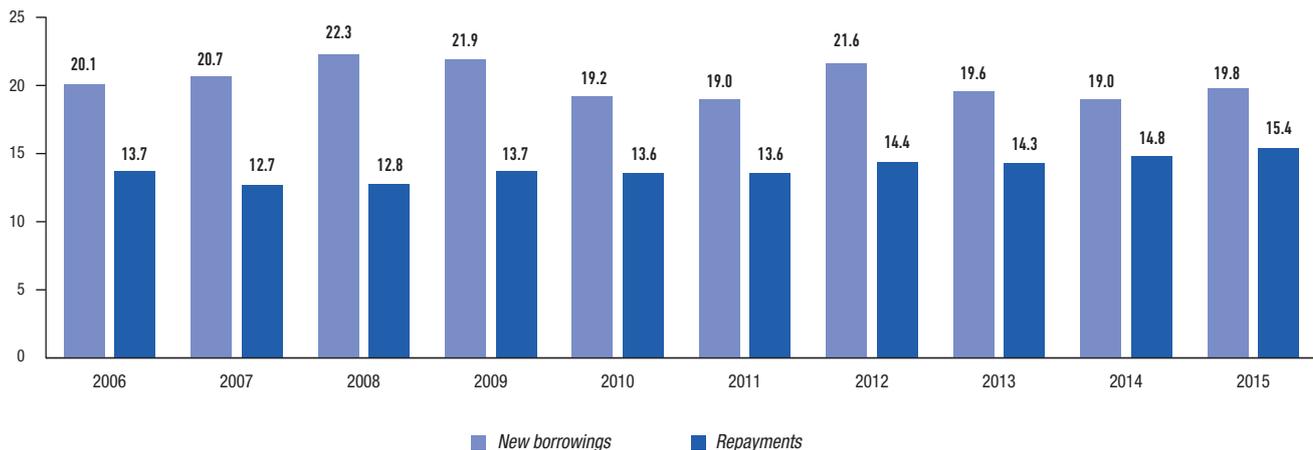


A direct result of a lower grant provided to local authorities was a decrease in their gross savings and borrowings, a trend which continued into 2015.

### ■ Debt of local authorities (in €bn) <sup>(23)</sup>



### ■ Repayments and local authorities borrowings in 2015 (in €bn)



In 2015, the authorities' funding requirements remained stable compared with 2014, at approximately €20 billion <sup>(24)</sup>. Compagnie de Financement Foncier, as Groupe BPCE's prime funding instrument, continued to finance local authorities by relying in particular on the strong local roots of Caisses d'Epargne and Banques Populaires, as well as on the acknowledged expertise of Crédit Foncier.

- their acquisition is subject to Compagnie de Financement Foncier's own additional requirements;
- these assets are purchased with a margin in order to ensure Compagnie de Financement Foncier's profitability at all times.

The quality of Compagnie de Financement Foncier's assets is also guaranteed by their intrinsic characteristics: they include loans or securities to public sector entities or guaranteed by the public sector and residential first-ranking mortgage loans or similar.

## ■ COMPAGNIE DE FINANCEMENT FONCIER'S ASSETS

### COMPOSITION OF ASSETS, SELECTION AND MANAGEMENT RULES

#### Assets composition

The rules governing the acquisition of Compagnie de Financement Foncier's assets are strictly defined and closely monitored:

- the assets must be eligible pursuant to the law governing the business of *sociétés de crédit foncier*;

#### Asset selection

In addition to legal eligibility criteria and guarantees required before acquisition, Compagnie de Financement Foncier's business model is characterised by its rigorous asset selection process based on specific know-how, building on the expertise of Crédit Foncier's experienced teams dedicated to these activities.

<sup>(23)</sup> Note de conjoncture – Les finances locales – Tendances 2015 et perspectives (Market report – Local public finance – 2015 trends and forecasts), La Banque Postale, October 2015.

<sup>(24)</sup> Note de conjoncture – Les finances locales – Tendances 2015 et perspectives (Market report – Local public finance – 2015 trends and forecasts); Postal Bank, La Banque Postale, November 2015.

Eligible assets are selected and scored on their own characteristics, such as: the internal and/or external Basel rating, age, maximum financed loan to value (LTV – share of the project financed by a loan) for mortgage loans and related loans, statistical data including default experience, etc.

This selection process is subject to a permanent audit process to ensure the highest level of safety for *obligations foncières*'s holders.

The price that Compagnie de Financement Foncier pays for its assets is determined on the basis of its funding costs, hedging costs, default and loss probabilities, servicing costs and its profitability.

### Management of payment defaults

Loan management is delegated to Crédit Foncier by an agreement.

The debt-recovering process involves preventing problems, carrying out accurate analysis of risk, making use of guarantees if necessary, and ensuring the rigorous processing of loan applications.

For private individuals, the debt-recovering policy comprises three phases, depending on the length of arrears:

- automated recovery (arrears under two months) allowing arrears to be limited to three months;
- amicable recovery (arrears between two and three months, duration of the procedure up to six months), with a rate of return to normal management over 80%;
- litigation (arrears beyond six months) resulting in the settlement of a third of cases in the subsequent year.

## MANAGEMENT RULES

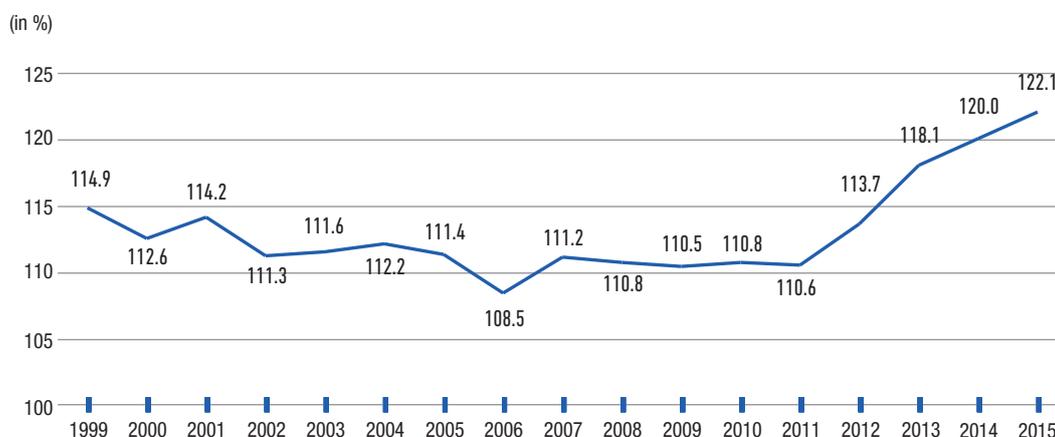
### Overcollateralisation

#### COMPLIANCE WITH THE REGULATORY OVERCOLLATERALISATION RATIO (COVERAGE RATIO)

Overcollateralisation, defined by law (Article L. 513-12 of the French Monetary and Financial Code), requires that the total weighted assets amount of *sociétés de crédit foncier* (in accordance with the regulations set by CRBF <sup>(25)</sup>) is always at least 105% of the total amount of liabilities benefiting from the legal privilege. One of the Specific Controller's duties is to monitor compliance with this regulatory overcollateralisation rule.

Since the creation of Compagnie de Financement Foncier in 1999, this regulatory ratio has always been above 108%.

## Overcollateralisation ratio since 1999



### MAINTAINING A HIGH OVERCOLLATERALISATION RATIO SPECIFIC TO COMPAGNIE DE FINANCEMENT FONCIER

In addition to the safety provided by the institutional framework and to ensure the best ratings from the major rating agencies, Compagnie de Financement Foncier has initiated additional management measures.

These measures result in compliance with a specific collateralisation ratio for each rating agency based on its methodology.

In particular, since 2009, it set up measures to maintain at all times a volume of non-privileged liabilities at least equal to 5% of the liabilities that benefit from the legal privilege.

The holders of *obligations foncières* who benefit from the privilege are also protected by the relative weight of non-privileged resource holders, since these are not repaid in priority.

As part of its internal rules, two minimum overcollateralisation levels, based on asset quality and interest rate risk, are regularly calculated in relation with the quality of its assets and with the interest rate risk estimated on Compagnie de Financement Foncier.

<sup>(25)</sup> Regulation n° 99-10 of July 9, 1999 concerning *sociétés de crédit foncier* and *sociétés de financement de l'habitat* amended by regulations no. °2001-02 of June 26, 2001 and n° 2002-02 of July 15, 2002 and orders of May 7, 2007 and February 23, 2011.

The first ratio covers the credit risk on its assets, while the second ensures that the overall interest rate risk on its balance sheet is covered.

The sum of these two ratios must meet Compagnie de Financement Foncier's minimum overcollateralisation commitment. Overcollateralisation – which in Compagnie de Financement Foncier's case consists of equity and long-term subordinated and unsecured liabilities – must enable a *société de crédit foncier* to withstand stress test scenarios on credit, interest rate and liquidity risk.

If some or all of these risk scenarios occur, this high level of overcollateralisation will enable Compagnie de Financement Foncier to maintain payments on its *obligations foncières*.

- Regarding overcollateralisation associated with credit risk, Compagnie de Financement Foncier's loan portfolio is divided into six sub-categories, by type of borrower, type of property being financed and type of collateral provided. Each sub category has its own minimum overcollateralisation ratio for outstanding loans and an overcollateralisation for the estimated loans anticipating a two year-production (see table below).

#### The following minimum overcollateralisation ratios are currently applied:

Asset class	Outstanding	Origination
Subsidised sector (in run-off)	3.0%	n.a.
Low-income home loans and Interest-free loans	2.5%	3.0%
Individuals / First-time home ownership loans	3.0%	3.5%
Individuals / Buy-to-let	25.0%	30.0%
Public sector	3.0%	3.0%
Social housing	4.5%	4.5%

- The overcollateralisation required to cover Compagnie de Financement Foncier's overall interest rate risk depends on the size of its balance sheet and equals to 0.5% of Compagnie de Financement Foncier's total assets.

The overcollateralisation required is equal to the credit overcollateralisation to which the overcollateralisation related to the interest rate risk is added. The level chosen is thus globally more conservative.

#### Continuous monitoring of overcollateralisation levels

To ensure that compliance with the overcollateralisation requirements is maintained at all times, it is monitored on an

ongoing basis. In addition to the compliance of the regulatory ratio, if Compagnie de Financement de Foncier observes on a quarterly basis, one of the above thresholds, all asset purchases are immediately suspended and non-privileged resources are used to increase overcollateralisation above the minimum required amount.

#### Principle of financed LTV for residential mortgage loans

The Loan-to-Value ratio on residential mortgage loans is the ratio of the outstanding principal over the value of the underlying real estate asset. The present value of the asset is revalued annually to monitor compliance with this ratio.

The regulatory annual valuation of assets, as required by the regulation, is based on a prudent assessment of the property's long-term characteristics, local market conditions, the current use of the property and other possible uses. All of this information is provided by Crédit Foncier Immobilier - Expertise, Crédit Foncier's wholly-owned subsidiary, Veritas-certified, of which experts are either certified by a court and/or qualified as Chartered Surveyors (MRICS) <sup>(26)</sup>.

The Specific Controller monitors these appraisals each year to verify compliance with the real-estate market parameters used in the valuation process, as described in the risk control and management report of the Registration document.

#### Crédit risk

##### ASSET PURCHASING CRITERIA BY CATEGORY

Although regulations require that a *société de crédit foncier* invest only in high quality assets, Compagnie de Financement Foncier sets up additional asset purchasing criteria for each asset category, so as to limit its exposure to credit risk. Compagnie de Financement Foncier selects the assets that it wishes to acquire based on their rating, probability of default, score at origination, expected loss and any hedging of assets, as well as yield curves. The assets that meet Compagnie de Financement Foncier's criteria are then purchased at a price determined by the previous study.

Furthermore, Compagnie de Financement Foncier replacement values have very good external credit ratings. The minimum acceptable credit rating for each asset (except for intragroup assets and assets guaranteed by collateral) depends on the investment horizon and must meet the minimum rating criteria of each of the three major rating agencies, as shown below:

	Standard & Poor's	Moody's	Fitch Ratings
From 0 to 59 days	ST: A1	ST: P1	ST: F1
From 60 days to 6 months	ST: A1+	ST: P1 and LT: Aa3	ST: F1 and LT: AA-
More than 6 months	LT: AAA	LT: Aaa	LT: AAA

<sup>(26)</sup> MRICS: Members accredited by the Royal Institution of Chartered Surveyors (RICS). The RICS is a professional organisation whose mission is to regulate and promote the real estate profession.

### Limiting market counterparty risk

Crédit Foncier group's risk policy specifies permarket counterparty risk limits and Compagnie de Financement Foncier observes these limits in its decision process.

For its hedging transactions Compagnie de Financement Foncier executes a framework convention with each of its counterparties, with asymmetrical collateralisation and other specific terms set forth in an appendix to this agreement. Each counterparty agrees to pay Compagnie de Financement Foncier on a daily basis (or on a weekly basis for some of them) depending on the counterparty's rating a security deposit equal to its net debt position, without reciprocity from Compagnie de Financement Foncier.

### Managing balance sheet risks

#### MANAGING INTEREST RATE RISK

Compagnie de Financement Foncier is committed to keeping its interest rate gaps within the specific limits set for each period and to correct any excess observed by the following quarter:

Interest rate gap observation periods	Maximum interest rate gap as a % of the projected balance sheet
Less than 2 years	2%
2-5 years	3%
5-10 years	5%
10-15 years	10%

### Liquidity risk hedging

Beyond the legislative constraints requiring that *sociétés de crédit foncier* ensure that, at all times, all of their cash flows are hedged for a period of 180 days, Compagnie de Financement Foncier has its own additional strict rules. These rules guarantee that it always maintains enough liquidity to honour its privileged liability commitments with no need for new resources for one year in a run-off scenario (*i.e.* with no new activity).

The high quality of its eligible securities and receivables enables Compagnie de Financement Foncier to have an immediate access to significant amounts of funding from central banks, such as the ECB.

Thus, Compagnie de Financement Foncier cash position is sufficient at any given time to meet the contractual payments on its privileged debt over the coming twelve months.

In accordance with regulatory provisions, Compagnie de Financement Foncier limits the difference between the average duration of its total assets and its privileged liabilities to 18 months. At December 31, 2015, the total assets average duration was 7.08 years and the privileged liabilities average duration was 7.10 years. In addition, Compagnie de Financement Foncier committed to maintain a maximum difference of 2 years between the average duration of its total assets and the one of its total liabilities.

### No foreign exchange risk

Compagnie de Financement Foncier prohibits any open foreign exchange positions. As such, all asset purchases or refinancing transactions that are not denominated in euros are systematically hedged against foreign exchange risk.

In practice, Compagnie de Financement Foncier limits its residual foreign exchange positions to €3m by currency with a €5m cap for all currencies.

### ORGANISATION OF CONTROLS

The organisation of Compagnie de Financement Foncier's controls is managed at groupe Crédit Foncier level. Compagnie de Financement Foncier's risks are monitored by Crédit Foncier's Risk Department, under formal agreements between the two. The Risk department performs ex-ante risk analyses based on exposure and delegation limits, and ex-post analyses and controls. It reports functionally to BPCE's central Risk Department.

Compagnie de Financement Foncier committees also support risk monitoring and control. Their operations are described in detail in the Risk Management section of this document.

Moreover, in accordance with the legal framework that provides a legal privilege for holders of *obligations foncières*, the law stipulates that *sociétés de crédit foncier* may not have their own personnel. Compagnie de Financement Foncier draws on the resources of its parent company, Crédit Foncier, to carry out its activities. Crédit Foncier provides Compagnie de Financement Foncier with a number of services, under a series of agreements. These outsourced activities are set out in the report of the Chairman of the Board of Directors and the Risks management report in this document.

## Refinancing through the issuance of *obligations foncières*

### ECONOMIC AND REGULATORY ENVIRONMENT

#### UNEVEN ECONOMIC RECOVERY

The upturn in the global economy in 2015 was weaker than anticipated. In January 2016, the International Monetary Fund lowered its world economic growth outlook to 3.1%, down by 0.4% on its April outlook. If this estimate becomes a reality, world economic growth in 2015 is likely to end up lower than growth in 2014, which stood at 3.4% <sup>(27)</sup>.

This revision was mainly due to the drop in commodity prices and the decline in business activity in emerging countries, including China, throughout the year. Developed countries growth is estimated at 2.5% for the United States, compared with 2.4% in 2014, and 1.5% for the eurozone as a whole, compared with 0.9% in 2014 <sup>(27)</sup>.

Benefiting from the converging favourable factors, especially from the fall of oil prices, the accommodating monetary policy from the European Central Bank and the resumption of private consumption, growth in France improved in 2015, reaching 1.1% compared with 0.2% in 2014 <sup>(27)</sup>.

However, only the US Federal Reserve considered the economic upturn to be solid enough to raise its key rates for the first time since 2006. On December 16, 2015, the FED raised its target rate corridor by 25 basis points between 0.25% and 0.50% <sup>(28)</sup>.

#### EUROPEAN MONETARY POLICY

The European Central Bank (ECB) was confronted to a sluggish economic growth and a very low inflation level in the Eurozone despite lowering its key rate to an almost zero level and granting the liquidity assistance to European banks through TLTRO (Targeted Longer Term Refinancing Operations) initiated in 2014. As a result, the ECB left its key rate unchanged, lowered its deposit rate to -0.30% and extended its asset purchase program by six months, until March 2017 <sup>(29)</sup>.

Accordingly, the ECB purchased €114 billion in covered bonds in 2015, and held €143.3 billion of this asset class at December 31, 2015. 25% of purchases were made on the primary market and 75% on the secondary market, in line with market conditions and issuers' activity levels throughout the year <sup>(29)</sup>.

### REGULATORY DEVELOPMENTS AND METHODOLOGIES OF CREDIT RATING AGENCIES

In 2015, several regulatory initiatives affected the covered bonds market, in particular the entry into force in October of the obligation to cover cash requirements calculated by means of a specific coverage ratio: the Liquidity Coverage Ratio (LCR).

The new regulation enables investors to include covered bonds in the various liquidity reserve categories, provided that they meet certain specific criteria. This change helped to make covered bonds more attractive to investors.

Rating agencies changed their methodologies as a result of this new regulation and the decision to exclude covered bonds from the banks' bail-in procedure.

### THE COVERED BONDS MARKET

Despite an uncertain economic environment, covered bonds are still a safer and more secure source of funding for European credit institutions than non-privileged resources and other types of secured debt.

A total of €146 billion in euro benchmark covered bonds was issued in 2015, i.e. an increase of more than 25% compared with 2014. Net supply of covered bonds (difference between issuances and redemptions) remained negative for the second year in a row with a total euro benchmark outstanding of €925 billion versus €931 billion at the end of last year <sup>(30)</sup>.

The covered bonds market was dominated by German Pfandbriefe issuances (18.6%), followed by Spain (14.4%), France (13.7%), Canada (9.2%), Italy (6.9%), the United Kingdom (5.6%) and other countries (31.4%). By type of collateral, 87% of covered bonds issued in 2015 were secured by mortgage loans, 8% by public sector assets and 5% backed by mixed assets (corresponding to Compagnie de Financement Foncier's issuances) <sup>(31)</sup>.

In 2015, covered bonds spreads have been impacted mainly by the European Central Bank purchase programmes (Asset-Backed Securities Purchase Programme, Covered Bonds Purchase Programme and Public Sector Purchase Programme), initially schedules till September 2016 and then extended until March 2017.

<sup>(27)</sup> International Monetary Fund, *Global economic outlook, January 2016*.

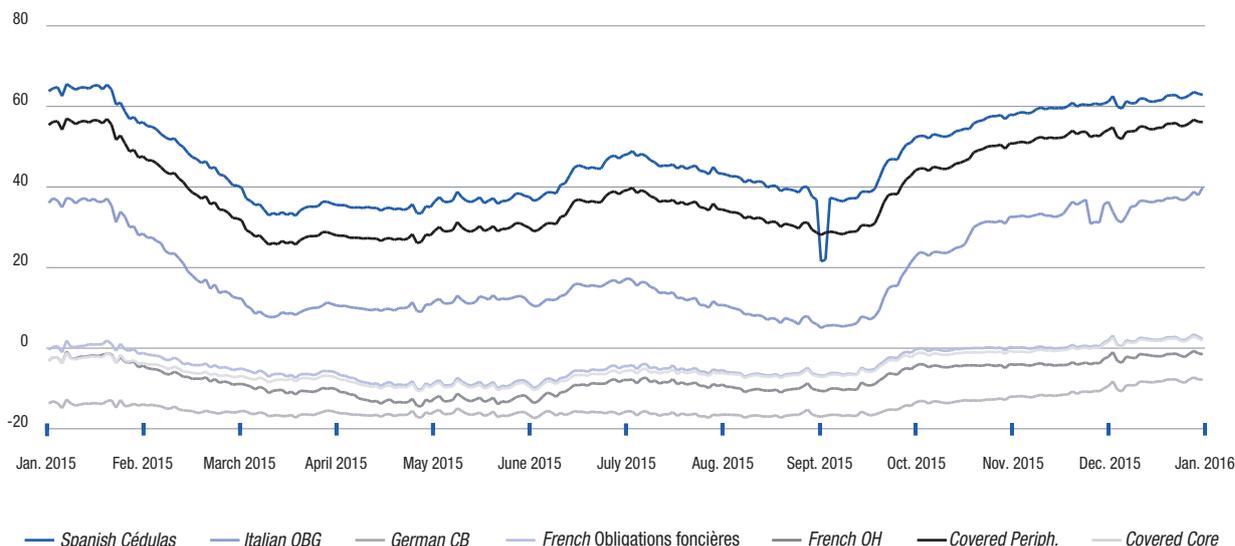
<sup>(28)</sup> Federal Reserve of the United States.

<sup>(29)</sup> European Central Bank.

<sup>(30)</sup> Natixis, *Covered Bond Market Weekly, January 6, 2016*.

<sup>(31)</sup> Natixis, *Covered Bond Outlook, November 2015*.

## 2015 covered bond spreads developments major segments <sup>(30)</sup>



## COMPAGNIE DE FINANCEMENT FONCIER BOND ISSUANCES IN 2015

Compagnie de Financement Foncier business was steady in 2015 with an overall issuance volume of €7 billion in 2015 (excluding buy-back and intragroup placements), up by €0.9 billion compared with 2014. This increase was witnessed both for public issuances which stood at €6.4 billion in 2015, up from €4.6 billion in 2014, and for private placements which reached €0.6 billion (to which must be added €0.8 billion in intragroup placements and €0.6 billion in buy-backs) in 2015, compared with €1.5 billion in 2014.

On the public primary market, Compagnie de Financement Foncier issued five euro benchmark issuances representing an overall volume of €6.4 billion. In the first quarter, there were two €1 billion issuances with 5 and 10-year maturities. In the second quarter, Compagnie de Financement Foncier issued €1.5 billion with a 3-year maturity, thus demonstrating its capacity to position itself across all segments of the curve beyond the traditional

7-year sweet spot. In September, a new 7.4-year €1.5 billion *obligation foncière* was placed. Finally, in October, Compagnie de Financement Foncier issued €1.25 billion with a 5-year maturity and once again demonstrated, in 2015, the strength of its reputation and the resilience of its creditworthiness on investment markets.

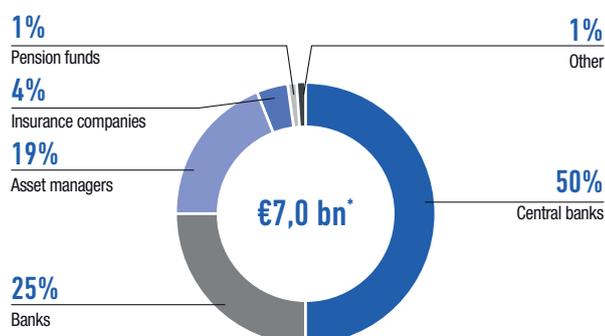
Private placements made it possible to optimise the funding costs by maintaining a lower spread than secondary levels and by raising funds mainly at the long end of the curve.

The majority of subscribers for Compagnie de Financement Foncier *obligations foncières* continue to be French and German investors. They account for 8% and 46% respectively of volumes issued in 2015 (excluding non-recurrent intragroup placements, buy-backs and Eurosystem investments). 50% of investors are now central banks and public agencies, primarily due to the acceleration of the covered bonds purchasing programme by the European Central Bank.

<sup>(30)</sup> Natixis, Covered Bond Market Weekly, January 6, 2016.

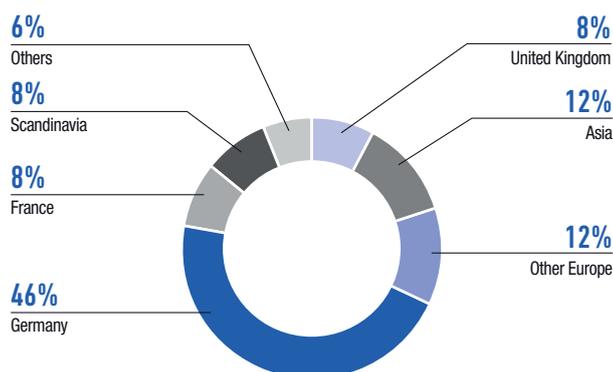
## ■ Breakdown of Compagnie de Financement Foncier's obligations foncières issued in 2015

### ■ By investor type



\* Excluding non-recurring operations (buy-back and intra-group placements).

### ■ By region \*



\* Excluding non-recurring operations (buy-back and intragroup placements) and Eurosystem.

## ■ MANAGEMENT OF DERIVATIVES

As part of Groupe Crédit Foncier's new financial management policy, which provides for a reduction of its derivatives portfolio, two intragroup derivatives compression operations were carried out in 2015 for a total outstanding of €26.3 billion.

## ■ COMPAGNIE DE FINANCEMENT FONCIER'S RATINGS

On September 18, 2015, Moody's downgraded France's rating by one notch from Aa1 (negative) to Aa2 (stable). The downgrade was

due to the rating agency's estimate of France's weak medium-term growth outlook and the low probability of debt reduction before 2020. The stable outlook was, however, due to the significant size of the country, its well-diversified economy, large investor base and low financing costs, as well as the efforts made by France to stabilise its public finances and to make its economy more competitive.

French covered bonds held up well in spite of France's downgrade. The rating agency expects the quality of French covered bonds to remain solid given that most French banks still have high ratings. In addition, bond programmes can tolerate a downturn of several notches in sponsor banks since, on the whole, asset cover pools have a high credit rating and the level of overcollateralisation largely offsets the downgrades experienced by France and French banks.

Compagnie de Financement Foncier ratings remained stable at AAA/Aaa/AA ratings with a stable outlook reflecting both the strength of the French legislative framework, the robustness of Compagnie de Financement Foncier's business model and the quality of its portfolio, as well as its additional commitments towards the market.

### STANDARD & POOR'S METHODOLOGY

The method used to rate covered bonds comprises three main stages: determination of the RRL (Reference Rating Level) including an analysis of issuer-specific factors and the resolution regime; the second stage consists of determining the maximum possible rating for the covered bond by analysing legal backing and collateral; lastly, the final stage is to determine the final rating of the covered bond by analysing counterparty and country risk.

The Standard & Poor's methodology categorise covered bonds on the basis of the estimated capacity of the programme to raise liquidity or dispose assets to ensure payments from the bankruptcy of the issuing bank. Standard & Poor's places the various covered bond programmes into three categories on the basis of the jurisdiction of the issuing bank and its ability to access external financing or monetize the cover pool.

To support a AAA rating, obligations foncières must be strong enough to withstand losses from the cover pool associated with this rating. Flows from these assets must be sufficient to pay the interest and capital when the debt matures.

Depending on the type of collateral (mortgages or public sector loans), the agency analyses the quality of the collateral to determine unrealised losses under stressed scenarios.

To quantify these losses, the level of overcollateralisation needed to receive a AAA rating is determined by two factors, namely the probability of default and the recovery rate.

In 2015, S&P methodology was adapted to take into account the implementation of the European directive BRRD.

**MOODY'S METHODOLOGY**

Moody's methodology comprises four components. The starting point is the issuer rating, Moody's calculates the probability of default of the parent company on the basis of its senior unsecured rating. Moody's then measures the quality of the asset cover pool via its Collateral Score, which provides an indication of its stability. The Collateral Score determines the loss due to credit deterioration on the assets in the cover pool that might be expected should the issuer default. Moody's third component consists of modelling funding risks and more specifically market risks on the asset cover pool, namely interest rate and exchange rate risks. The final component consists of calculating market risks following the issuer's default.

In March 2015, further to the implementation of the bail-in procedure within the context of the bank recovery and resolution directive (BRRD), Moody's adopted a new method for rating covered bonds. The rating is now based on an assessment of counterparty risk (Counterparty Risk Assessment – CR).

**FITCH RATINGS METHODOLOGY**

Fitch Ratings assigns a rating based on the probability of default (PD) of covered bonds, defined on the basis of the Issuer Default Rating (IDR), bank resolution uplift (IDR uplift), analysis of discontinuity risk (D-Cap) and the result of the cash flow model in a stress scenario. The D-Cap represents the maximum difference between the IDR of the issuer and the rating corresponding to the probability of default of the covered bonds. To these various criteria an adjustment variable needs to be added or deducted reflecting the level of recovery in the event of default (Recovery ratings).

In 2015, Fitch's methodology was also revised. On 16 February, Fitch published a supplement on rating criteria for covered bonds which not only provides additional details of liquidity risks in mortgaged backed covered bond programmes, but also the calculation of price ceilings and rating spread levels (RSL), both used to determine the anticipated proceeds of sales of mortgage assets from the asset cover pool.





# Financial report

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# 2015 Management report

In a still fragile economic environment (uneven global recovery, a persistent low inflation in the euro zone, geopolitical crises), Compagnie de Financement Foncier's business activity remained dynamic in 2015.

In accordance with Groupe Crédit Foncier strategic orientations, Compagnie de Financement Foncier's activity remained focused on refinancing real estate loans granted by its parent company, the decrease of its international exposures and the optimisation of its balance sheet size, in order to prepare the new regulations applicable to credit institutions under the supervision of the ECB.

Compagnie de Financement Foncier issued €8.4bn of *obligations foncières* in 2015 that benefit, as all of its privileged debts, from AAA/Aaa/AA ratings at December 31, 2015. Thus, rating agencies acknowledge the security provided by the *société de crédit foncier's* status and the additional commitments made by the Company regarding financial management and risk monitoring.

At December 31, 2015, Compagnie de Financement Foncier had a total balance sheet of €87.6bn and a net income of €132.5m.

## 1. Main operations of the financial year

### ACQUISITIONS AND DISPOSALS

Compagnie de Financement Foncier continued its business activity in 2015 in keeping with Groupe Crédit Foncier's strategic guidelines, in synergy with Groupe BCPE.

- Over the year, Compagnie de Financement Foncier financed a net amount of €5.8bn of real estate loans, previously granted by Crédit Foncier to its retail customers. Half of these purchases were loans benefiting from a double guarantee, on one side a first rank mortgage and, on the other side, a guarantee from the French state through the *Fonds de Garantie à l'Accession Sociale*.

Compagnie de Financement Foncier also adapted the structure of the *billets hypothécaires* (Mortgage notes) subscribed by Crédit Foncier in order to improve the matching of their interest rates and liquidity with the loans in guarantee of the notes. During this operation, Compagnie de Financement Foncier bought some of these underlying loans, increasing its share of real estate loans owned directly. These purchases were carried out under exceptional conditions which necessitate the slight relaxing of the purchase filters' criteria. In compensation, an individual monthly follow-up is performed on these loans and as soon as a default occurs, the disposal of the loan is cancelled, removing the asset that would not have been bought otherwise.

Purchases of public sector assets were more limited, around €0.5bn. As far as mobilisation operations are concerned, the same restructuring was applied to loans guaranteed by portfolio of loans to French local authorities pursuant to article L. 211-38 of the French Financial and Monetary Code, still to improve matching of the cash flows from the loans and the ones from the underlying assets brought in guarantee.

- Compagnie de Financement Foncier refinanced Crédit Foncier for €380m through the mobilisation, pursuant to L. 211-38, of a portfolio of Crédit Impôt Recherche receivables previously acquired from Natixis;
- Compagnie de Financement Foncier further reduced its balance sheet total through the sale of international assets amounting to €1.9bn. Compagnie de Financement Foncier thus disposed

of all its positions in Austria, including the three lines of bonds issued by HETA; and sold all its sovereign exposures to Slovenia, Ireland, Cyprus and Hungary.

- In order to increase its liquidity reserve and a high level of Liquidity Coverage Ratio, without degrading its cash level, Compagnie de Financement Foncier bought to Crédit Foncier for €1.3bn of French and Italian sovereign bonds that she then transferred back to its parent company under repurchase agreement.

### FUNDING AND CASH MANAGEMENT

In parallel, Compagnie de Financement Foncier issued a gross amount of €8.4bn in *obligations foncières*, broken down as follows:

- €7.0bn in new issuances on the market, of which €0.7bn were private placements;
- €0.8bn in issuances subscribed by Vauban Mobilisations Garanties, a wholly-owned subsidiary of Crédit Foncier;
- €0.6bn of debt restructuring operations (buy-back of old lines and their replacement with securities having longer maturities).

All issuances in 2015 were denominated in euros; they show that German investors were the most active investors in Compagnie de Financement Foncier's issuances, as well as a strengthened presence of central banks.

2015 was marked by the following benchmark public issuances:

- €1bn at 10 years in January;
- €1bn at 5 years in February;
- €1.5bn at 3 years in June;
- €1.5bn at 7 years in September;
- €1.25bn at 5 years in October.

Compagnie de Financement Foncier transferred €1.1bn in mortgage loans during the CFHL-2 2015 securitisation operation which enabled Groupe Crédit Foncier to sell and deconsolidate a total amount of €1.4bn of home loans.

In addition, Compagnie de Financement Foncier also sold to third parties €41m in loans to public entities in France.

## RESTRUCTURING OF THE DERIVATIVES PORTFOLIO

Since 2011, in the context of the implementation of the EMIR directive and new rating agencies methodologies, Compagnie de Financement Foncier has been engaged in a major restructuring programme in order to reduce its derivatives portfolio, without changing the nature of the interest rate and foreign exchange terms of its balance sheet.

In February and in November 2015, two derivative compression operations were realised with Crédit Foncier, for a notional amount of €26.3bn, resulting in the payment of a net termination balance of €9m to Crédit Foncier.

These transactions are neutral with respect to Compagnie de Financement Foncier's net income; the termination balances are spread for accounting purposes over the remaining life of the balance sheet items that were hedged by these derivatives.

## 2. Changes in assets

ASSETS (In €k)	12/31/2015	12/31/2014
Cash and amounts due from central banks	5,360,083	1,200,069
Treasury notes and similar securities	3,606,541	3,175,674
Loans and receivables due from credit institutions	21,092,317	20,790,892
• Demand	478,256	346,995
• Term	20,614,061	20,443,897
Due from customers	43,026,282	44,963,602
Bonds and other fixed income securities	11,246,613	13,604,518
Equity investments and other long-term investments*	4	0
Intangible assets and property, plant and equipment	0	0
Other assets	59,306	92,195
Accrued accounts	3,187,163	4,122,040
<b>TOTAL ASSETS</b>	<b>87,578,310</b>	<b>87,948,990</b>

Compagnie de Financement Foncier's balance sheet total remained stable in 2015 (-€0.4bn corresponding to -0.4%).

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

- high level of early repayments due to the decrease in interest rates;
- on-going reduction of its international exposure.

## CUSTOMER RECEIVABLES AND THE IMPACT OF THE EARLY REPAYMENTS

Overall, loans to private individuals, classified under "Loans and receivables" and under "Bonds and other fixed income securities" through mortgage notes, are down by €2.1bn.

(in €m)	12/31/2015	12/31/2014	Change
Non-commercial mortgage loans (see Notes 2B and 2C)	31,676	32,241	-565
Mortgage notes (see Note 3)	5,750	7,318	-1,568
<b>TOTAL</b>	<b>37,426</b>	<b>39,559</b>	<b>-2,133</b>

The loan trend breaks down as follows.

An increase in the outstanding loans related to the acquisition of €6.8bn in receivables in 2015.

A decrease in the outstanding loans for various reasons:

- €4.7bn decrease related to the increase of early repayments for the year;
- €1.1bn decrease following the CFHL-2 2015 securitisation transaction;
- amortisation of the outstandings for the remaining balance.

The high level of early repayments resulted in significant cash inflows. Thus the item "Cash and amounts due from central banks" increased by €4.2bn in the year, to reach €5.4bn at December 31, 2015. This cash position was established in view of the coming redemption of *obligations foncières* during the month of January 2016 totalling €4.3bn.

The other customer receivables, including loans to French local authorities and direct exposures to social landlords, were down €1.3bn due to the amortisation of the receivables and €41m in external disposals in 2015.

## SECURITIES PORTFOLIO AND IMPACT OF INTERNATIONAL ASSET DISPOSALS

Compagnie de Financement Foncier's securities portfolio, excluding mortgage notes, was down €360 m with respect to December 31, 2014. This change breaks down as follows:

- increase of €1.35bn (nominal value and premium) related to the acquisition of French (OAT) and Italian sovereign bonds (BTP); the purpose of these transactions was to consolidate Groupe Crédit Foncier's international assets within the same structure;
- €1.9bn decrease due to market disposals made as part of the continuation of its policy to reduce international exposure. This includes in particular the disposal in June of €260m of exposures to the Austrian bank HETA Asset Resolution and classified as doubtful loans at December 31, 2014;

- the balance of the change is explained on one hand by a decrease related to the contractual maturity dates and, on the other, by an increase related to the currency difference on the part of the portfolio denominated in foreign currencies (in particular USD and yen), which appreciated sharply relative to the euro in 2015.

## GROUP REFINANCING AND ASSIGNMENT OF RECEIVABLES

As part of its business activities, Compagnie de Financement Foncier also offers to Crédit Foncier and to the other Group BPCE entities funding options through loans backed by the loans' assignment.

These loans are classified as term loans and receivables from credit institutions. The amount outstanding on these loans remained relatively stable, increasing from €19.2bn at December 31, 2014 to €19.4bn at December 31, 2015. This amount breaks down as follows:

- €10.3bn in loans to Crédit Foncier, guaranteed by exposures to French local authorities;
- €2.5bn in loans to other Groupe BPCE entities, also 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 €19.6bn at December 31, 2015.

## OTHER ASSETS AND ACCRUAL ACCOUNTS

Other assets amounted to €59m at December 31, 2015 versus €92m at December 31, 2014. This change comes mainly from the reduction of the tax consolidation receivables.

The accrual accounts amounted to €3.2bn at December 31, 2015 versus €4.1bn at December 31, 2014, mainly due to the decrease in the balances of swaps to be amortised (-€0.2bn) and to the reduction in accrued interest on swaps (-€0.2bn).

### 3. Changes in liabilities

<b>LIABILITIES</b> (in €k)	<b>12/31/2015</b>	<b>12/31/2014</b>
<b>Central banks</b>	0	0
<b>Due to credit institutions</b>	<b>9,852,497</b>	<b>5,034,721</b>
• Demand	12,176	3,621
• Term	9,840,321	5,031,100
<b>Due from customers</b>	<b>408</b>	<b>19,967</b>
• Demand	408	19,967
<b>Debt securities</b>	<b>69,123,576</b>	<b>71,288,157</b>
• Interbank market instruments and negotiable debt securities	151,326	152,882
• Bonds (obligations foncières)	68,972,251	71,135,275
<b>Other liabilities</b>	<b>2,981,454</b>	<b>3,610,586</b>
<b>Accrued expenses</b>	<b>2,370,553</b>	<b>2,693,545</b>
<b>Provisions</b>	<b>16,129</b>	<b>26,334</b>
<b>Subordinated debts</b>	<b>0</b>	<b>3,450,258</b>
<b>Reserve for general banking risks</b>	<b>20,000</b>	<b>20,000</b>
<b>Equity excluding fund for general banking risks</b>	<b>3,213,693</b>	<b>1,805,423</b>
• Subscribed capital	2,537,460	1,187,460
• Additional paid-in capital	343,002	343,002
• Reserves	107,843	103,626
• Regulated provisions and investment subsidies	0	0
• Retained earnings	92,901	87,007
• Income to be allocated	0	0
• Net income for the period	132,486	84,328
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>87,578,310</b>	<b>87,948,990</b>

Amounts due to credit institutions increased by €4.8bn. This increase was attributable to a €3.5bn increase in term accounts and loans from Group entities and to the €1.3bn increase in securities sold under repurchase agreements.

The increase in intragroup term accounts and loans is attributable to the Crédit Foncier's advance of €2.1bn into a shareholders' current account held by Compagnie de Financement Foncier, following the redemption of the redeemable subordinated note for the same amount and the granting of new term loans by Crédit Foncier to Compagnie de Financement Foncier for the balance.

The increase of securities sold under repurchase agreements was attributable to the additional transfer of €1bn (nominal amount) of French (OAT) and Italian (BTP) sovereign bonds to Crédit Foncier under repurchase agreements.

Debt securities were down €2.2bn in 2015, due to the decrease in *obligations foncières* outstanding. This decrease breaks down as follows:

- €7.0bn increase due to net issuances made on the market in 2015;

- €0.8bn increase following two intragroup issuances subscribed by Vauban Mobilisations Garanties. These issuances have short-term maturities (January 2016 and January 2017) and have a quarterly call option with advance notice;

- decrease related to contractual redemptions and amortisations.
- Other liabilities decreased by €0.6bn due to the decrease in deposits received in the context of collateralisation transactions (-€0.7bn), offset by the increase of other credit accounts (+€0.1bn).

The accrued accounts decreased by €0.3bn in 2015, mainly due to the decrease in the balances of swaps received to be amortised.

Provisions amounted to €16m at December 31, 2015, down by €10m following the reversal of the provision of the same amount at December 31, 2014 due to the impact of the reclassification of HETA securities on the hedging swaps.

At December 31, 2014, these consisted of redeemable subordinated notes for €2.1bn on and perpetual super-subordinated notes for €1.35bn, fully subscribed by its parent company, Crédit Foncier. These notes were repaid in 2015.

Due to regulations, the perpetual super-subordinated notes may no longer be considered as core regulatory capital starting on January 1, 2022 and after a phase-in period started on January 1, 2014.

Accordingly, in order to maintain a sufficient level of regulatory capital and solvency ratio, Compagnie de Financement Foncier proposed to its parent company to pay back the perpetual super-

subordinated notes and to carry out a capital increase for the same amount. It also proposed to make an early repayment of the redeemable subordinated notes and to pay the corresponding funds to a shareholder's current account.

Shareholders' equity was up €1.4bn and amounted to €3.2bn, mainly due to the previously-described share capital increase of €1.35bn and to the increase in net income.

## 4. Analysis of the income statement

■ INCOME STATEMENT (in €k)	12/31/2015	12/31/2014
<b>Net banking income</b>	<b>363,646</b>	<b>359,551</b>
General operating expenses	-123,155	-105,366
<b>Gross operating income</b>	<b>240,491</b>	<b>254,185</b>
Cost of risk	-14,753	-127,816
<b>Operating income</b>	<b>225,738</b>	<b>126,369</b>
Gains or losses on long-term investments	-4,032	1,362
<b>Income before tax</b>	<b>221,706</b>	<b>127,731</b>
Income tax	-89,220	-43,403
<b>NET INCOME</b>	<b>132,486</b>	<b>84,328</b>

### ■ NET BANKING INCOME

Net banking income came to €364m in 2015, compared with €360m the previous year. This near stability is the result of the sharp decline of the net interest margin on one hand, and the sharp increase in fees and commissions received on the other. These two trends are the direct consequence of the increase in early repayments of retail loans which reached an unusual high level; indeed, the early repayment rate more than doubled during the year, increasing from 6.5% in 2014 up to 14.8% in 2015.

The decrease in the net interest margin from €327m to €256m is the result, for some €150m, of the accelerated amortisation of the acquisition premiums and discounts over the entire 2015 financial year due to the increase in early repayments. Indeed, Compagnie de Financement Foncier usually buys loans under its own funding conditions on the market when the operation is carried out with an additional margin covering credit risk, its operating expenses and the cost of regulatory capital needed. In the case of constant market rate level, Compagnie de Financement Foncier records a premium when purchasing assets. During the last months, this

premium raised because of the impact of the decrease in market rates between the date when the loan was granted and the date when it was purchased by Compagnie de Financement Foncier.

This decrease was however partly offset by the improvement of funding conditions and commercial margins on the new production in 2015.

On the other hand, the early repayments led to a sharp increase in commissions from the early repayment penalties paid by customers. These penalties amounted to €110m in 2015.

Result variations on the trading book transactions, that is an improvement of €11m, illustrate the absence of significant events in 2015. In the previous year a provision of €10.7 had been recorded related to the risk associated with HETA.

It should be noted that the disposal of mortgage loans and receivables to the CFHL-2 2015 securitisation fund, like the disposal to the CFHL-1 2014 securitisation fund the previous year, had no impact on Compagnie de Financement Foncier's income statement.

## ■ GROSS OPERATING INCOME

Operating expenses were up in 2015, from €105m to €123m, due to two opposing effects:

- on one hand, a decrease in fees and commissions paid to Crédit Foncier for its supply of services to Compagnie de Financement Foncier, mainly in respect of assets and liabilities management, and the Company's administrative, accounting and financial management. These expenses amounted to €63m in 2015 compared with €69m in 2014;
- on the other hand, the increase of the fees paid to Crédit Foncier of a portion of the early repayment penalties received on loans to individuals. These payments amounted to €33m in 2015 compared with €13m in 2014, in line with the early repayment trend.

Thus, gross operating income recorded €241m at December 31, 2015, compared with €254m in 2014.

## ■ COST OF RISK

Cost of risk was €14.8m in 2015, compared with €127.8m in 2014. As a reminder, Compagnie de Financement Foncier decided to recognise in its accounts closed on December 31, 2014 the impact of the moratorium applying to a significant part of the debt of HETA Asset Resolution AG, formerly called Hypo Alpe Adria Bank International AG, which was decreed by the Austrian Financial Market Authority on March 1, 2015. Compagnie de Financement Foncier held an outstanding amount of €260m in nominal value in securities concerned by this decision—which were covered by the guarantee granted by the State of Carinthia. Consequently, as of the financial statement closed on December 31, 2014, Compagnie de Financement Foncier reclassified the full exposure as doubtful and provisioned 40% of the nominal, as well as all the risks associated with the related receivables and hedging swaps. A €104m impairment on these securities was recognised in cost of risk and a charge of €11.1m was recognised in net banking income corresponding to the swaps and accrued interest. After the disposal of these securities in June 2015, at a higher price than the value after impairment recorded in the 2014 annual accounts, Compagnie de Financement Foncier finally recognised a gain of €12.2m in cost of risk in 2015.

Concerning the remaining balance, the recurring cost of risk (excluding the impact of HETA Asset Resolution AG) has slightly increased during the year, but nonetheless it remains low considering the significant outstanding volume. It rose from €23.8m in 2014 to €27m in 2015 and mainly relates to provisions

for doubtful loans to individuals. Moreover, each of these years had seen their cost of risk impacted by non-recurring events.

In 2014, a €10m additional provision was recorded after the implementation of a new treatment to loans in litigation which created a automatic discount on the guarantee when the loan entered litigation.

In 2015, the IT migration of November modified some treatments: premiums and discounts are now included in the provisioning process, provisioning is now calculated according to civil year so until the end of December 2015 whereas it was previously calculated from December to November; these modifications had an estimated impact of €8m.

Current activity generated an additional increase in provisions and impairment that explains the remaining evolution.

The amount of impairment recorded for doubtful loans to private individuals thus rose from €58m to €87m year-on-year.

## ■ GAINS ON FIXED ASSETS

In addition to operating income, it is necessary to include gains or losses on asset disposals, primarily consisting of international exposures. Within the scope of Groupe Crédit Foncier's strategic plan, Compagnie de Financement Foncier began in 2011 to reduce its balance sheet total. Since then, Compagnie de Financement Foncier has gradually reduced its international exposure, as permitted by regulatory requirements and depending on market conditions.

Thus, in 2014 the asset disposals had reached a limited outstanding of €79.1m and had generated a gain of €1.4m. In 2015, Compagnie de Financement Foncier continued these disposals, which amounted to €1.6bn and generated net losses of €4.0m (excluding HETA).

## ■ INCOME TAX

Income tax on the 2015 financial year was €89.2m compared with €43.4m at December 31, 2014.

## ■ NET INCOME

After deducting income tax, which takes into account the decision adopted in 2010 to recognise deferred taxes, the net income of Compagnie de Financement Foncier for 2015 was €132m, versus €84m in 2014.

# 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 its 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 2015. Out of the €21.1bn in loans and receivables from credit institutions, €19.4bn constitute loans to Groupe BPCE entities. Moreover, these loans are completely guaranteed by receivables under L. 211-38.

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

### LOANS AND RECEIVABLES DUE FROM CUSTOMERS

Gross loans and receivables due from customers amounted to €43.1bn on December 31, 2015, of which €1.3bn were doubtful loans and receivables. At December 31, 2014, gross receivables amounted to €45.0bn, of which €1.2bn were doubtful loans and receivables. At December 31, 2015, the doubtful loans were concentrated almost exclusively (99%) on home loans. At the same time, out of a total of €88.5m in impairments, €87.9m concern home loans.

The amount of impairment recorded for doubtful loans to private individuals thus rose from €59m to €88m year-on-year, a level that remains very limited given the total outstanding.

Moreover, out of the €33.9bn in home loans, €16.6bn of these receivables were backed by a SGFGAS guarantee in addition to a mortgage guarantee, and €13.6bn were solely backed by a mortgage guarantee.

### SECURITIES AVAILABLE FOR SALE

Outstanding securities available for sale amounted to €5.7bn at December 31, 2015, exclusively consisting of mortgage notes backed by guarantees amounting to some €6.0bn. None of these securities were reclassified as doubtful or impaired in 2015.

### HELD TO MATURITY SECURITIES

Amounts outstanding in investment securities amounted to €9.1bn at December 31, 2015. None of these securities were reclassified as doubtful or impaired in 2015.

Amounts outstanding in net book value (excluding accrued interest and after premiums or discounts) were spread out between Italy (34%), the United States (22%), Japan (17%), France (10%), Spain (6%), Canada (6%), Poland (4%) and other non-significant countries (1%).

## 6. Financial risk analysis

### INTEREST RATE AND FOREIGN EXCHANGE RISK

Compagnie de Financement Foncier has no open currency positions except for 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 euro. 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 euro.

Interest rate positions are also reviewed each quarter and macro-hedging 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 counterparties to these currency or interest rate swaps have concluded collateralisation agreements with Compagnie de Financement Foncier that require them to provide a security deposit to the benefit of the Compagnie de Financement Foncier given their debt position and depending on their rating. These requests for funds are made on a daily basis if the rating of the counterparty falls

below F1+ or AA- at Fitch Ratings, P1 or Aa3 at Moody's, A1+ or AA- at Standard & Poor's. If the opposite situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. As of December 31, 2015, the amount of deposits received was €2.8bn.

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

In 2015, Compagnie de Financement Foncier continued to enter into such financial instruments along with its acquisition, issuance and ALM activities. In parallel, the Company continued to restructure its derivatives portfolio with in particular the compression of €26.3bn in outstanding swaps with Crédit Foncier.

Lastly, at December 31, 2015, the amount outstanding in micro and macro hedging instruments consisted of €82bn, of which €59bn were interest rate swaps and €24bn were currency swaps; they were respectively €84bn in 2014, of which €57bn were interest rate swaps and €27bn were 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 was not predictable, and the repayment fees received by the lender were capped by law, Compagnie de Financement Foncier could not completely cover the original risks incurred.

In 2015, the historically low level of interest rates on home loans led many borrowers to renegotiate or pay off their loans early.

Older generations of loans, granted at higher interest rates, were the most affected.

In 2015, the total amount of loans to individuals saw an early repayment rate of 14.8% compared with 6.5% in 2014.

Compagnie de Financement Foncier's interest rate risk is monitored through the calculation of interest rate mismatches within the very narrow range defined by a period of observation. In case of overrun of one of these limits, the situation is resolved through macro-hedging adjustments. The limit overruns due to early repayments recognised in 2015 have all been resolved.

### LIQUIDITY RISK

The very prudent liquidity management policy continued in 2015, 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 December 31, 2015, Compagnie de Financement Foncier had available cash of €5.9bn, including €5.4bn on current accounts mainly deposited with Banque de France; and €6.6bn granted to BPCE with a maturity of less than two months, fully guaranteed by a loans portfolio originated by Crédit Foncier.

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

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. Legal and prudential information

Compagnie de Financement Foncier publishes a risk control and monitoring report where all the ratios and indicators applicable to *société 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. Other disclosures

### SUPPLIER PAYMENT TERMS

Furthermore, it should be noted that Compagnie de Financement Foncier complies with the regulation related to supplier payment terms, in accordance with the law on the modernisation of the economy (LME) dated August 4, 2008 which stated that invoices shall be paid within 45 days end of the month or 60 days from the issuance of the invoice.

Most of the Compagnie de Financement Foncier's management is subcontracted and invoiced by Crédit Foncier. The other trade payables at December 31, 2015 do not represent significant amounts and are usually all due within less than 30 days.

### INFORMATION ON THE SUBSIDIARIES AND EQUITY INVESTMENTS

Not applicable. As a *société de crédit foncier*, Compagnie de Financement Foncier cannot hold equity investments.

### EMPLOYEE PARTICIPATION IN THE SHARE CAPITAL

Not applicable. Compagnie de Financement Foncier has no employees.

## 9. Outlook

In 2016, Compagnie de Financement Foncier intends to continue its development, while respecting the strategic directions of the medium-term plan of Crédit Foncier and Groupe BPCE:

- rigorous selection of acquisitions and active management of its assets in order to maintain assets' high quality;

- continuing its activity, both in terms of mortgage loans and receivables and exposures on public entities;
- funding of Crédit Foncier or other Groupe BPCE entities by purchases and mobilisations of loan portfolio;
- optimisation of financial risk hedging;
- diversification of funding sources.

## 10. Social, environmental and societal information

Compagnie de Financement Foncier is subject to the Grenelle II law which requires companies to publish and audit social, environmental and societal information on 42 specific themes. Compagnie de Financement Foncier's management is entrusted to Crédit Foncier's services via a corpus of outsourcing conventions and service contracts.

Compagnie de Financement Foncier has neither premises nor its own resources, and depends entirely on Crédit Foncier's assets. This implies that social, environmental and societal issues are

totally under control of its parent company and are provided in the latter's management report. No specific CSR information is available in Compagnie de Financement Foncier's Registration document.

All social, environmental and societal information for Groupe Crédit Foncier can be found in Crédit Foncier's 2015 Registration document, in the section Corporate Social Responsibility (CSR) <sup>(32)</sup>.

## Notes to the management report

### NOTE 1. INFORMATION ON CORPORATE OFFICERS

For the year ending December 31, 2015, pursuant to Article L. 225-102-1 of the French Commercial Code, the list below shows the total compensation as well as all benefits paid by the Company to each of the corporate officers during the year.

Information regarding compensation received is in euros and is limited to the following scope: Crédit Foncier, the subsidiaries of Crédit Foncier, and BPCE as the controlling company. The compensation paid in 2015 by Compagnie de Financement Foncier to executives and corporate officers amounted to €120,000 excluding social security charges.

### SUMMARY OF REMUNERATION, SHARES AND OPTIONS OF EACH EXECUTIVE CORPORATE OFFICER (in euros)

#### Thierry DUFOUR, Chief Executive Officer, Director

	2014	2015
Annual remuneration due during the year (outlined in table below)	565,716	570,872
Value of options attributed over the course of the year	-	-
Value of performance shares attributed over the course of the year	-	-
<b>TOTAL</b>	<b>565,716</b>	<b>570,872</b>

Including €100,000 under the social mandate of the Compagnie de Financement Foncier.

#### Sandrine GUÉRIN, Director, Deputy Chief Executive Officer

	2014	2015
Annual remuneration due during the year (outlined in table below)	568,076	337,941
Value of options attributed over the course of the year	-	-
Value of performance shares attributed over the course of the year	-	-
<b>TOTAL</b>	<b>568,076</b>	<b>337,941</b>

Including €20,000 under the social mandate of Compagnie de Financement Foncier.

<sup>(32)</sup> The complete Crédit Foncier 2015 Registration document, including the CSR section, is available at [www.creditfoncier.com](http://www.creditfoncier.com) under the heading "Finance/Registration documents".

On February 9, 2016 the Board of Directors was informed of the resignation of Ms Sandrine GUÉRIN from her term as Deputy Chief Executive Officer and Director starting from February 8, 2016.

On the same date, the Board of Directors following the proposal of Chief Executive Officer has appointed Mr Olivier AVIS as a Deputy Chief Executive Officer until the General Meeting called to approve the financial statements for the 2018 financial year.

#### SUMMARIES OF REMUNERATION OF EACH EXECUTIVE CORPORATE OFFICER (in euros)

**Total due 2014:** all pay granted on a *pro rata temporis* basis in respect of duties performed in 2014, regardless of the date of payment.

**Amount paid 2014:** all remuneration actually paid and received in 2014 in respect of duties performed during 2014 and potentially during the previous years in the case of installment payments.

**Total due 2015:** all remuneration granted on a *pro rata temporis* basis in respect of duties performed in 2015, regardless of the date of payment.

**Amount paid 2015:** all remuneration actually paid and received in 2015 in respect of duties performed during 2015 and potentially during the previous years in the case of installment payments.

#### ■ Thierry DUFOUR, Chief Executive Officer, Director

	2014		2015	
	Total due	Total paid	Total due	Total paid
Base Salary	354,720	354,720	354,648	354,648
Variable pay	165,600	97,649 <sup>(a)</sup>	171,000	126,824 <sup>(b)</sup>
Banco Primus remuneration	20,000	20,000	20,000	20,000
Exceptional remuneration	4,719	4,719	3,543	3,543
Supplemental retirement plan	15,397	15,397	16,329	16,329
Director's fees	-	-	-	-
Benefits in kind	5,280	5,280	5,352	5,352
<b>TOTAL</b>	<b>565,716</b>	<b>497,765</b>	<b>570,872</b>	<b>526,696</b>

(a) Amount paid in 2014 to 50% of the variable portion for the year 2013, €67,500 and 50% for deferred portions over 3 years of the variable portion fraction for the financial year 2011, €23,021 which after applying indexation coefficient amounted to €14,132 and for the financial year 2012, €20,355 which after applying indexation coefficient amounted to €16,017.

(b) The amount of the variable portion paid in 2015 to 50% of the variable portion for the year 2014, €82,800 and the deferred 50% over 3 years of the variable portion fraction for the financial year 2012, €20,355 which after applying indexation coefficient amounted to €19,938 and for the financial year 2013, €22,500 which after applying indexation coefficient amounted to €24,086.

#### ■ Sandrine GUÉRIN, Deputy Chief Executive Officer, Director

	2014		2015	
	Total due	Total paid	Total due	Total paid
Base Salary	296,815	296,815	297,344	297,344
Variable pay	252,742	128,988 <sup>(a)</sup>	n/d	195,843 <sup>(b)</sup>
Exceptional remuneration	-	-	-	-
Incentives and profit-sharing	-	-	19,266	19,266
Supplemental retirement plan	14,319	14,319	16,581	16,581
Director's fees	-	-	-	-
Benefits in kind	4,200	4,200	4,750	4,750
<b>TOTAL</b>	<b>568,076</b>	<b>444,322</b>	<b>337,941</b>	<b>533,784</b>

(a) Amount paid in 2014 to 50% of the variable portion for the year 2013, €102,584 and the deferred 50% over 3 years of the variable portion fraction for the financial year 2012, €33,554 which after applying indexation coefficient amounted to €26,404. There are no deferred payments related to the previous years.

(b) The amount of the variable portion paid in 2015 to 50% of the variable portion for the year 2014, €126,371 and 50% of deferred portions over 3 years of the variable portion fraction for the financial year 2012, €33,554 which after applying indexation coefficient amounted to €32,866 and for the financial year 2013, €34,195 which after applying indexation coefficient amounted to €36,606.

n/d: The amount of the variable pay due in 2015 is not available as of the Registration document's filing date.

## BASE SALARY

Base salary consists of one part paid for work performed at Crédit Foncier and another for serving as a corporate officer of Compagnie de Financement Foncier.

## HOW VARIABLE PAY IS DETERMINED

There is no variable pay at the Compagnie de Financement Foncier level. The variable pay of.

The variable pay of the CEO is set by the Crédit Foncier Board of Directors as proposed by the Remuneration Committee and can equal as much as 50% of his fixed pay. The criteria for the variable portion 2015 are based on qualitative and quantitative indicators of the Groupe Crédit Foncier (Financial performance for 25%, operational performance 25% and commercial performance for 25%) as well as on an indicator from the Groupe BPCE (group results for 25%).

At the start of every year, the Remuneration Committee draws up the criteria for setting the variable pay within the rules laid out by the Groupe BPCE.

The variable pay of the Deputy CEO is entirely paid by Crédit Foncier and may reach 100% of his fixed pay. For 2015, it is based on qualitative and quantitative indicators of Crédit Foncier (on activity indicators for 70%, on quality indicators for 10% and on risk and compliance for 20%).

The amounts paid during year N represent the amounts earned in the year N-1 and from the previous years in case of differed payment.

## EXCEPTIONAL REMUNERATION

The balance represents incentives and profit sharing plans; amounts of which paid during year N represent the amounts earned in the year N-1.

## DIRECTOR'S ATTENDANCE FEES

In accordance with the standards set by the Groupe BPCE, Directors' fees paid by Group companies can be received directly by the members of these companies' Boards of Directors or Supervisory Boards.

In light of an instruction given by BPCE dated December 17, 2010, the Directors' fees due to the BPCE representatives are paid to BPCE and not to the relevant natural person. Since the January 1, 2012, the same holds for the representatives of Crédit Foncier; Directors' fees are paid to Crédit Foncier and not to the natural person. It is specified that no Director fees are paid to Natixis representatives holding a position of Director, as an individual person, in the Board of Directors of the Groupe BPCE entities.

The amounts paid during year N represent the amounts earned in the year N-1.

<i>(in euros)</i>	For 2014	For 2015
Mr Bruno DELETRÉ	7,500 <sup>(a)</sup>	7,500 <sup>(a)</sup>
Mr Thierry DUFOUR	3,750 <sup>(a)</sup>	3,750 <sup>(a)</sup>
Ms Sandrine GUÉRIN	3,750 <sup>(a)</sup>	3,750 <sup>(a)</sup>
Crédit Foncier (represented by Mr Éric FILLIAT)	6,750 <sup>(a)</sup>	6,750 <sup>(a)</sup>
BPCE (represented by Mr Olivier IRISSON)	5,750 <sup>(c)</sup>	4,500 <sup>(c)</sup>
Mr Cédric MIGNON	2,250 <sup>(c)</sup>	1,500 <sup>(c)</sup>
Ms Christine FABRESSE	5,750	4,000
Mr Dominique GARNIER	3,250	5,250
Mr Pascal CHABOT	2,250	4,250
Mr Jean CHEVAL <sup>(b)</sup>	0	0
Mr Francis DELACRE	3,750	3,750
Ms Pascale PARQUET	1,250 <sup>(c)</sup>	0 <sup>(c)</sup>

(a) Directors' fees paid to Crédit Foncier.

(b) No Director fees paid according to Natixis rules.

(c) Directors' fees paid to BPCE.

## BENEFITS IN KIND

For their work on behalf of Crédit Foncier, the corporate officers benefit from the provision of a company car.

They do not receive share purchase or subscription options bonus shares.

## IMPLEMENTATION OF THE "TEPA" LAW

Law No. 2007-1223 of August 21, 2007 "to support work, employment and purchasing power", known by its French acronym, "TEPA", now governs remuneration, benefits and payments due

when executives give up their corporate offices (Chairman and members of the Management Board, the Chief Executive Officer and Deputy Chief Executive Officer) of companies whose shares are traded on a regulated market. In particular, this law subjects the offering of such compensation to its recipients' performance.

The Crédit Foncier Board of Directors at its meeting of July 31, 2012, upon a proposal by the Remuneration Committee approved the compensation package of Thierry Dufour, Chief Executive Officer of Compagnie de Financement Foncier and Deputy Chief Executive Officer of Crédit Foncier.

Should his term of office not be renewed when it expires, or be revoked or disapproved (unrelated to misconduct) and entail his leaving of the Groupe BPCE definitively, and provided that the Company shows a positive net income for the last year preceding the termination of the corporate office, then:

Mr Thierry DUFOUR will receive, if he has been granted an average of at least 50% of the variable portion of his pay during the term of office served, the entire amount of the compensation indicated below. If he has earned at least 40% of the variable portion, Mr Thierry DUFOUR will receive 75% of the compensation indicated below; if he has earned at least 30% of the variable portion, he will receive 50% of this

The gross amount of the compensation will equal the sum of the last two years' gross fixed and variable pay awarded to him by the Company.

This procedure was supplemented by the Board of Directors, in its meeting of July 28, 2015, by the following clause: "in case of non-renewal of office to maturity, revocation or withdrawal of approval non related to a fault which leads to a final release of Groupe BPCE, compensation will be paid in case of the company's net profit on core businesses excluding spread issuer and non-recurring items".

## SUMMARY OF REMUNERATION OF EACH NON-EXECUTIVE DIRECTOR (in euros)

### NON-EXECUTIVE DIRECTORS FROM CRÉDIT FONCIER DE FRANCE

#### ■ Bruno DELETRÉ, Chairman of the Board of Directors

	2014		2015	
	Total due	Total paid	Total due	Total paid
Base Salary	464,720	464,720	462,920	462,920
Variable pay	345,920	174,209 <sup>(a)</sup>	357,200	264,611 <sup>(b)</sup>
Exceptional remuneration	-	-	-	-
Supplemental retirement plan	21,460	21,460	24,513	24,513
Attendance fees	-	-	-	-
Benefits in kind	5,520	5,520	7,080	7,080
<b>TOTAL</b>	<b>837,620</b>	<b>665,909</b>	<b>851,713</b>	<b>759,124</b>

(1) Amount paid in 2014 to 50% of the variable portion for the year 2013, €141,000 and the deferred 50% over 3 years of the variable portion fraction for the financial year 2012, €42,202 which after applying indexation coefficient amounted to €33,209.

(2) The amount of the variable portion paid in 2015 to 50% of the variable portion for the year 2014, €172,960 and 50% for deferred portions over 3 years of the variable portion fraction for the financial year 2012, €42,202 which after applying indexation coefficient amounted to €41,337 and for the financial year 2013, €47,000 which after applying indexation coefficient amounted to €50,314.

#### ■ Éric FILLIAT, Permanent Representative of Crédit Foncier de France

	2014		2015	
	Total due	Total paid	Total due	Total paid
Base Salary	203,425	203,425	203,425	203,425
Variable pay	93,575	79,018	96,600	93,575
Banco Primus remuneration	20,000	20,000	20,000	20,000
Exceptional remuneration	5,141	5,141	4,006	4,006
Incentives and profit-sharing	-	-	19,266	19,266
Supplemental retirement plan	9,706	9,706	10,158	10,158
Attendance fees	-	-	-	-
Benefits in kind	3,900	3,900	4,050	4,050
<b>TOTAL</b>	<b>335,747</b>	<b>321,190</b>	<b>357,505</b>	<b>354,480</b>

## NON-EXECUTIVE DIRECTORS FROM BPCE

## ■ Olivier IRISSON, permanent representative of BPCE

	2014		2015	
	Total due	Total paid	Total due	Total paid
Base Salary	225,000	225,000	250,000	250,000
Variable pay	n/a	101,813	95,000	99,112
Exceptional remuneration	-	42,039 <sup>(a)</sup>	-	16,627 <sup>(b)</sup>
Attendance fees	-	-	-	-
Benefits in kind	442	442	598	598
<b>TOTAL</b>	<b>225,442</b>	<b>369,294</b>	<b>345,598</b>	<b>366,337</b>

(a) Amount including the 2013 gross incentives paid in 2014.

(b) Amount corresponding to the 2014 gross incentives paid in 2015.

## ■ Cédric MIGNON

	2014		2015	
	Total due	Total paid	Total due	Total paid
Base Salary	220,000	220,000	220,000	220,000
Variable pay	n/a	89,056	97,999	95,400
Exceptional remuneration	-	17,039 <sup>(a)</sup>	-	16,627 <sup>(b)</sup>
Attendance fees	-	-	-	-
Benefits in kind	4,066	4,066	6,133	6,133
<b>TOTAL</b>	<b>224,066</b>	<b>330,161</b>	<b>324,132</b>	<b>338,160</b>

(a) Amount corresponding to the 2013 gross incentives paid in 2014.

(b) Amount corresponding to the 2014 gross incentives paid in 2015.

## NON-EXECUTIVE DIRECTORS FROM CAISSES D'EPARGNE

## ■ Christine FABRESSE

	2014		2015	
	Total due	Total paid	Total due	Total paid
Attendance fees <sup>(a)</sup>	13,250	n/a	10,000	13,250
Other remuneration	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>13,250</b>	<b>N/A</b>	<b>10,000</b>	<b>13,250</b>

(a) Total Directors's fees amount of Groupe Crédit Foncier.

n/a: not applicable to the person concerned.

## ■ Pascal CHABOT

	2014		2015	
	Total due	Total paid	Total due	Total paid
Attendance fees	2,250	n/a	4,250	2,250
Other remuneration	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>2,250</b>	<b>N/A</b>	<b>4,250</b>	<b>2,250</b>

n/a: not applicable to the person concerned.

## NON-EXECUTIVE DIRECTORS FROM BANQUES POPULAIRES

### ■ Dominique GARNIER

	2014		2015	
	Total due	Total paid	Total due	Total paid
Attendance fees <sup>(a)</sup>	14,750	n/a	16,750	14,750
Other remuneration	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>14,750</b>	<b>N/A</b>	<b>16,750</b>	<b>14,750</b>

(a) Total Directors's fees amount of Groupe Crédit Foncier.

n/a: not applicable to the person concerned

### ■ Francis DELACRE

	2014		2015	
	Total due	Total paid	Total due	Total paid
Attendance fees	3,750	n/a	3,750	3,750
Other remuneration	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>3,750</b>	<b>N/A</b>	<b>3,750</b>	<b>3,750</b>

n/a: not applicable to the person concerned

## NON-EXECUTIVE DIRECTORS FROM NATIXIS

### ■ Jean CHEVAL

	2014		2015	
	Total due	Total paid	Total due	Total paid
Attendance fees <sup>(a)</sup>	0	n/a	0	0
Other remuneration	n/a	n/a	n/a	n/a
<b>TOTAL</b>	<b>0</b>	<b>N/A</b>	<b>0</b>	<b>0</b>

(a) According to Natixis rules, no Director fees are paid.

n/a: not applicable to the person concerned.

Executive corporate officers	Job contract		Supplemental retirement plan		Indemnities or advantages due or likely to be due resulting from a termination or change in position		Indemnity relative to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Mr Thierry DUFOUR Chief Executive Officer Start of term: 12/14/2007 Director Start of term: 12/18/1998		X		X	X			X
Ms Sandrine GUÉRIN Deputy Chief Executive Officer Start of term: 10/15/2001 Director Start of term: 03/25/2002		X		X		X		X

#### OTHER INFORMATION ON COMPENSATION AND STOCK OPTION AND STOCK PURCHASE PLANS

At December 31, 2015, Compagnie de Financement Foncier did not have its own employees, with the exception of its corporate

officers. As such, there was no incentive scheme or profit-sharing plan in the Company. In addition, there were no stock option or stock purchase plans as of December 31, 2015.

#### CORPORATE OFFICERS OR FUNCTIONS OF MEMBERS OF THE BOARD

##### DIRECTORS FROM CRÉDIT FONCIER, SINGLE SHAREHOLDER OF COMPAGNIE DE FINANCEMENT FONCIER

#### ■ Thierry DUFOUR, Chief Executive Officer

Date of birth: 07/23/1959

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

Thierry Dufour, graduate of ENSAE and holder of a master's degree in mathematics from Université Paris Dauphine, began his career at BNP as Head of corporate funding in the Finance Division. In 1985, he joined the Finance *Division* at the CDC first as Head of bond trading and then as Head of primary dealer activity, CDC's proprietary trading and special state accounts.

In 1991, he joined Crédit Foncier in the financial operations department of which he became the Director in 1996, the same year he joined the Executive Committee.

In 1999, he coordinated the privatisation of Crédit Foncier. Also in 1999, he participated in the modernisation of the legal framework for obligations foncières and created Compagnie de Financement Foncier, a subsidiary of Crédit Foncier, where he is current Chairman and CEO. He also lobbies on behalf of covered bonds for *various organisations*.

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Chief Executive Officer – Director
CRÉDIT FONCIER DE FRANCE – SA	Deputy Chief Executive Officer
BANCO PRIMUS – SA (PORTUGAL)	Chairman of the Board of Directors
FONCIER PROJECT SOLUTIONS (SAUDI ARABIA)	Director
VAUBAN MOBILISATION GARANTIES (VMG) – SACS	Permanent representative of Crédit Foncier, Member of the Supervisory Board
LOCINDUS – SA	Chairman of the Board of Directors

## ■ Sandrine GUÉRIN, Deputy Chief Executive Officer

Date of birth: 06/18/1959

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

Sandrine GUERIN, a graduate from University Paris VI, joined Crédit Foncier in January 2000. Between 2000 and 2010, she was Head of Financial Operations. From March 2010, she worked as Chief of Corporate and *Investment* Banking, Financial Operations and International Business at Crédit Foncier. Since October 2001, Sandrine GUERIN has been Deputy Chief Executive Officer of Compagnie de Financement Foncier.

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Deputy Chief Executive Officer, Director
CRÉDIT FONCIER DE FRANCE – SA	Chief Executive Officer in charge of the Financial Operations
SWISS PUBLIC FINANCE SOLUTIONS – SA (SWITZERLAND)	Director ( <i>until 12/14/2015</i> )
VMG – SACS	Chairman of the Management Board
FONCIER TITRISATION – SA	Chairman of the Board of Directors ( <i>since 06/30/2015</i> )

## ■ Bruno DELETRÉ, Chairman of the Board of Directors

Date of birth: 04/30/1961

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

Bruno DELETRÉ, alumnus of the École polytechnique and of the École nationale d'administration (ENA), started his career in French Inspectorated General of Finances (IGF) in 1987

After a stint at the Treasury Division and in the office of the Minister of Finance and the Economy, in 2001 he joined the Management Board of Dexia Crédit Local, taking over international, structured financing, accounting and management control.

He left the Dexia group in July 2008 to take on a mission of financial supervision assigned by Christine Lagarde. In June 2009, Bruno DELETRÉ became Chief Executive Officer of BPCE International et Outre-mer and a member of the BPCE's Executive Committee. He took up his duties at Crédit Foncier in July 2011.

Company	Position
CRÉDIT FONCIER DE FRANCE – SA	Chief Executive Officer
COMPAGNIE DE FINANCEMENT FONCIER – SA	Chairman of the Board of Directors, Chairman of the Appointments Committee
CRÉDIT FONCIER IMMOBILIER – SA	Chairman of the Board of Directors, Chairman of the Compensation and Nomination Committee
ENFI – SAS	Chairman
IT-CE – GIE	Permanent representative of Crédit Foncier, Member of the Supervisory Board
LA MONDIALE PARTENAIRE – SA	Permanent representative of Crédit Foncier, Director
SOCFIM – SACS	Chairman of the Supervisory Board
CRÉDIT LOGEMENT – SA	Permanent representative of Crédit Foncier, Director
FÉDÉRATION HYPOTHÉCAIRE EUROPÉENNE (BELGIUM)	Chairman
COVERED BOND MORTGAGE COUNCIL (BELGIUM)	Chairman

## ■ Crédit Foncier de France SA, Director

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

Company	Position
ARTHURIMMO.COM – SA	Director
BTP CAPITAL INVESTISSEMENT – SA	Director
CFCO – SAS	Chairman
CFG – COMPTOIR FINANCIER DE GARANTIE – SA	Director
COFIMAB – SAS	Chairman
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director, Chairman of the Audit Committee and Chairman of the Risks Committee
CRÉDIT FINANCIER LILLOIS – SA	Director
CRÉDIT LOGEMENT – SA	Director
ECOLOCALE – GIE	Director
ECUFONCIER – SCA	Managing partner, Sponsor
EUROPEAN DATAWAREHOUSE – Gmbh (Allemagne)	Member of the Supervisory Board
FONCIER FOREIGN 2008 – SAS	Chairman
FONCIER PARTICIPATIONS – SAS	Chairman
FONCIER TITRISATION – SA	Director
FONCIÈRE D'ÉVREUX – SAS	Chairman
IT-CE – GIE	Member of the Supervisory Board
GRAMAT-BALARD – SAS	Chairman
H&T CONSEIL – SA	Director
LA MONDIALE PARTENAIRE – SA	Director
LOCINDUS – SA	Director
SAF ENVIRONNEMENT – SA	Director
SCAFR – TERRES D'EUROPE – SACS	Member of the Supervisory Board
SELECTINVEST 1 – SACS	Member of the Supervisory Board
SEM YVELINES AMÉNAGEMENT – SEM	Director
SGFGAS – SA	Director
SIA HABITAT – SACS	Member of the Supervisory Board
SIPARI – SAS	Chairman
SOCFIM – SACS	Member of the Supervisory Board
SOFIPAR LOGEMENT – SNC	Managing Partner
SOFONEG – SNC	Managing Partner
VENDÔME INVESTISSEMENTS – SAS	Chairman
VMG – SACS	Member of the Supervisory Board

## ■ **Éric FILLIAT, Permanent representative of Crédit Foncier**

Date of birth: 06/15/1966

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

Éric FILLIAT, who holds a degree in accounting and finance of the École supérieure de commerce in Clermont-Ferrand, began his career at Mazars in 1992. In 1999, he joined the Caisse Nationale des Caisses d'Épargne, where he was Head of the Consolidation department of the Caisse d'Épargne group, then Deputy Director, before becoming Head of Regulation and Accounting of the group in November 2007. Between 2010 and 2012, he was Head of Accounting for Groupe BPCE. Since May 2012, Éric FILLIAT has been Chief of Financial Management, Finance Division at Crédit Foncier.

<b>Company</b>	<b>Position</b>
COMPAGNIE DE FINANCEMENT FONCIER – SA	Permanent representative of Crédit Foncier, Director, Chairman of the Audit Committee, Chairman of the Risks Committee
CRÉDIT FONCIER DE FRANCE – SA	Deputy Chief Executive Officer, Member of the General Management Committee, Member of the Executive Board
BANCO PRIMUS – SA (PORTUGAL)	Director, Member of the Audit Committee
BPCE ACHATS – GIE	Director
CRÉDIT FONCIER IMMOBILIER – SA	Director et Member of the Compensation and Nomination Committee
FONCIER PARTICIPATIONS – SAS	Permanent representative of Crédit Foncier, Chairman
FONCIER TITRISATION – SA	Permanent representative of Foncier Participations, Director
MFCG – SAS	Permanent representative of CFCE, Chairman
SOCFIM – SACS	Member of the Supervisory Board
VMG – SACS	Vice-Chairman of the Supervisory Board

## **DIRECTORS FROM BPCE, SINGLE SHAREHOLDER OF CRÉDIT FONCIER**

### **BPCE, Director**

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

<b>Company</b>	<b>Position</b>
ACTIF IMMO EXPLOITATION – SA	Director
ADONIS – SAS	Chairman
ALBIANT-IT – SA	Director
ALLIANCE ENTREPRENDRE – SA	Member of the Management Board
ALPHA DEMETER – SA	Director
AMATA	Chairman
ANDROMEDE – SAS	Chairman
ANUBIS – SNC	Manager
ASSOCIATION DES BANQUES POPULAIRES POUR LA CRÉATION D'ENTREPRISE	Director
ASSURANCE BP IARD – SA	Director
ATALANTE	Chairman
AXELTIS EX NGAMP – NATIXIS GLOBAL AM PARTICIPATIONS 4 – SA	Director
BANQUE DES ANTILLES FRANÇAISES BDAF – SA	Director
BANQUE PALATINE – SACS	Member of the Supervisory Board
BANQUE PRIVÉE 1818 – SA	Director
BANQUES POPULAIRES COVERED BONDS – SACS	Member of the Supervisory Board
BASAK 1 – SASU	Chairman
BASAK 2 – SASU	Chairman
BASAK 3 – SASU	Chairman

<b>Company</b>	<b>Position</b>
BASAK 4 – SASU	Chairman
BEHANZIN – SA	Chairman
BERRA 1 – SAS	Chairman
BERRA 2 – SAS	Chairman
BERRA 3 – SAS	Chairman
BERRA 4 – SAS	Chairman
BERRA 5 – SAS	Chairman
BP CREATION – FCP	Chairman
BPCE IARD – SACS	Member of the Supervisory Board
BPCE IMMOBILIERE EXPLOITATION – SACS	Chairman of the Supervisory Board
BPCE SERVICES – SA	Director
BPCE SFH – SA	Director
BPCE TRADE – SA	Director
CAPE 1158 GIE	Director
CAPE 1159 GIE	Director
CB INVESTISSEMENT – SA	Director
CE HOLDING PROMOTION – SA	Director
CE SYNDICATION RISQUE – SACS	Chairman of the Supervisory Board
CHIMERE – SAS	Chairman
CILOGER – SACS	Member of the Supervisory Board
CILOGER HABITAT – SACS	Member of the Supervisory Board
CILOGER HABITAT 3 – SACS	Member of the Supervisory Board
CIRRA – SA	Director
CLICK AND TRUST – SA	Director
COFACE – SA	Director
COFIMAGE 17 – SA	Director
COFIMAGE 18 – SA	Director
COFIMAGE 22 – SA	Director
COFIMAGE 23 – SA	Director
COFIMAGE 24 – SA	Director
COFIMAGE 25 – SA	Director
COFIMAGE 27 – SA	Director
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director
CORONIS	Chairman
CRÉDIT FONCIER DE FRANCE – SA	Director
CRÉDIT LOGEMENT – SA	Director
CREON	Chairman
CRH – CAISSE DE REFINANCEMENT DE L'HABITAT – SA	Director
DRENNEC – GIE	Director
DV HOLDING – SACS	Member of the Supervisory Board
ECOLOCALE – SA	Director
ECUFONCIER – SCA	Managing partner, Sponsor
ÉCUREUIL CRÉDIT – GIE	Director
ÉCUREUIL VIE DÉVELOPPEMENT – SA	Director
ELECTRE	Chairman
FAG – FRANCE ACTIVE GARANTIE – SA	Director

<b>Company</b>	<b>Position</b>
FLORE	Chairman
GCE COVERED BONDS – SA	Director
GCE MOBILIZ – SA	Director
GCE ODE 007 – SA	Director
GCE PARTICIPATIONS – SA	Chairman
HABITAT EN RÉGIONS SERVICES – SA	Director
INFORMATIQUE BANQUE POPULAIRE – SA	Director
INGEPAR – SA	Director
IPHIS	Chairman
IT-CE – SAS	Member of the Supervisory Board
IXION	Chairman
LAMIA	Chairman
LBPAM OBLI REVENUS SICAV – SA	Director
LE LIVRET BOURSE INVESTISSEMENT SICAV	Director
LE LIVRET PORTEFEUILLE SICAV	Director
LES ÉDITIONS DE L'ÉPARGNE – SA	Director
LINOS	Chairman
LOTUS 1 – SA	Chairman
MAISON FRANCE CONFORT (MFC) – SA	Director
MEDEE	Chairman
MENELIK – SAS	Chairman
MENES – SNC	Manager
MIHOS – SASU	Chairman
MUGE 2 – SA	Chairman
MUGE 3 – SA	Chairman
NATIXIS – SA	Director
NATIXIS ALTAIR IT SHARED SERVICES – SA	Director
NATIXIS ASSURANCES – SA	Director
NATIXIS CONSUMER FINANCE – SA	Director
NATIXIS EURO AGGRAGATE SICAV – SA	Director
NATIXIS FINANCEMENT – SA	Director
NATIXIS GLOBAL ASSET MANAGEMENT – SA	Director
NATIXIS IMPACT NORD SUD DÉVELOPPEMENT SICAV	Director
NATIXIS INTERÉPARGNE – SA	Director
NATIXIS LEASE – SA	Director
NATIXIS PAIEMENTS SOLUTION – SA	Director
NEFER – SASU	Chairman
NORSCUT	Director
NOTOS	Chairman
ORESTE	Chairman
ORION	Chairman
OTOS	Chairman
P.AV IMMOBILIER – SAS	Chairman
PALES – SAS	Chairman
PANDA 1 – SASU	Chairman
PANDA 10 – SASU	Chairman

<b>Company</b>	<b>Position</b>
PANDA 2 – SASU	Chairman
PANDA 3 – SASU	Chairman
PANDA 4 – SASU	Chairman
PANDA 5 – SASU	Chairman
PANDA 6 – SASU	Chairman
PANDA 7 – SASU	Chairman
PANDA 8 – SASU	Chairman
PANDA 9 – SASU	Chairman
PELIAS	Chairman
PERCY – SAS	Chairman
PERLE 1 – SA	Chairman
PERLE 2 – SA	Chairman
PERLE 3 – SA	Chairman
PERLE 4 – SA	Chairman
PETREL 1 – SNC	Manager
PETREL 2 – SNC	Manager
PRIAM	Chairman
RAMSES – SASU	Chairman
REMUS – SAS	Chairman
SALITIS – SASU	Chairman
SATIS – SASU	Chairman
SE MAP (EX M.A BANQUE) – SACS	Member of the Supervisory Board
SEA 1 GIE	Director
SEDAR – SAS	Chairman
SEPAMAIL.EU – SA	Director
SER2S	Membre du Conseil de supervision
SETH – SASU	Chairman
SGFGAS – SA	Director
SIAMON – SASU	Chairman
SIFA – SA	Director
SOCRAM BANQUE – SA	Director
STET – SACS	Member of the Supervisory Board
SURASSUR – SA	Director
T2S AFRICA – SA (Cameroon)	Director
T2S MED – SA (Tunisia)	Director
T2S OUTRE-MER – SAS	Director
T2S PACIFIQUE GIE	Director
TADORNE AVIATION GIE	Director
TAFARI – SAS	Chairman
TARAH RAJ	Chairman
TENES	Chairman
TREVIGNON GIE	Director
TURBO SA – SA	Director
VESTA	Chairman
VIGEO – SA	Director
VISA EUROPE LTD – PLC (United Kingdom)	Director

## ■ Olivier IRISSON, Permanent representative of BPCE

Date of birth: 10/05/1969

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

Olivier IRISSON, a graduate of University Paris Dauphine (with a specialisation in Finance and Finance control), holds a post-graduate degree in Strategy, Planning and Control and a PhD in Business Administration. He *began* his career at Cetelem (BNP Paribas group) in 1994 before joining PricewaterhouseCoopers (PwC) in 2000 as a manager in the Financial Risk Management Division.

Between 2002 and 2010, he worked at Société Générale as Head of Credit Risk Modelling, and Head of the Capital and Risk Measurement Systems Department, before being appointed Head of the Global Risk Analysis Department in 2009. In June 2010, he joined BPCE as Deputy Director of group Risk Management. Olivier IRISSON is Chief Finance Officer in the BPCE Finance Division. He is also a Member of the Executive Committee, which he joined on November 1, 2013.

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Permanent representative of BPCE, Director, Member of the Audit Committee, Member of the Risks Committee
BANQUES POPULAIRES COVERED BONDS	Director
BPCE SFH – SA	Chairman of the Board of Directors
GIE BPCE SERVICES FINANCIERS	Director
GCE COVERED BONDS	Director

## ■ Cédric MIGNON, Director

Date of birth: 05/01/1970

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

Cédric MIGNON, a graduate of the Institut technique de Banque and of the ESSEC Management Program and a holder of a post-graduate degree in Banking and Finance from University Paris Dauphine, began his career at Banque Populaire de Champagne in 1995.

Between 1999 and 2008, Cédric MIGNON held the positions of Head of the ALM Unit, Head of Finance Control and Management Systems, and Head of Strategy and Corporate Development Planning, a position that was extended in 2005 to include the Marketing Department, at the Caisse d'Épargne de Picardie. In 2008, he joined Caisse d'Épargne Rhône Alpes as Head of General and Institutional Affairs. In 2010, he joined BPCE's Commercial Banking and Institutional Division, holding the positions of Head of the Regional Development Bank and Head of Communication, Reputation and Sponsorship at Caisse d'Épargne.

Since May 2013, Cédric MIGNON has been Head of Development at Caisse d'Épargne and a Member of the BPCE *Executive Committee*.

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director
BANQUE PRIVÉE 1818 – SA	Director
CAISSE D'ÉPARGNE CAPITAL	Director
BPCE ASSURANCES	Permanent representative of BPCE, Director
NATIXIS CONSUMER FINANCE – SA	Director
NATIXIS FINANCEMENT – SA	Director
NATIXIS GLOBAL ASSET MANAGEMENT – SA	Permanent representative of BPCE, Director
NATIXIS LEASE – SA	Permanent representative of BPCE, Director
GIE BPCE TRADE	Permanent representative of BPCE, Director
GIE CE SYNDICATION RISQUE	Permanent representative of BPCE, Chairman of the Supervisory Board
GIE IT-CE	Permanent representative of BPCE, Member of the Supervisory Board
ALPHA DEMETER – SA	Permanent representative of BPCE, Director (until 05/15/2015)
ERILIA – SA	Permanent representative of SAS ERIXEL, Director Cat. 1
SAS ERIXEL	Chairman of the Board of Directors

HABITAT EN RÉGION	Permanent representative of BPCE, Director
HABITAT EN RÉGION SERVICES – SAS	Chairman of the Board of Directors
LOGIREM – SA	Member of the Supervisory Board, Permanent representative of “Habitat en région services”
SOCFIM – SACS	Member of the Supervisory Board
AXENTIA – SA	Permanent representative of BPCE, Director
SEVENTURE PARTNERS	Member of the Supervisory Board
SIA HABITAT	Permanent representative of “Habitat en région services”, Member of the Supervisory Board
SOFARI	Permanent representative of BPCE Director
ASSOCIATION CE EPARGNE	Director

## DIRECTORS FROM CAISSES D'EPARGNE

### ■ Christine FABRESSE, Director

Date of birth: 05/24/1964

*Caisse d'Epargne Languedoc Roussillon – 254, rue Michel Teule – BP 7 330 – 34184 Montpellier Cedex 4 – France*

A graduate of the École supérieure de commerce de Montpellier, Christine FABRESSE began her *carrer* in the sales structure of the Crédit Lyonnais Investment Bank before moving into human resources. She later held various positions at groupe Crédit Agricole.

She joined groupe Caisses d'Epargne in 2008 as Director sales initiatives and then Director of retail banking for the Caisses d'Epargne. Since 2009, she has been Head of retail banking for the Caisses d'Epargne. In April 2011, she was appointed Head of development for the Caisses d'Epargne within the Commercial Banking and Insurance business line of BPCE.

In May 2013, she was appointed Chairman of the Management Board of the Caisse d'Epargne *Languedoc Roussillon*.

Company	Position
CAISSE D'EPARGNE LANGUEDOC ROUSSILLON – SACS	Chairman of the Management Board
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director, Member of the Audit Committee, Member of the Risks Committee
CRÉDIT FONCIER DE FRANCE – SA	Director
FÉDÉRATION NATIONALE DES CAISSES D'EPARGNE – ASSOCIATION	Director
GIE IT-CE	Permanent representative of CEP Languedoc Roussillon, Member of the Supervisory Board
NEXITY – SA	Director ( <i>until 05/27/2015</i> )
GIE – BPCE-IT	Permanent representative of CEPLR, Director ( <i>since 07/17/2015</i> )
AIRDIE	Permanent representative of CEP LR, Director
ELLISPHERE – SA	Director ( <i>since 12/14/2015</i> )

## ■ Pascal CHABOT, Director

Date of birth: 05/27/1959

*Caisse d'Epargne Paris – 26-28, rue Neuve Tolbiac – 75633 Paris Cedex 13 – France*

Pascal CHABOT has a post-graduate degree in finance control Paris-Dauphine University. In 2005, he became a Member of the Management Board responsible for Specialised Markets at Caisse d'Epargne des Pays de la Loire before becoming a Member of the Management Board with responsibility for the regional development bank Division. In 2013, he *joined* Caisse d'Epargne Île-de-France as a Member of the Management Board responsible for the Regional Development Bank, Organisation and Information Systems at Caisse d'Epargne Île-de-France.

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director, Member of the risks Committee <i>(since 06/10/2015)</i>
SOCFIM – SACS	Permanent representative of CEIDF, Supervisory Board
CAISSE D'EPARGNE ÎLE-DE-FRANCE	Member of the Management Board
GIE CAISSE D'EPARGNE SYNDICATION RISQUES	Permanent representative of CEIDF, Member of the Supervisory Board
VALOPHIS SAREPA	Permanent representative of CEIDF, Member of the Supervisory Board <i>(until 11/26/2015)</i>
LOGIREP – SA HLM	Permanent representative of CEIDF, Member of the Supervisory Board
ALLIANCE ENTREPRENDRE – SAS	Permanent representative of CEIDF, Member of the Supervisory Board
REVITAL'EMPLOI – ASSOCIATION	Permanent representative of CEIDF, Member of the Supervisory Board
CE CAPITAL – SASU	Permanent representative of CEIDF, Member of the Supervisory Board
CE DEVELOPPEMENT	Member of the Supervisory Board
COMITE FEDERATION BANCAIRE FRANÇAISE ILE-DE-FRANCE – ASSOCIATION	Vice-Chairman <i>(since 10/06/2015)</i>
SCI DE LA FORET – SCI	Manager

## DIRECTORS FROM BANQUES POPULAIRES

### ■ Dominique GARNIER, Director

Date of birth: 06/20/1961

*Banque Populaire – 10, quai de Queyries – 33072 Bordeaux Cedex – France*

Upon leaving the ESSCA (Angers Management School), Dominique GARNIER joined Banque Populaire Anjou Vendée as loan writer. He held different management positions in quick succession within the Credit department of that same Banque Populaire before joining the General Inspectorate of the Chambre Syndicale des Banques Populaires (Banque Populaire bank's trade association). In 1994, he returned to his original bank in Angers, where he joined the Management Committee. While there, he served in turn as Head of Sales and Marketing for Corporates and Professional customers, Head of the Network, and Head of Development. From 2002 and 2007, he was the Deputy Chief Executive Officer in charge of Operations at Banque Populaire Atlantique. In 2008, he became Deputy Director for Strategy for *the* Banque Fédérale des Banques Populaires. He was named as Coordination Director of the commercial bank during the foundation of BPCE and joined Executive Committee.

In September 2010, he was named Chief Executive Officer of Banque Populaire du Sud-Ouest.

On November 8, 2011, he was appointed Chief Executive Officer of Banque Populaire Aquitaine Centre Atlantique following the merger by acquisition of Banque Populaire du Sud-Ouest by Banque Populaire Centre Atlantique.

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director, Member of the Audit Committee, Member of the risks Committee
BANQUE POPULAIRE AQUITAINE CENTRE ATLANTIQUE (BPACA) – SA	Chief Executive Officer
ASSOCIATION DES BP POUR LA CREATION D'ENTREPRISES	Permanent representative of BPACA, Director
BP DEVELOPPEMENT – SA	Permanent representative of Ouest Croissance SCR, Director (term as a Director in Ouest Croissance SCR expired on 03/17/2015)
GIE BPCE-IT	Représentant permanent de la BPACA, Director
CAISSE RÉGIONALE DE CRÉDIT MARITIME MUTUEL DU LITTORAL DU SUD-OUEST – SA	Legal Member (as Chief Executive Officer of BPACA)
CRÉDIT COMMERCIAL DU SUD OUEST – SA	Permanent representative of BPACA, Vice-Chairman (expired 03/11/2015 due to the fusion-absorption of CCSO by BPACA)
CRÉDIT FONCIER DE FRANCE – SA	Director, Member of the Audit Committee, Member of the Risks Committee
INFORMATIQUE BANQUE POPULAIRE – SA	Permanent representative of BPACA, Director
NATIXIS COFICINE – SA	Director
NATIXIS FACTOR – SA	Director
OUEST CROISSANCE GESTION – SA	Permanent representative of BPACA, Director
OUEST CROISSANCE SCR – SA	Permanent representative of BPACA, Chairman (until 03/17/2015), Director (since 03/17/2015)
SOCAMA SO – SCM	Permanent representative of BPACA, Director
SOCAMI CA – SCM	Permanent representative of BPACA, Director
SOCAMI SO – SCM	Permanent representative of BPACA, Director
IAE DE BORDEAUX (PÔLE DE RECHERCHE ET D'ENSEIGNEMENT SUPÉRIEUR)	Director

### ■ Francis DELACRE, Director

Date of birth: 03/19/1961

*Banque Populaire – 847, avenue de la République – 59700 Marcq-en-Barœul – France*

Francis DELACRE began his career at Caisse d'Épargne Rhône Alpes Lyon in 1982. Between 2005 and 2009, he was Head of Commercial Banking ALM at Caisse Nationale des Caisses d'Épargne and later Head of the Financial Coordination and Customer ALM Department Divisions at BPCE from 2009 to 2010. In 2010, Francis DELACRE joined Banque Populaire du Nord as Chief Finance Officer before becoming Chief Finance and Loan Officer since September 2013.

Company	Position
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director
BP DEVELOPPEMENT – SA	Director
GIE BPCE SERVICES FINANCIERS	Director
NATIXIS INSTITUTION JOUR	Director

## DIRECTOR FROM NATIXIS

### ■ Jean CHEVAL, Director

Date of birth: 10/06/1949

NATIXIS – 30, avenue Pierre Mendès France – 75013 Paris – France

Jean CHEVAL, a graduate from the École centrale de Paris, the University of California, Berkeley, University Paris VI in Statistics and Applied Mathematics and University Paris I in Economics, spent most of his career at Banque Indosuez, which became Crédit Agricole Indosuez, where he was, among other things, a Member of the Executive Committee with responsibility for complex asset financing, banking operations and the Middle East region before becoming a Member of the Management Board and Chief Executive Officer. Between 2002 and 2005, he managed Banque Audi in France and chaired it in Switzerland. Between 2005 and 2009 he was Chief Executive Officer of Bank of Scotland, *France*. He joined Natixis in June 2009 as head of DEFI, BFI Natixis and the EMEA platform, and a Member of the Executive Committee of Natixis.

Since October 2012, Jean CHEVAL has worked as Chief Finance and Risk Officer, and is a Member of the Executive Management Committee of Natixis.

Company	Position
COFACE – COMPAGNIE	Permanent representative of Natixis, Director
COMPAGNIE DE FINANCEMENT FONCIER – SA	Director, Member of the Appointments Committee
FONDATION D'ENTREPRISE POUR LA RECHERCHE QUANTITATIVE	Director ( <i>since 06/18/2015</i> )
CUBE INFRASTRUCTURE FUND (LUXEMBOURG)	Director ( <i>until 03/26/2015</i> )
NATIXIS	Executive director
NATIXIS PFANDBRIEFBANK – AG (ALLEMAGNE)	Member of the Supervisory Board
NATIXIS BANK ZAO	Member of the Supervisory Board
NATIXIS MOSCOU (RUSSIE)	Member of the Supervisory Board
NATIXIS ASSET MANAGEMENT – SA	Permanent representative of Natixis, Director
NATIXIS GLOBAL ASSET MANAGEMENT – SA	Permanent representative of Natixis, Director
NATIXIS IMMO DEVELOPPEMENT	Chairman of the Board ( <i>since 02/10/2015</i> )
HOLDING D'INFRASTRUCTURES DES MÉTIERS DE L'ENVIRONNEMENT	Member of the Supervisory Board, Member of the Appointments and Remunerations Committee
CHAMONIX PARTNERS CAPITAL MANAGEMENT LLC	Member of the Board of managers
VALLEE BLANCHE HOLDINGS LLC	Member of the Board of managers

## NOTES 2. TABLE OF DELEGATIONS

### ■ Delegation of authority

Date	Delegation	Nature, amount, duration	Meeting of the Board of Directors
Combined General Meeting of 05/28/2015	Delegation of authority to the Board of Directors	One or several share capital increases, whether immediate or deferred, in cash or by the incorporation of reserves or share premium, with retention of shareholders' preferential share subscription rights of up to €1,350,000,000 and for a period of 26 months.	The Board of Directors' meeting held on 08/25/2015 decided to use the delegation of authority granted by the General Meeting and to increase the share capital by 1,350,000,000 by the issuance of 84,375,000 new shares with a nominal value of 16 euros issued at par. The subscription deadline was set for the period from 08/28/2015 to 10/30/2015. On 09/15/2015, Crédit Foncier de France has fully subscribed the capital increase, in accordance with the autorisation granted by its Board of Directors dated 05/05/2015, thus incurring the anticipated closure of the subscription period. The capital increase was carried out on the date of the certificate issued by the custodian of the funds, on 09/15/2015.

## Report by one of the Statutory Auditors, appointed as independent third party, on the environmental, labour, and social information presented in the management report

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

For the year ended December 31, 2015

To the Shareholders,

In our capacity as Statutory Auditor of Compagnie de Financement Foncier appointed as independent third party and certified by COFRAC under number 3-1060 <sup>(1)</sup>, we hereby present to you our report on the environmental, labour, and social information (hereinafter the "CSR Information") for the year ended December 31, 2015, presented in the management report, in accordance with Article L. 225-102-1 of the French Commercial Code (*Code de Commerce*).

### RESPONSIBILITY OF THE COMPANY

The Board of Directors is responsible for preparing the company's management report including CSR Information in accordance with the provisions of Article R. 225-105-1 of the French Commercial Code and with the guidelines used by the company (hereinafter the "Guidelines").

### INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by regulatory texts, the French Code of ethics governing the audit profession and the provisions of Article L. 822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the Codes of ethics, professional auditing standards and applicable legal and regulatory texts.

### RESPONSIBILITY OF THE STATUTORY AUDITOR

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is, in all material respects, presented fairly in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

### STATEMENT OF COMPLETENESS OF CSR INFORMATION AND REASONED OPINION ON THE FAIRNESS OF THE CSR INFORMATION

As mentioned in the management report at the level of the introductory paragraphs of the part "10. Labour, social and environmental information", considering the specificities of the organization of the company Compagnie de Financement Foncier, this one is not capable of producing the CSR Information as required in the Article R. 225-105-1 of the French Commercial Code.

Accordingly:

- we verified that the explanations was present as request by the Article R. 225-105 of the French Commercial Code;
- we appreciated the relevance of the explanations relative to the total absence of the CSR Information.

### CONCLUSION

Based on our work, we don't have comments on the explanations concerning the absence of CSR Information.

Neuilly-sur-Seine, March 30, 2016

One of the Statutory Auditors

**PricewaterhouseCoopers Audit**

Anik Chaumartin  
Partner

Sylvain Lambert  
Partner from the Sustainable Business Services Department

(1) Available at [www.cofrac.fr](http://www.cofrac.fr)

# Financial statements

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

■ ASSETS	Notes	12/31/15	12/31/14	12/31/13
Cash and amounts due from central banks		5,360,083	1,200,069	7,399,719
Treasury bills and equivalent	3	3,606,541	3,175,674	3,468,599
Loans and receivables due from credit institutions	1	21,092,317	20,790,892	17,694,558
• Demand		478,256	346,995	410,223
• Term		20,614,061	20,443,897	17,284,335
Customers transactions	2	43,026,282	44,963,602	41,897,635
• Other facilities granted to customers		43,026,282	44,963,602	41,897,635
Bonds and other fixed-income securities	3	11,246,613	13,604,518	14,707,398
Equity interests and other long term investments *		4	0	0
Intangible assets and property, plant and equipment		0	0	0
Other assets	4	59,306	92,195	19,128
Accrual accounts	5	3,187,163	4,122,040	4,533,088
<b>TOTAL ASSETS</b>		<b>87,578,310</b>	<b>87,948,990</b>	<b>89,720,126</b>

\* Participation certificates within the "deposit guarantee system" 2015.

■ LIABILITIES	Notes	12/31/15	12/31/14	12/31/13
Central banks		0	0	0
Amounts due to credit institutions	6	9,852,497	5,034,721	3,139,452
• Demand		12,176	3,621	321
• Term		9,840,321	5,031,100	3,139,131
Amounts due to customers	7	408	19,967	14,755
• Demand		408	19,967	14,755
Debt securities	8	69,123,576	71,288,157	75,256,376
• Interbank market instruments and negotiable debt securities		151,326	152,882	152,836
• Bonds (obligations foncières)		68,972,251	71,135,275	75,103,541
Other liabilities	9	2,981,454	3,610,586	2,963,253
Accrual accounts	10	2,370,553	2,693,545	3,109,133
Provisions	11	16,129	26,334	15,328
Subordinated debt	12	0	3,450,258	3,450,305
Fund for general banking risks		20,000	20,000	20,000
Equity excluding fund for general banking risks	13	3,213,693	1,805,423	1,751,524
• Subscribed capital		2,537,460	1,187,460	1,187,460
• Additional paid-in capital		343,002	343,002	343,002
• Reserves		107,843	103,626	101,997
• Regulated provisions and investment subsidies		0	0	0
• Retained earnings		92,901	87,007	86,472
• Income to be allocated		0	0	0
• Net income for the period		132,486	84,328	32,593
<b>TOTAL LIABILITIES</b>		<b>87,578,310</b>	<b>87,948,990</b>	<b>89,720,126</b>

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

	Notes	12/31/15	12/31/14	12/31/13
<b>TOTAL COMMITMENTS GIVEN</b>				
Financing commitments		1,412,588	3,377,829	3,460,145
• Commitments given to credit institutions	14	0	0	0
• Commitments given to customers	14	855,965	1,704,582	1,791,991
• Other securities pledged as collateral	14	556,624	1,673,247	1,668,153
Guarantee commitments		0	0	0
• Commitments given to credit institutions	14	0	0	0
• Commitments given to customers	14	0	0	0
Commitments on securities		0	0	0
• Other commitments given	14	0	0	0
<b>TOTAL COMMITMENTS RECEIVED</b>				
Financing commitments		29,096,967	31,028,705	25,442,395
• Commitments received from credit institutions	15	3,489,828	4,468,030	4,464,512
• Other securities received as collateral from the Group	15	25,607,139	26,560,675	20,977,883
Guarantee commitments*		39,558,343	41,677,302	40,243,788
• Commitments received from credit institutions	15	5,865,858	5,482,474	5,044,145
• Commitments received from customers	15	33,692,484	36,194,828	35,199,643
Commitments on securities		0	0	0
<b>TOTAL RECIPROCAL COMMITMENTS</b>				
• Sale and purchase of foreign currencies	16	23,920,454	27,186,282	32,455,405
• Other financial instruments		60,765,652	59,637,169	58,721,884

\* Valeurs renseignées en 2013 à titre informatif, « pro forma » 2014.

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

	Notes	12/31/15	12/31/14	12/31/13
Interest and similar income	17	3,128,590	3,446,672	3,893,673
Interest and similar expenses	17	-2,872,698	-3,119,359	-3,591,466
<b>Net interest margin</b>		<b>255,891</b>	<b>327,313</b>	<b>302,207</b>
Fees and commissions income	18	109,711	45,555	60,447
Fees and commissions expenses	18	-2,195	-4,225	-4,043
Net gains or losses on trading books transactions	19	213	-10,341	-2,283
Other banking income	20	77	1,307	122
Other banking expenses	20	-51	-57	-137
<b>Net banking income</b>		<b>363,646</b>	<b>359,551</b>	<b>356,313</b>
Payroll costs	21	-217	-233	-187
Taxes	21	-19,194	-15,080	-15,824
External services and other expenses	21	-103,744	-90,052	-87,990
Amortisation		0	0	0
<b>Total operating expenses</b>		<b>-123,155</b>	<b>-105,366</b>	<b>-104,001</b>
<b>Gross operating income</b>		<b>240,491</b>	<b>254,185</b>	<b>252,313</b>
Cost of risk *	22	-14,753	-127,816	-15,153
<b>Operating income</b>		<b>225,738</b>	<b>126,369</b>	<b>237,160</b>
Gains or losses on long-term investments	23	-4,032	1,362	-135,366
<b>Income before tax</b>		<b>221,706</b>	<b>127,731</b>	<b>101,794</b>
Non-recurring income		0	0	0
Income tax	24	-89,220	-43,403	-69,200
<b>NET INCOME</b>		<b>132,486</b>	<b>84,328</b>	<b>32,593</b>
Earnings per share ** <i>(in euros)</i>		1.34	1.14	0.44
Diluted earnings per share <i>(in euros)</i>		1.34	1.14	0.44

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

-26,954

-23,816

0

\*\* Earnings per share are calculated by dividing net income by the average number of shares during the fiscal year.

The notes on the following pages are part of the individual financial statements.

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

### 1. GENERAL FRAMEWORK

Compagnie de Financement Foncier is approved to operate as a *société de crédit foncier* under the Act of 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 specialised 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 Groupe BPCE. As such, it is protected by the guarantee and liquidity facilities of Groupe BPCE. As an affiliate, Compagnie de Financement Foncier does not contribute to the guarantee mechanism of Groupe BPCE and will not be called upon to cover the default of a Banque Populaire or a Caisse d'Epargne.

### 2. SIGNIFICANT EVENTS OF 2015

#### 2.1. CURRENT ACTIVITY

During 2015, Compagnie de Financement Foncier acquired €6,774.7m in loans from Crédit Foncier including related receivables, plus €318.8m in unreleased loans recognised as "Financing commitments given".

Under Article L. 211-38 of the French Monetary and Financial Code, which allows an institution to grant a loan to another financial institution, the repayment of which is secured by a cover pool of receivables, Compagnie de Financement Foncier has arranged for a number of years several credit lines with its parent company, Crédit Foncier, amounting to €10,290.5m at December 31, 2015, and with certain Caisses d'Epargne or Banques Populaires banks, amounting to €220.9m. The same facility was also granted to BPCE SA, amounting to €8,920m at December 31, 2015 excluding related receivables. These loans were collateralised for €19,585m.

Outstanding mortgage notes acquired from Crédit Foncier amounted to €5,749m at December 31, 2015 (collateralised for €6,047m). This figure is down by €1,567m compared to December 31, 2014 due to the substitution of some of these securities via direct disposals.

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 €7,075m. In addition to working cash balances, replacement values essentially comprise loans granted under Article L. 211-38 of the French Monetary and Financial Code.

Regarding the funding activities, Compagnie de Financement Foncier issued €8,395m of *obligations foncières* in 2015, exchange value at the date of issuance, within the limit of the annual issuance programme. 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. OPERATIONS ON CAPITAL

At December 31, 2014, the line item "subordinated debts" totaled €3,450m, representing super-subordinated notes for a notional amount of €1,350m and redeemable subordinated notes for a notional amount of €2,100m. These two loans, fully subscribed by Crédit Foncier de France, were repaid at par on September 15, 2015.

On the same date, Compagnie de Financement Foncier carried out a capital increase in cash for an amount of €1,350m, fully subscribed by Crédit Foncier de France, its sole shareholder. The share capital was thus increased from €1,187,459,936 to €2,537,459,936.

A current account advance of €2,100m was also set up between the two companies following the repayment of the redeemable subordinated notes.

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

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

Following the debt moratorium on HETA's debt repayments announced on March 1, 2015, this exposure was provisioned for up to 40% of the nominal amount as of the accounting position on December 31, 2014, in accordance with the accounting rules applicable to post balance sheet events. The accrued interest and the negative impact of the value of hedging swaps were also provisioned, giving a total of -€115.1m, of which -€104m relates to the nominal amount recorded as cost of risk.

In the second quarter, in accordance with its risk management policy, Compagnie de Financement Foncier disposed of its entire exposure to HETA. The sale of securities fetched a higher price than the value used to calculate the provision at December 31, 2014; the impact of the disposal on 2015 was positive. The gain was recorded under cost of risk in the amount of +€12.2m.

At December 31, 2015, Compagnie de Financement Foncier no longer held any exposure to Austria.

#### 2.4. SECURITIES DISPOSALS ON MARKET

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

Disposals amounted to a total of €1.62bn (excluding HETA securities). These sales together with the cancellation of the associated hedging swaps generated net capital losses before tax of -€4m in 2015, *versus* a net gain of €1.36m in 2014, posted to the income statement under "Net gains/losses on fixed assets".

#### 2.5. BUYBACK OF OBLIGATIONS FONCIÈRES

During 2015, Compagnie de Financement Foncier repurchased a part of its own bonds issued on the market. The securities were bought back for a nominal amount of €624.5m, the exchange value on the repurchase date. All premiums or discounts arising from these bond buybacks were recognised directly in income as "Interest and similar income" or "Interest and similar expenses" in compliance with regulations. Gains or losses arising out of the cancellation of hedges associated with the cancelled issuances were directly booked to profit or loss under the same headings, "Interest and similar income" or "Interest and similar expenses".

The net impact, before taxes, arising out of these bond buybacks in 2015 was a gain of €1.5m.

#### 2.6. OFF-BALANCE SHEET OPTIMISATION OPERATIONS

In order to meet the twofold objective of reducing off-balance sheet commitments and of minimising the amount of capital allocated to derivatives, Compagnie de Financement Foncier performed two interest rate derivative optimisation transactions with its parent company.

Thus, several interest rate hedging swaps were cancelled in two phases, representing a total amount of €4.5bn and €21.9bn respectively. Compagnie de Financement Foncier paid a net termination balance of €46m for the first transaction and received €37m from the second transaction.

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

#### 2.7. ACQUISITION OF SOVEREIGN BONDS (FRENCH OAT AND ITALIAN BTP)

In September 2015, Compagnie de Financement Foncier acquired French and Italian sovereign bonds from Crédit Foncier for a total of €1bn. Considering the interest rates payable by these bonds, a high acquisition premium of €352m was paid to Crédit Foncier. Compagnie de Financement Foncier transferred these securities under repurchase agreements at the same time to Crédit Foncier. Accordingly, this transaction is cash neutral. The purpose of this acquisition was to consolidate the International public sector assets of the Groupe Crédit Foncier within the same structure.

#### 2.8. EARLY REPAYMENT

Given the context of low interest rates, the average rate of early repayment noted for loans to individuals is high: 14.8% of outstanding loans in 2015. The outflows of corresponding assets amounted to €4,723m.

This had several effects on net banking income:

- an accelerated amortisation of acquisition premiums/discounts, of which the impact is estimated at -€145m over the entire year;
- the collection of early repayment penalties for a gain of €103m; as a reminder, according to the agreement on services rendered by Crédit Foncier, one third of these penalties are transferred to the latter. This expense is recognized in operating expenses;
- the accelerated amortisation of previously deferred termination swap balances resulted in a gain of €9.7m.

#### 2.9. SALE OF ASSETS

Following its parent company policy aimed at the diversification of sources of funding, Compagnie de Financement Foncier once again transferred receivables to a securitisation fund during the second half of 2015. The securitisation transaction was originated by its parent company, Crédit Foncier. This transfer concerned outstanding loans to individuals amounting to €1,057m, excluding related receivables. The cancellation of associated hedging swaps as well as the acceleration of the amortisation of initial acquisition premiums and still due have been paid in full by Crédit Foncier for an amount of €146.7m. These transactions with no impact on net income are recorded as "Interest and similar expenses".

Within the same context, Compagnie de Financement Foncier also sold loans made to French Local Authorities of an outstanding amount of €40.5m, with a gain of €0.3m.

#### 2.10. COST OF RISK

The cost of risk, once adjusted for the positive impact of the disposal of the HETA securities (see 2.3), came to -€27m, which is higher than the level observed in previous years. This increase is mainly due to methodological changes in the calculation of individual provisions for doubtful loans and receivables affecting the fourth quarter. These changes, inherent in a migration of information systems, were to improve consistency with the methodologies of the Groupe BPCE.

#### 2.11. MIGRATION OF IT SYSTEM

On November 13, 2015, Crédit Foncier, service provider of Compagnie de Financement Foncier, changed its IT system. Accordingly, Compagnie de Financement Foncier is now integrated into the IT system of the Groupe BPCE. This large-scale migration, which concerned not only the Accounting department but also the entire infrastructure, took place under optimal conditions. It had no material impact on the progress and quality of the annual reports beyond the effect on the cost of risk noted in item 2.10.

### 3. POST BALANCE SHEET EVENTS

No subsequent event liable to have a significant impact on the financial statements at December 31, 2015 occurred between the reporting date and February 9, 2016, the date on which the Board of Directors approved the financial statements.

## 4. ACCOUNTING PRINCIPLES AND METHODS

### 4.1. ACCOUNTING AND VALUATION METHODS

The annual 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 accounting standards authority (*Autorité des Normes Comptables* – ANC).

### 4.2. CHANGES IN ACCOUNTING METHODS

No changes in accounting methods impacted the 2015 annual accounts.

The Company does not opt for early application of texts adopted by the ANC, where such application is optional, unless specifically mentioned. The Company also decided not to apply IFRIC 21 “Levies” in the individual accounts under French standards.

### 4.3. ACCOUNTING PRINCIPLES AND VALUATION METHODS

The financial statements for the financial year are presented in an identical format as that used for the previous financial 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 financial years;

and in compliance with the general rules for establishing and presenting annual financial statements.

The basic method used to value accounting entries is the historical cost method. All balance sheet items are presented net of amortisation, provisions and allowances.

The main methods used are the following:

#### 4.3.1. Foreign exchange transactions

Income and capital gains or losses on foreign exchange transactions are calculated in accordance with regulation No. 2014-07 of the French accounting standards authority (ANC).

Receivables, liabilities and off-balance-sheet commitments denominated in a foreign currency are valued at the exchange rate at the balance sheet date. Realised and unrealised exchange gains and losses are recognised in income. Income and expenses paid or perceived are recorded at the transaction date.

Unsettled spot foreign exchange transactions are valued at the exchange rate on the balance sheet date.

Premiums and discounts on foreign exchange forward and futures contracts used for hedging purposes are recognised in income on a prorata basis. Other foreign exchange contracts and forward financial instruments denominated in foreign currencies are marked to market. Outright foreign exchange forward contracts, and those hedged by forward instruments, are revalued over the remaining

term. Foreign exchange swaps are recognised as coupled buy/sell forward transactions. Currency swaps are subject to regulation No. 2014-07 of the French accounting standards authority (ANC).

#### 4.3.2. Transactions with credit institutions and customers

Loans to credit institutions comprise all loans and advances arising out of banking transactions, with the exception of debt securities. They include securities received under repurchase agreements, regardless of the type of underlying, and loans and advances relating to securities repurchase agreements. Loans and advances are broken down into the sub-categories “Demand loans and advances” and “Term loans and advances”. Loans to credit institutions are recorded in the balance sheet at their nominal value or acquisition cost and include accrued interest that is not yet due but is net of any impairment charges recognised for credit risk.

Amounts due from customers include loans to entities other than credit institutions, with the exception of debt securities issued by customers, assets purchased under resale agreements, and receivables corresponding to securities sold under repurchase agreements. They are broken down into business loans, current accounts with overdrafts and other facilities granted to customers.

Customer loans are recorded as an asset on the balance sheet in proportion to the amount released, including accrued interest and net of any impairment charges recognised for credit risk. Amounts not yet released are recognised as off-balance sheet items under “Financing commitments given”.

Compagnie de Financement Foncier acquires loans and other receivables at market value. The difference between the market value and the net book value of the loans, known as a premium or discount depending on whether it is positive or negative, is recorded in a sub-account of the customer loans account.

Premiums and discounts on receivables acquired are then taken to the year’s income on an actuarial basis over the remaining term of the receivables.

Past due payments are recorded as assets in each receivables category, unless they are considered as doubtful. In this case, they are included in the doubtful loans’ category.

The commissions and marginal transaction costs that are amortised are integrated into the outstanding loan in question.

Early repayment penalties are fully recognised in the annual income when the operation takes place. The renegotiation fees are recognised over the residual loan maturity.

In compliance with BPCE standards, Compagnie de Financement Foncier has recognised guarantees that are explicitly or implicitly attached to certain types of customer loans recorded on the balance sheet and which are of a sufficiently material nature, such as the value of mortgages or counter-guarantees received from SGFGAS and assumed by the French government (see note 15 on Commitments received). They are revalued on a regular basis. The total carrying amount of all guarantees received for a single loan is limited to the outstanding amount of this loan.

Amounts due to credit institutions are recorded on the basis of their initial duration (demand or term), while amounts due to customers are classified by type. Depending on the counterparty involved, these items may include repurchase agreements involving securities and other assets. Accrued interest is recorded on related debts.

**RESTRUCTURED LOANS**

Within the meaning of the ANC Regulation No. 2014-07, restructured loans are doubtful loans whose initial contractual characteristics (term and interest rate) have been modified to ensure repayment by the counterparty.

A discount is taken on restructured loans to reflect the difference between the present value of the contractual cash flows at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used for fixed-rate loans is the initial effective interest rate and the discount rate used for floating-rate loans is the most recent effective interest rate prior to the restructuring date. The effective rate is the contractual rate. This discount is expensed to "Cost of risk" in the income statement and offset against the corresponding outstanding in the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method.

A restructured loan may be reclassified as performing when the new payment due dates are respected. When a loan that has been reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

**DOUBTFUL LOANS AND RECEIVABLES**

Doubtful loans and receivables consist of all outstanding amounts, whether or not due and guaranteed or otherwise, where at least one commitment made by the debtor has involved a known credit risk, classified as such on an individual basis. A risk is considered to be "known" when it is probable that the Group will not collect all or part of amounts owed under the terms of the commitments made by the counterparty, notwithstanding any guarantee or surety provided.

Doubtful loans are identified in compliance with regulation No. 2014-07 of the French accounting standards authority (ANC) especially in cases of loans past due for over three months and over six months for real estate loans.

Loans to local authorities are classified as doubtful loans when past due over three months.

Doubtful loans are considered to be irrecoverable when full or partial collection is deemed to be highly unlikely and a write-off is considered. Loans and receivables for which payments have ceased beyond the specified time are assumed to be recorded as irrecoverable. The decision to reclassify a doubtful loan as irrecoverable and the amount of impairment determined must take into account the guarantees provided and the recent loan repayment history. A debt that has been classified as doubtful for more than one year is assumed to be irrecoverable, unless a write-off is not foreseen. Reclassification of a debt from doubtful to irrecoverable does not automatically entail the reclassification of the counterparty's other doubtful loans and commitments to irrecoverable.

For doubtful loans and receivables, accrued interest or interest due but not received is recognised under income from banking operations and impaired accordingly. When the loan or receivable is classified as irrecoverable, accrued interest due but not received is no longer recognised.

More generally, doubtful loans and receivables are reclassified as performing once the debtor restarts regular payments in

accordance with the original repayment schedule, provided that the counterparty is no longer considered to be at risk of default.

**IMPAIRMENT**

When the collection of loans or other receivables is considered to be uncertain, an impairment loss is recognised on the asset to cover the risk of loss. Impairment losses are calculated on a case-by-case basis, taking into account the present value of the guarantees received. They are determined on at least a quarterly basis, on the basis of the estimated credit risk and the guarantees provided. Impairment losses cover at a minimum the interest not received on doubtful loans.

Impairment for probable losses includes all impairment charges, calculated as the difference between the principal outstanding and the projected cash-flows discounted at the initial effective interest rate. Projected cash-flows are determined based on the type of receivables on the basis of historical losses and/or expert appraisals and are positioned over time using debt schedules based on historic recovery records.

For loans to the subsidised sector and those guaranteed by SGFGAS, on behalf of the French Government, the share of the risk assumed by the latter is also taken into account.

Since loans transferred or sold to Compagnie de Financement Foncier are recorded on the balance sheet at their acquisition value, it is with respect to this initial cost that impairment is calculated.

Pursuant to the asset transfer agreement between Crédit Foncier and Compagnie de Financement Foncier, there is a mechanism that when only a portion of a loan is acquired, Compagnie de Financement Foncier may claim a right of priority over the full amount of the guarantee. Accordingly, as long as the collateral value covers Compagnie de Financement Foncier's portion of the doubtful loan, no impairment is recognised in the latter's financial statements. This impairment is recognised in the financial statements of Crédit Foncier.

When Compagnie de Financement Foncier has acquired the whole loan, any provision for impairment is wholly recognised in its financial statements.

A statistical estimate is used for small-sized unit receivables, with similar characteristics. Upon entry into litigation, a discount on the value of the guarantee is applied.

Credit risk on financing commitments and guarantees off the balance sheet is recorded as a provision for contingencies and charges.

Loan impairment provisions and reversals as well as the corresponding impairment charges are taken to income under "Cost of risk" for the principal portion of the loans, while the interest component is recorded as "Interest and similar income".

Non-recoverable receivables are recorded as losses and the corresponding impairment is reversed.

When credit risk is identified, not on an individual basis but on the basis of a loan portfolio with similar risk characteristics, the loans are placed in homogeneous risk portfolios that are collectively tested for impairment.

The loans are placed into homogenous groups in terms of sensitivity to changes in the risk on the basis of the Group's internal

rating-base system. The portfolios that are tested for impairment are those involving counterparties that have been significantly downgraded since origination and that are accordingly deemed to be at risk. These loans are impaired, even though the credit risk cannot be individually allocated to the various counterparties within these portfolios and to the extent that the loans in question collectively show indication of impairment.

The amount of impairment is determined on the basis of historical data on probability of default at maturity and expected losses, adjusted where necessary to reflect the circumstances prevailing at the balance sheet date.

This approach may be supplemented by a segmental analysis, based in general on expert assessment having regard to a range of economic factors intrinsic to the assets reviewed. Impairment on a portfolio basis is determined having regard to the expected losses at maturity on the base determined in this way.

This counterparty risk on performing loans is recognised as a provision in the liabilities section.

#### 4.3.3. Securities

The term “securities” includes interbank market securities, treasury bills, other negotiable debt securities, bonds and other fixed-income instruments, equities and other variable-income instruments.

Securities transactions are subject to the accounting regulation No. 2014-07 of the French accounting standards authority defining general rules governing the accounting and valuation of securities and the rules concerning certain specific transactions such as repurchase agreements.

Securities are classified into the following categories: investments in associates and affiliates, other long-term investments, debt securities held to maturity, equity securities available for sale in the medium term, securities available for sale, and trading securities.

With respect to trading securities, securities available for sale, debt securities held to maturity and equity securities available for sale in the medium term, any known counterparty default risk whose impact can be separately identified is recognised in the form of impairment loss. Changes in impairment are recorded under cost of risk.

Compagnie de Financement Foncier does not hold trading securities or equity securities available for sale in the medium term.

Moreover, as a *société de crédit foncier*, Compagnie de Financement Foncier cannot hold equity investments, even as a minority interest. It only holds one share in SGFGAS, which enables it to acquire loans secured by the French Government, on behalf of SGFGAS. This investment was approved by the regulatory authority.

Finally, disposals of securities are recognised in the financial statements of Compagnie de Financement Foncier on the “settlement-delivery” date and not on the transaction date.

#### SECURITIES AVAILABLE FOR SALE

Securities available for sale are all securities that do not qualify for recognition in any other category.

They are recorded at their acquisition price, excluding transaction costs.

Where applicable, accrued interest on fixed-income securities is recognised in income under “Interest and similar income”.

Any difference between the acquisition price and the redemption value (premium or discount) of fixed-income securities is recorded in the income statement over the remaining term of the relevant securities using the actuarial method.

Securities available for sale are valued at the lower of acquisition cost or market price. An impairment provision is recognised for any unrealised capital losses, which may be measured on the basis of portfolios of similar securities, without offsetting against capital gains recognised for the other categories of securities.

In accordance with Article 2514-1 of the regulation No. 2014-07 of the French accounting standards authority (ANC), gains and losses from hedging instruments are taken into account when calculating impairment. Provisions are made to cover unrealised losses. Unrealised gains are not recognised.

Gains and losses on disposals of available for sale securities, impairment charges and reversals are recorded under “Gains or losses on available for sale portfolio transactions and similar instruments”.

#### SECURITIES HELD TO MATURITY

Securities held to maturity are fixed-income securities with fixed maturity, acquired or reclassified from the category “Trading securities” or “Available for sale securities”, with the clear intention and ability of holding them until maturity. These securities must not be subject to any existing restrictions, legal or other constraints that could compromise the capacity to hold them until maturity. The classification to securities held to maturity does not prevent them from being considered as items hedged against interest rate risk.

Debt securities held to maturity are recorded at cost excluding transaction costs, on their acquisition date. When previously classified as available for sale, they are recorded at cost and the previously recognised impairments are reversed over the residual life of the relevant securities.

The difference between the acquisition cost and the redemption value of these securities, and the corresponding interest, are subject to the same rules that apply to fixed income securities available for sale.

An impairment loss may be recognised against these securities if there is a strong probability that the bank will not hold them until maturity due to new developments or if there is a risk that the issuer of the securities will default. Unrealised gains are not recognised.

Debt securities held to maturity cannot be sold or transferred into another category of securities, except for certain cases.

Trading securities or available for sale fixed-income securities, reclassified in the debt securities held to maturity category, in the context of market illiquidity, per CRC regulation No. 2014-07 of the French accounting standards authority, may still be disposed of when the market on which they are traded becomes active again.

#### RECLASSIFICATION OF FINANCIAL ASSETS

In order to harmonise accounting practices and ensure compliance with IFRS, the regulation No. 2014-07 of the French accounting standards authority incorporates the provisions of notice No. 2008-19 of December 8, 2008 governing the reclassification of securities out of the “Trading securities” and the “Available for sale securities” categories.

The reclassification out of the “Trading securities” category to the “Available for sale securities” and “Debt securities held to maturity” is now allowed under either of the following conditions:

- under exceptional market circumstances that require a change of strategy;
- when fixed-income securities are no longer, after their acquisition, tradable on active markets, and provided that the Company has the intention and the capacity to hold them in the foreseeable future or until they reach maturity.

Reclassifications from the “Available for sale securities” category to the “Debt securities held to maturity” are effective as from the reclassification date under either of the following conditions:

- under exceptional market circumstances that require a change of strategy;
- when fixed-income securities are no longer tradable on an active market.

Compagnie de Financement Foncier did not reclassify any “Available for sale securities” as “Debt securities held to maturity” in 2015, or in previous financial years.

#### REPURCHASE AGREEMENTS

Collateralised repurchase agreements are recorded pursuant to regulation No. 2014-07 of the French accounting standards authority (ANC), supplemented by French Banking Commission instruction No. 94-06.

The collateralised assets under repurchase agreements remain on the transferor’s balance sheet. The transferor records the amount received under liabilities, representing its debt *vis-à-vis* the purchaser. The purchaser records the amount paid, representing its claim against the transferor, as an asset. At the balance sheet date, the collateralised assets, as well as the debt *vis-à-vis* the purchaser and the claim against the transferor are valued according to the rules that apply to each.

#### 4.3.4. Debt securities

Debt securities are reported depending on the nature of the product: retail certificates of deposit, interbank market securities and negotiable debt securities, bonds and similar, with the exception of subordinated notes, which are recorded in a separate line under liabilities.

Accrued interests relating to these securities are recorded in a related liabilities account through profit or loss.

Issuance fees are spread over the life of the corresponding loans. Bond issuance or redemption premiums are spread over the life of the loan via a deferred expenses account.

#### 4.3.5. Provisions

This item covers provisions for contingencies and losses that are not directly related to banking transactions as defined under Article L. 311-1 of the French Monetary and Financial Code or to related transactions as defined under Article L. 311-2 of this same Code, and which are clearly identifiable but of uncertain timing or amount. Unless covered by a specific text, such provisions may only be recognised if an obligation towards a third party exists at the end of the accounting period and is not offset by a receivable from this third party, in accordance with CRC regulation No. 2000-06.

In particular, this item includes a provision for counterparty risk on performing loans detailed in section 4.3.2.

#### 4.3.6. Reserve for general banking risks

This fund is intended to cover risks inherent to the entity’s business activities, pursuant to the requirements of Article 3 of CRBF Regulation No. 90-02.

#### 4.3.7. Futures contracts

Trading and hedging transactions in interest rate, foreign exchange or equity futures are recognised in accordance with the provisions of regulations No. 2014-07 of the French accounting standards authority (ANC).

Commitments on these instruments are recorded as off-balance-sheet items at the notional value of the contracts. At the balance sheet date, the amount recognised for these commitments represented the volume of the open transactions at the balance sheet date.

The accounting policies applied vary depending on the type of instrument and the original purpose of the transaction.

#### FORWARD TRANSACTIONS

Interest rate swaps and similar contracts (forward rate agreements, caps and floors) are classified according to their initial purpose, in the following categories:

- micro-hedging (specific transactions);
- macro-hedging (overall asset and liability management);
- speculative positions/isolated open positions;
- specialised management of a trading book.

Income and expenses on the first two categories are recognised in the income statement on a prorata basis.

Income and expenses on instruments used to hedge an item or a group of similar assets are recorded as profit or loss, symmetrically with the recognition of income and expenses on hedged items. Comprehensive income items of the hedging instrument are recognised in the same line item as income and expenses for hedged items, under “Interest and similar income” and “Interest and similar expenses”. The “gains/losses on trading book transactions” line item is used when the hedged items are included in the trading book.

Income and expenses on forward financial instruments used to hedge and manage the Company’s overall interest rate exposure are recognised in the income statement on a prorata basis as “Interest and similar income” and “Interest and similar expenses”. Unrealised gains and losses are not recognised.

Gain and losses on certain contracts qualified as isolated open positions are recorded in the income statement when the contracts are unwound or on a prorata basis depending on the nature of the instrument. Recognition of unrealised capital gains or losses is determined based on the type of market involved (organised, other markets considered as organised, or over the counter):

- for over-the-counter options, unrealised mark-to-market losses are provided for at year-end. Unrealised capital gains are not recognised;

- instruments traded on organised markets or other markets considered as organised are continuously quoted and liquid enough to justify being marked to market. Unrealised capital gains are not recognised.

Compagnie de Financement Foncier does not have any trading book or isolated open position management contracts.

Termination balances or transfers are recognised as follows:

- transactions classified under specialised asset management or isolated open positions are recognised immediately in income;
- for micro-hedging and macro-hedging transactions, balances are amortised over the remaining term of the initially hedged item or reported immediately in the income statement.

#### OPTIONS

The notional amount of the underlying asset on which the option or forward contract is based is recorded by distinguishing between hedging contracts and contracts traded on the markets.

For transactions involving interest rate, foreign exchange, or equity options, the premiums paid or received are recognised in a temporary account. At the balance sheet date, these options are valued through profit or loss in the case of products quoted on organised markets or other markets considered as organised. For over-the-counter (OTC) options, provisions are recognised for capital losses but unrealised capital gains are not recognised. When an option is sold, repurchased, or exercised, or when an option expires, the corresponding premium is recognised immediately in income.

Income and expenses for hedging instruments are recognised symmetrically with those from the hedged item. Seller options are not eligible for classification as macro-hedging instruments.

Over-the-counter markets may be treated as organised markets when market makers ensure continuous quotations with spreads that reflect market practice or when the underlying financial instrument is itself quoted on an organised market.

At December 31, 2015, Compagnie de Financement Foncier recognised no forward rate agreements on an isolated open position.

#### 4.3.8. Interest and similar income – Commissions

Interest and similar fee and commission income is recognised in the income statement on a prorata basis.

Commissions and fees for granting or acquiring a loan are treated as additional interest and spread over the effective life of the loan, on a prorata basis according to the outstanding principal amount.

Other commission income is recognised according to the type of service provided as follows:

- fees and commissions received for an *ad hoc* service: recognised upon completion of the service;
- fees and commissions received for an on-going or discontinued service paid for in instalments: recognised over the period when the service is provided.

#### 4.3.9. Income tax

Compagnie de Financement Foncier has opted for accounting of deferred taxes on an unconsolidated basis. According to the principle of universality, this option applies to all temporary differences recognised in assets and liabilities.

The tax charge recorded in the income statement corresponds to corporate tax charges, deferred tax expenses liabilities and changes in tax reserves.

Compagnie de Financement Foncier is included in BPCE's tax consolidation group, in Crédit Foncier subgroup. Pursuant to the tax consolidation agreement signed on November 18, 2014, the tax charge payable is calculated and recognised as if there were no tax consolidation. In case of fiscal deficit, Compagnie de Financement Foncier will receive from Crédit Foncier a tax revenue equalling the income tax saving given to Crédit Foncier through the use of its fiscal deficit and will be deprived of the deferred losses for the determination of its future corporate tax expense.

As of December 31, 2015, Compagnie de Financement Foncier has recognised an income tax deferred revenue of €48.6m.

## 5. OTHER DISCLOSURES

### 5.1. CONSOLIDATION

According to Article 4111-1 of regulation No. 2014-07 of the French accounting standards authority (ANC), pursuant to § 1000 in fine of the regulation No. 99-07 of the Regulatory accounting committee, Compagnie de Financement Foncier does not provide consolidated financial statements.

Compagnie de Financement Foncier's individual financial statements are integrated into Groupe Crédit Foncier and Groupe BPCE's consolidated financial statements.

### 5.2. REMUNERATIONS AND ADVANCES

Remuneration paid in 2015 to management bodies amounted to €120K excluding social security charges.

### 5.3. IMPLEMENTATION IN NON-COOPERATIVE COUNTRIES

Article L. 511-45 of the French Monetary and Financial Code and the French Minister for the Economy's Decree of October 6, 2009 require credit institutions to include an appendix to their annual financial statements with the information on their offices and activities in States and territories that have not signed an agreement with France containing a mutual assistance clause to fight against tax evasion and fraud, allowing access to banking information.

These requirements are part of global endeavours arising from OECD work and summits to combat non-cooperative jurisdictions as well as forming part of the fight against money laundering and terrorist financing.

At December 31, 2015, Compagnie de Financement Foncier had no activities or offices in non-cooperative countries.

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

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>Demand loans to credit institutions</b>	<b>478,256</b>	<b>346,995</b>	<b>410,223</b>
Current accounts with overdrafts	106,284	240,691	239,527
Overnight loans			
Unallocated items	371,972	106,304	170,697
Related receivables			
<b>Term loans to credit institutions</b>	<b>20,614,061</b>	<b>20,443,897</b>	<b>17,284,335</b>
Term accounts and loans	1,145,553	1,186,995	5,198,396
Loans guaranteed under L. 211-38 *	19,431,385	19,210,340	12,050,740
Securities bought under repurchase agreements			
Subordinated loans and participating loans			
Related receivables	37,123	46,563	35,199
<b>Doubtful loans and receivables</b>			
<b>GROSS AMOUNT OF LOANS AND RECEIVABLES</b>	<b>21,092,317</b>	<b>20,790,892</b>	<b>17,694,558</b>
Impairment of doubtful loans			
<b>Impairment of doubtful loans</b>			
<b>NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>21,092,317</b>	<b>20,790,892</b>	<b>17,694,558</b>
<b>BREAKDOWN OF TERM ACCOUNTS (GROUP /NON-GROUP)</b>			
Term accounts and loans			
• of which Group transactions		460	377
• of which non-Group transactions	1,145,553	1,186,535	5,198,018
Loans guaranteed by securities received under repurchase agreements			
• of which Group transactions	19,431,385	19,210,340	12,050,740
• of which non-Group transactions			
Related receivables			
• of which Group transactions	14,401	21,213	9,270
• of which non-Group transactions	22,722	25,349	25,929
<b>Group loans</b>	<b>19,445,786</b>	<b>19,232,013</b>	<b>12,060,387</b>
<b>Non-Group loans</b>	<b>1,168,275</b>	<b>1,211,884</b>	<b>5,223,947</b>
<b>TOTAL</b>	<b>20,614,061</b>	<b>20,443,897</b>	<b>17,284,335</b>
<b>BREAKDOWN OF DEMAND ACCOUNTS (GROUP/NON-GROUP)</b>			
Demand accounts and loans			
• of which Group transactions	91,006	236,626	238,113
• of which non-Group transactions	15,278	4,065	1,414
Related receivables			
• of which Group transactions			
• of which non-Group transactions			
Unallocated items			
• of which Group transactions (at Crédit Foncier's scope)	369,019	106,292	170,697
• of which non-Group transactions	2,953	12	
<b>Group loans</b>	<b>460,025</b>	<b>342,918</b>	<b>408,810</b>
<b>Non-Group loans</b>	<b>18,230</b>	<b>4,077</b>	<b>1,414</b>
<b>TOTAL</b>	<b>478,256</b>	<b>346,995</b>	<b>410,223</b>

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

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

	12/31/15			12/31/14	12/31/13
	Gross amount	Write-downs	Net amount	Net amount	Net amount
<i>(in thousands of euros)</i>					
<b>TERM LOANS</b>					
Refinancing of subsidised residential property				40	154
Refinancing of unsubsidised residential property				272	480
Public entities	1,168,275		1,168,275	1,211,572	5,223,313
Other loans to credit institutions <sup>(1)</sup>	19,445,786		19,445,786	19,232,013	12,060,387
Doubtful term loans					
<b>NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>20,614,061</b>		<b>20,614,061</b>	<b>20,443,897</b>	<b>17,284,335</b>
(1) Of which:					
Replacement values pursuant to L. 211-38, part of replacement values, with BPCE	6,600,000		6,600,000	6,600,000	6,600,000
Loans guaranteed by local authority receivables pursuant to L. 211-38, with Crédit Foncier	10,290,500		10,290,500	10,052,840	5,290,000
Loans guaranteed by local authority receivables pursuant to L. 211-38, with BPCE, Caisses d'Epargne and Banques Populaires	2,540,885		2,540,885	2,557,500	160,740
Related and other receivables	14,401		14,401	21,673	9,647
<b>TOTAL</b>	<b>19,445,786</b>		<b>19,445,786</b>	<b>19,232,013</b>	<b>12,060,387</b>

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

(in thousands of euros)	Performing loans			Doubtful loans			Write-downs			Net amounts		
	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13	12/31/15	12/31/14	12/31/13
<b>Current accounts with overdrafts</b>												
<b>Facilities granted to customers</b>	<b>41,796,656</b>	<b>43,831,883</b>	<b>40,911,894</b>	<b>1,318,127</b>	<b>1,191,009</b>	<b>1,024,279</b>	<b>88,502</b>	<b>59,291</b>	<b>38,538</b>	<b>43,026,282</b>	<b>44,963,602</b>	<b>41,897,635</b>
Loans to financial customers												
Export credits												
Short-term credit facilities <sup>(1)</sup>	1,381,042	1,774,422	1,871,546							1,381,042	1,774,422	1,871,546
Equipment loans <sup>(2)</sup>	7,624,600	8,258,705	7,595,597	41	13,924	12,045	534	241	393	7,624,107	8,272,388	7,607,249
Home loans	32,646,649	33,618,998	31,273,163	1,314,744	1,173,446	1,009,208	87,939	58,989	38,099	33,873,455	34,733,455	32,244,272
Other customer loans	4,586	18,008	5,771	39	226	226	28	62	46	4,598	18,172	5,950
Unallocated items	951	14								951	14	
Related receivables	138,827	161,737	165,816	3,302	3,413	2,800				142,130	165,150	168,617
<b>TOTAL<sup>(3)</sup></b>	<b>41,796,656</b>	<b>43,831,883</b>	<b>40,911,894</b>	<b>1,318,127</b>	<b>1,191,009</b>	<b>1,024,279</b>	<b>88,502</b>	<b>59,291</b>	<b>38,538</b>	<b>43,026,282</b>	<b>44,963,602</b>	<b>41,897,635</b>

Restructured loans amounted to €474.1m at December 31, 2015, of which €141.8m 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 €1,305m at December 31, 2015, versus €1,724m at December 31, 2014 and €1,708m at December 31, 2013.

(2) Equipment loans are loans to local authorities.

(3) Customer loans eligible for refinancing with the Central Bank amounted to €6,3bn at December 31, 2015 in outstanding capital. This amount represents €4,2bn after haircut and overcollateralisation constraints.

## NOTE 2 A 1. IMPAIRMENT AND PROVISIONS FOR CREDIT RISKS

<i>(in thousands of euros)</i>	12/31/13	Increases	Reversals	12/31/14	Increases	Reversals	12/31/15
<b>IMPAIRMENT OF ASSETS</b>							
Customer loans and due from credit institutions *	38,538	36,267	-15,514	59,291	52,740	-23,529	88,501
<b>PROVISIONS RECOGNISED AS LIABILITIES</b>							
Customer loans and due from credit institutions and provisions on securities	14,125	1,873	-324	15,674	1,026	-571	16,129
<b>TOTAL</b>	<b>52,663</b>	<b>38,140</b>	<b>-15,838</b>	<b>74,965</b>	<b>53,766</b>	<b>-24,100</b>	<b>104,630</b>

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

## NOTE 2 A 2. PREMIUMS/DISCOUNTS ON ACQUIRED RECEIVABLES

<i>(in thousands of euros)</i>	12/31/13	Reclas- sification	Additions	Amorti- sation	12/31/14	Reclas- sification	Additions	Amorti- sation*	12/31/15
<b>DUE FROM CREDIT INSTITUTIONS</b>									
Premiums	68,653			-10,572	58,081			-10,492	47,589
Discounts									
<b>Net</b>	<b>68,653</b>			<b>-10,572</b>	<b>58,081</b>			<b>-10,492</b>	<b>47,589</b>
<b>CUSTOMER LOANS</b>									
<b>Performing loans and receivables</b>									
Premiums	714,275	-8,300	630,268	-142,620	1,193,623	-11,805	647,678	-389,895	1,439,601
Discounts	-1,077,531	8,366	-85,993	91,649	-1,063,509	8,690	-109,627	144,599	-1,019,847
<b>Doubtful loans and receivables</b>									
Premiums	17,457	8,300		-3,663	22,094	11,758		-4,760	29,092
Discounts	-21,240	-8,366		3,974	-25,632	-8,643		4,481	-29,794
<b>Net</b>	<b>-367,039</b>		<b>544,275</b>	<b>-50,660</b>	<b>126,576</b>		<b>538,051</b>	<b>-245,575</b>	<b>419,052</b>
<b>TOTAL</b>	<b>-298,386</b>		<b>544,275</b>	<b>-61,232</b>	<b>184,657</b>		<b>538,051</b>	<b>-256,067</b>	<b>466,641</b>

\* See section Notes to the parent company financial statements, § 2.8: "Significant events of 2015".

**NOTE 2 B. BREAKDOWN OF OUTSTANDING CUSTOMER LOANS**

(in thousands of euros)	12/31/15			12/31/14	12/31/13
	Gross	Impairment	Net	Net	Net
<b>French mortgages</b>	<b>30,500,103</b>		<b>30,500,103</b>	<b>31,218,822</b>	<b>28,599,587</b>
<b>Public Sector</b>	<b>11,215,120</b>		<b>11,215,120</b>	<b>12,559,175</b>	<b>12,279,662</b>
French public sector	9,471,135		9,471,135	10,824,354	10,504,331
• Social housing	1,844,464		1,844,464	2,152,617	2,351,389
• French Local Authorities (FLA)	7,626,671		7,626,671	8,671,737	8,152,942
• Sovereign France					
Public-Private Partnership (PPP)	648,471		648,471	648,799	656,671
International public sector	1,095,514		1,095,514	1,086,022	1,118,660
• International public financing	1,095,514		1,095,514	1,086,022	1,118,660
• International Sovereign					
<b>Commercial mortgage exposures</b>	<b>42,936</b>		<b>42,936</b>	<b>25,617</b>	<b>24,055</b>
<b>Other</b>	<b>38,497</b>		<b>38,497</b>	<b>28,269</b>	<b>8,590</b>
<b>Sub-total performing customer loans</b>	<b>41,796,656</b>		<b>41,796,656</b>	<b>43,831,883</b>	<b>40,911,894</b>
<b>Doubtful loans</b>	<b>1,318,127</b>	<b>88,502</b>	<b>1,229,625</b>	<b>1,131,718</b>	<b>985,741</b>
<b>TOTAL CUSTOMER LOANS</b>	<b>43,114,783</b>	<b>88,502</b>	<b>43,026,281</b>	<b>44,963,601</b>	<b>41,897,635</b>

The 2015 exposures are drawn up in line with the breakdown presented in the table "Exposure analysis to credit risk". Consequently, the outstandings on December 31, 2014 and December 31, 2013 are calculated on a pro forma basis.

**NOTE 2 C. BREAKDOWN OF OUTSTANDING DOUBTFUL LOANS**

At 12/31/15 (in thousands of euros)	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Impairment	Net	Gross	Impairment	Net
<b>French mortgages</b>	<b>1,224,122</b>	<b>86,726</b>	<b>1,137,396</b>	<b>409,345</b>	<b>61,349</b>	<b>347,996</b>
<b>Public Sector</b>	<b>20,777</b>	<b>336</b>	<b>20,441</b>	<b>1,841</b>	<b>174</b>	<b>1,667</b>
French public sector	20,777	336	20,441	1,841	174	1,667
• Social housing	15,145	210	14,935	337	92	245
• French Local Authorities (FLA)	5,632	126	5,506	1,504	82	1,422
• Sovereign France						
Public-Private Partnership (PPP)						
International public sector						
• International public financing						
• International Sovereign						
<b>Commercial mortgage exposures</b>	<b>73,228</b>	<b>1,440</b>	<b>71,788</b>			
<b>Sub-total doubtful customer loans</b>	<b>1,318,127</b>	<b>88,502</b>	<b>1,229,625</b>	<b>411,186</b>	<b>61,523</b>	<b>349,663</b>

Doubtful loans outstanding in the unsubsidised sector includes €605.8m in loans guaranteed by SGFGAS. In accordance with the Regulation n°2014-07 of the French national accounting standards authority, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with a FGAS guarantee.

At 12/31/14 (in thousands of euros)	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Impairment	Net	Gross	Impairment	Net
<b>French mortgages</b>	<b>1,080,053</b>	<b>58,021</b>	<b>1,022,032</b>	<b>289,620</b>	<b>45,182</b>	<b>244,438</b>
<b>Public Sector</b>	<b>31,900</b>	<b>354</b>	<b>31,546</b>	<b>781</b>	<b>92</b>	<b>689</b>
French public sector	31,900	354	31,546	781	92	689
• Social housing	13,968	127	13,841	781	92	689
• French Local Authorities (FLA)	17,932	227	17,705			
• Sovereign France						
Public-Private Partnership (PPP)						
International public sector						
• International public financing						
• International Sovereign						
<b>Commercial mortgage exposures</b>	<b>79,056</b>	<b>916</b>	<b>78,140</b>	<b>2,448</b>	<b>804</b>	<b>1,644</b>
<b>Sub-total doubtful customer loans</b>	<b>1,191,009</b>	<b>59,291</b>	<b>1,131,718</b>	<b>292,849</b>	<b>46,078</b>	<b>246,771</b>

Doubtful loans outstanding in the unsubsidised sector includes €512.7m in loans guaranteed by SGFGAS.

In accordance with the Regulation n°2014-07 of the French national accounting standards authority, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with a FGAS guarantee.

The 2014 credit exposures are drawn up in line with the breakdown presented in the table "Exposure analysis to credit risk". The amounts are calculated on a pro forma basis.

At 12/31/13 (in thousands of euros)	Total doubtful loans			Of which compromised doubtful loans		
	Gross	Impairment	Net	Gross	Impairment	Net
<b>French mortgages</b>	<b>925,719</b>	<b>37,099</b>	<b>888,620</b>	<b>173,634</b>	<b>26,390</b>	<b>147,244</b>
<b>Public Sector</b>	<b>15,308</b>	<b>253</b>	<b>15,055</b>	<b>90</b>	<b>49</b>	<b>41</b>
French public sector	15,308	253	15,055	90	49	41
• Social housing	3,002	148	2,854	90	49	41
• French Local Authorities (FLA)	12,306	105	12,201			
• Sovereign France						
Public-Private Partnership (PPP)						
International Public Sector						
• International public financing						
• International Sovereign						
<b>Commercial mortgage exposures</b>	<b>83,253</b>	<b>1,186</b>	<b>82,067</b>	<b>2,806</b>	<b>1,065</b>	<b>1,741</b>
<b>Sub-total doubtful customer loans</b>	<b>1,024,280</b>	<b>38,538</b>	<b>985,742</b>	<b>176,530</b>	<b>27,504</b>	<b>149,026</b>

Doubtful loans outstanding in the unsubsidised sector includes €420.8m in loans guaranteed by SGFGAS.

In accordance with the Regulation n°2014-07 of the French national accounting standards authority, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with a FGAS guarantee.

The 2013 credit exposures are drawn up in line with the breakdown presented in the table "Exposure analysis to credit risk". The amounts are calculated on a pro forma basis.

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

(in thousands of euros)	12/31/15			12/31/14			12/31/13		
	Securities available for sale	Securities held to maturity	Total	Securities available for sale	Securities held to maturity	Total	Securities available for sale	Securities held to maturity	Total
Treasury bills and equivalent <sup>(1)</sup>		3,560,531	3,560,531	44	3,116,314	3,116,358	250	3,407,813	3,408,063
Related receivables		46,011	46,011	1	59,315	59,316	5	60,531	60,536
<b>Subtotal</b>		<b>3,606,541</b>	<b>3,606,541</b>	<b>45</b>	<b>3,175,629</b>	<b>3,175,674</b>	<b>255</b>	<b>3,468,344</b>	<b>3,468,599</b>
Bonds <sup>(1)</sup>		5,423,512	5,423,512		6,053,694	6,053,694		6,400,031	6,400,031
Interbank market instruments (mortgage notes) <sup>(1)</sup>	5,749,962		5,749,962	7,317,500		7,317,500	8,217,000		8,217,000
Negotiable debt securities									
Securitisation units <sup>(1)</sup>									
Related receivables	5,252	67,887	73,139	5,943	68,762	74,705	9,127	81,240	90,367
<b>Subtotal</b>	<b>5,755,214</b>	<b>5,491,399</b>	<b>11,246,613</b>	<b>7,323,443</b>	<b>6,122,456</b>	<b>13,445,899</b>	<b>8,226,127</b>	<b>6,481,271</b>	<b>14,707,398</b>
Doubtful loans and securities including related receivables <sup>(2)</sup>					263,067	263,067			
<b>GROSS AMOUNTS</b>	<b>5,755,214</b>	<b>9,097,940</b>	<b>14,853,154</b>	<b>7,323,488</b>	<b>9,561,152</b>	<b>16,884,640</b>	<b>8,226,382</b>	<b>9,949,615</b>	<b>18,175,997</b>
Impairment on fixed-income securities <sup>(2)</sup>					-104,448	-104,448			
<b>NET AMOUNTS<sup>(2)</sup></b>	<b>5,755,214</b>	<b>9,097,940</b>	<b>14,853,154</b>	<b>7,323,488</b>	<b>9,456,704</b>	<b>16,780,192</b>	<b>8,226,382</b>	<b>9,949,615</b>	<b>18,175,997</b>

(1) Of which:

	12/31/15	12/31/14	12/31/2013
Listed securities	8,507,563	8,847,391	9,201,552
Unlisted securities	6,226,430	7,899,500	8,823,542
<b>TOTAL</b>	<b>14,733,993</b>	<b>16,746,891</b>	<b>18,025,094</b>

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.

(2) See section "Notes to the parent company financial statements", § 2.3 and 2.4: "Significant events of 2015".

Under the Regulation n°2014-07 of the French national accounting standards authority, the aggregate fair value of the investment portfolio amounts to €10,183.8m at December 31, 2015, excluding related receivables.

Unrealised capital gains on Held-to-maturity securities amounted to €1,462.3m at December 31, 2015. At December 31, 2014, unrealised capital gains on Held-to-maturity securities amounted to €1,454.4m.

Unrealised capital losses on Held-to-maturity securities amounted to €261.2m at December 31, 2015. At December 31, 2014, unrealised capital losses on Held-to-maturity securities amounted to €304.5m.

The Company did not reclassify any securities to the "Held-to-maturity securities" portfolio either during the 2015 financial year or in previous years.

## NOTE 3 A. SOVEREIGN RISK

At December 31, 2015, the net exposures of the Compagnie de Financement Foncier sovereign risk in these countries are:

Investment securities (in millions of euros)	At December 31, 2015				At December 31, 2014			At December 31, 2013		
	Carrying amount	Nominal value	Market value	Value after swap <sup>(2)</sup>	Carrying amount	Nominal value	Market value	Carrying amount	Nominal value	Market value
Cyprus					50,0	50.0	49.1	50.0	50.0	41.6
Hungary					35,0	35.0	37.5	35.0	35.0	36.6
Ireland					135,0	135.0	174.7	135.0	135.0	152.9
Italy	2,327.9	2,100.7	2,794.4	1,956.9	1,585.1	1,581.7	2,021.1	1,622.2	1,618.7	1,703.5
Poland <sup>(1)</sup>	351.7	351.7	381.9	252.3	317.4	317.4	342.1	318.5	318.5	352.9
Slovenia					198.4	197.0	222.0	198.6	197.0	197.7
<b>TOTAL</b>	<b>2,679.6</b>	<b>2,452.4</b>	<b>3,176.3</b>	<b>2,209.2</b>	<b>2,320.9</b>	<b>2,316.1</b>	<b>2,846.5</b>	<b>2,359.3</b>	<b>2,354.2</b>	<b>2,485.2</b>

(1) The outstandings as of December 31, 2014 and December 31, 2013 are pro forma data.

(2) Fair value of the note taking into account micro hedging swap.

The values given above exclude related receivables. Nominal values 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 December 31, 2015 are presented below:

	Residual maturity				
	3 years	5 years	6 years	> 8 years and < 10 years	> 10 years
Italy	69.2			242.0	1,789.5
Poland					351.7
<b>TOTAL</b>	<b>69.2</b>	<b>0,0</b>	<b>0,0</b>	<b>242.0</b>	<b>2,141.2</b>

The global exposure of the Compagnie de Financement Foncier to the International public sector is also identified in the risk control and monitoring report.

## NOTE 3B. FINANCIAL FIXED ASSETS

<i>(in thousands of euros)</i>	Gross 12/31/13	Acqui- sitions	Disposals/ Redemp- tions <sup>(2)</sup>	Reclas- sifica- tions	Change in pre- miums/ discoun- ts	Cur- rency diffe- rences	Gross 12/31/14	Acquisi- tions <sup>(1)</sup>	Disposals/ Redemp- tions <sup>(2)</sup>	Reclas- sifica- tions	Change in pre- miums/ discoun- ts	Cur- rency diffe- rences	Gross 12/31/15
Held to maturity securities	9,807,844		-702,334		-2,424	326,261	9,429,347	1,352,077	-2,286,213		-7,422	496,254	8,984,043
<b>TOTAL</b>	<b>9,807,844</b>		<b>-702,334</b>		<b>-2,424</b>	<b>326,261</b>	<b>9,429,347</b>	<b>1,352,077</b>	<b>-2,286,213</b>		<b>-7,422</b>	<b>496,254</b>	<b>8,984,043</b>
Related receivables	141,771				-10,047	81	131,805				-17,908		113,897
<b>TOTAL</b>	<b>9,949,615</b>		<b>-702,334</b>		<b>-12,471</b>	<b>326,342</b>	<b>9,561,152</b>	<b>1,352,077</b>	<b>-2,286,213</b>		<b>-25,330</b>	<b>496,254</b>	<b>9,097,940</b>

(1) See section "Notes to the parent company financial statements", § 2.1 "Significant events of 2015".

(2) Disposals were conducted in accordance with the possibilities offered by the Regulation n°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.

## NOTE 4. OTHER ASSETS

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>Options bought</b>		<b>174</b>	<b>648</b>
<b>Securities settlement accounts</b>			
<b>Other receivables</b>	<b>59,306</b>	<b>92,021</b>	<b>18,480</b>
Deposits on collateralisation transactions			
Other deposits and guarantees <sup>(1)</sup>	2,478	22	22
Tax consolidation receivables <sup>(2)</sup>	48,551	90,119	
Other non-trade receivables	8,277	1,880	18,458
<b>Special bonus account</b>			
<b>TOTAL</b>	<b>59,306</b>	<b>92,195</b>	<b>19,128</b>

(1) As of December 31, 2015 this article includes €2,460K of participation certificates under the Deposit Guarantee Scheme set up in the framework of the Single Resolution Fund.

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

## NOTE 5. ACCRUAL ACCOUNTS – ASSETS

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>Collection accounts</b>			
<b>Deferred expenses</b>	<b>244,236</b>	<b>270,991</b>	<b>312,310</b>
Issue and redemption premiums on fixed income securities	244,236	270,991	312,310
Other deferred expenses			
<b>Prepaid expenses</b>	<b>1,612,521</b>	<b>1,801,096</b>	<b>1,932,787</b>
Termination balances of paid swaps to be amortised	1,610,243	1,801,096	1,932,051
Other prepaid expenses	2,278		736
<b>Accrued income</b>	<b>669,351</b>	<b>877,749</b>	<b>1,064,829</b>
Accrued interest on swaps	668,509	875,223	1,061,505
Other accrued income	842	2,527	3,324
<b>Other accrual accounts - assets</b>	<b>661,055</b>	<b>1,172,204</b>	<b>1,223,162</b>
Cash in domiciliation	87,638	244,189	239,195
Deferred tax assets <sup>(1)</sup>	538,918	676,689	729,013
Currency adjustment accounts <sup>(2)</sup>		21,628	82,382
Other accrued income <sup>(3)</sup>	34,499	229,698	172,572
<b>TOTAL</b>	<b>3,187,163</b>	<b>4,122,040</b>	<b>4,533,088</b>

(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:

Swaps termination balance	508,564	626,285	719,389
Provisions including customer credit risk provisions	15,535	12,263	9,310
Other temporary differences	14,819	38,141	314

(2) This item restores the balance between assets and liabilities following the recognition in the income statement of gains or losses arising from the valuation of off-balance sheet transactions in foreign currency. A similar item can be found in note 10.

(3) Of which borrowers (payments to be applied to loan accounts) and release of loan funds on behalf of Crédit Foncier: €28,774K at December 31, 2015 compared to €39,096K at December 31, 2014 and €14,039K at December 31, 2013.

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

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>Due to credit institutions – on demand <sup>(1)</sup></b>	<b>12,176</b>	<b>3,621</b>	<b>321</b>
Current accounts of credit institutions	11,808		
Demand loans to credit institutions			
Other amounts due to credit institutions	368	3,621	321
Related payables			
<b>Due to credit institutions – at maturity <sup>(2)</sup></b>	<b>9,840,321</b>	<b>5,031,100</b>	<b>3,139,131</b>
Term deposits and loans <sup>(3)</sup>	6,509,044	3,025,424	3,121,811
Values sold under repurchase agreements			
Securities sold under repurchase agreements	3,317,707	1,991,918	
Related payables	13,570	13,758	17,320
<b>TOTAL</b>	<b>9,852,497</b>	<b>5,034,721</b>	<b>3,139,452</b>
<b>(1) Details on due to credit institutions – on demand (Group/non-Group)</b>	<b>12,176</b>	<b>3,621</b>	<b>321</b>
Of which Group	59		
• Other amounts due to credit institutions	59		
• Demand loans to credit institutions			
• Related payables			
Of which non-Group	12,117	3,621	321
• Other amounts due to credit institutions	12,117	3,621	321
<b>(2) Details on due to credit institutions – at maturity (Group/non-Group)</b>	<b>9,840,321</b>	<b>5,031,100</b>	<b>3,139,131</b>
Of which Group	9,838,514	5,023,668	3,107,002
• Due and accounts at maturity <sup>(3)</sup>	6,520,806	3,031,509	3,107,002
• Securities sold under repurchase agreements	3,317,707	1,992,159	
Of which non-Group	1,808	7,432	32,129
• Due and accounts at maturity	1,037		
• Banque de France refinancing (Overall collateral management pool – 3G pool)			
• Other term loans	770	7,223	31,371
• Values sold under repurchase agreements			
• Related payables		209	758
<b>Due to Group credit institutions</b>	<b>9,838,573</b>	<b>5,023,668</b>	<b>3,107,002</b>
<b>Due to non-Group credit institutions</b>	<b>13,925</b>	<b>11,053</b>	<b>32,450</b>
<b>TOTAL</b>	<b>9,852,497</b>	<b>5,034,721</b>	<b>3,139,452</b>

(3) See section "Notes to the parent company financial statements", § 2.2 "Significant events of 2015".

Following the repayment of redeemable super subordinated notes, Crédit Foncier has set up a current account advance totaling €2,100m. It is agreed between the two parties that the above mentioned current account advance is subordinated to all privileged and non-privileged resources of Compagnie de Financement Foncier according to the provisions of Article 4: "current account advance is a general, direct, unconditional, subordinated and unsecured commitment. Its repayment is possible only given the full repayment on the due date of all privileged and non-privileged creditors and on the due date fixed for current account advance's repayment.

The interest on the present current account advance is calculated at 3-month Euribor plus 2.5%. Nevertheless, the rate cannot exceed the rate fixed by an Article 39 1 3° of the French General Tax Code.

The interest is paid quarterly at the end of every calendar quarter. The accrued interest is capitalized according to the provisions of the Article 1154 of the French Civil Code.

## NOTE 7. AMOUNTS DUE TO CUSTOMERS

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>Current accounts</b>			
<b>Other demand and term deposits</b>	<b>408</b>	<b>19,967</b>	<b>14,755</b>
Other amounts due	408	19,967	14,755
Other term loans to customers			
Term accounts in credit			
Related payables			
<b>TOTAL</b>	<b>408</b>	<b>19,967</b>	<b>14,755</b>

## NOTE 8. DEBT SECURITIES

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
Negotiable debt securities	150,000	150,000	150,000
Related payables	1,326	2,882	2,836
<b>Negotiable debt securities and related payables</b>	<b>151,326</b>	<b>152,882</b>	<b>152,836</b>
Obligations foncières <sup>(1)</sup>	67,860,404	69,427,903	73,238,414
Related payables	1,111,847	1,707,372	1,865,126
<b>Obligations foncières and related payables</b>	<b>68,972,251</b>	<b>71,135,275</b>	<b>75,103,541</b>
<b>TOTAL</b>	<b>69,123,576</b>	<b>71,288,157</b>	<b>75,256,376</b>

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

(1) Starting from January 1, 2015, the Company has changed its accounting method for accrued interest on zero-coupon bond issuances. Interest is now capitalized and recognized in the "Obligations foncières" line item and no longer in the "Related payables" line item. The impact of this reclassification as of December 31, 2015 is of €325.8m.

## NOTE 9. OTHER LIABILITIES

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>Options sold</b>			
<b>Other payables</b>	<b>2,932,629</b>	<b>3,539,352</b>	<b>2,877,760</b>
Deposits on collateralisation transactions	2,755,396	3,470,733	2,777,058
Margin calls on repurchase agreements			
Trade payables			
Tax consolidation liabilities <sup>(1)</sup>			50,896
Other fiscal and social debts	11	14	15
Other payables accounts	119,663	28,495	26,688
Special bonus account	57,559	40,110	23,103
<b>Allocated public funds <sup>(2)</sup></b>	<b>48,825</b>	<b>71,234</b>	<b>85,492</b>
<b>TOTAL</b>	<b>2,981,454</b>	<b>3,610,586</b>	<b>2,963,253</b>

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

(2) Of which subsidised sector

34,250

51,053

50,896

54,011

**NOTE 10. ACCRUAL ACCOUNTS - LIABILITIES**

<i>(in thousands of euros)</i>	<b>12/31/15</b>	<b>12/31/14</b>	<b>12/31/13</b>
<b>Collection accounts</b>	<b>919</b>	<b>48</b>	<b>2,252</b>
<b>Unearned income</b>	<b>1,896,151</b>	<b>2,277,552</b>	<b>2,590,603</b>
Subsidies on loans for low-income families and former interest-free loans	76,350	106,009	141,449
Balances of swaps received to be amortised	1,711,211	2,068,454	2,319,312
Other unearned income	108,590	103,089	129,842
<b>Accrued expenses</b>	<b>244,708</b>	<b>290,330</b>	<b>324,221</b>
Accrued interest on derivatives ( <i>swaps</i> )	224,976	277,835	312,693
Other accrued expenses	19,732	12,495	11,528
<b>Other accrual accounts</b>	<b>228,774</b>	<b>125,616</b>	<b>192,057</b>
Currency adjustment accounts <sup>(1)</sup>	127,273		10,486
Other items	101,501	125,615	181,571
<b>TOTAL</b>	<b>2,370,553</b>	<b>2,693,544</b>	<b>3,109,133</b>

(1) 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>	<b>12/31/15</b>	<b>12/31/14</b>	<b>12/31/13</b>
<b>Provisions for counterparty risks</b>	<b>16,129</b>	<b>15,674</b>	<b>14,125</b>
Provisions for potential risks on performing loans	16,129	15,674	14,125
Sectoral provisions			
<b>Provisions for litigation</b>			<b>1,203</b>
Tax litigation			
Other litigation			1,203
<b>Other provisions</b>		<b>10,660</b>	
Other provisions <sup>(1)</sup>		10,660	
<b>TOTAL</b>	<b>16,129</b>	<b>26,334</b>	<b>15,328</b>

Changes in the period (in thousands of euros)	Changes in 2015				12/31/15	
	12/31/14	Charges	Reversals			Other changes
			Used	Not used		
<b>Provisions for counterparty risks</b>	<b>15,674</b>	<b>1,026</b>		<b>-571</b>	<b>16,129</b>	
Provisions for counterparty risks on performing loans	15,674	1,026		-571	16,129	
Sectoral provisions						
<b>Provisions for litigation</b>						
Tax litigation						
Other litigation						
<b>Other provisions</b>	<b>10,660</b>		<b>-10,660</b>			
Other provisions <sup>(1)</sup>	10,660		-10,660			
<b>TOTAL</b>	<b>26,334</b>	<b>1,026</b>	<b>-10,660</b>	<b>-571</b>	<b>16,129</b>	

(1) At December 31, 2014 this item line was impacted by the reclassification of HETA's securities on the associated hedging swaps.

## NOTE 12. SUBORDINATED DEBT

(in thousands of euros)	12/31/15	12/31/14	12/31/13
Redeemable subordinated notes <sup>(1)</sup>		2,100,000	2,100,000
Perpetual super-subordinated notes <sup>(2)</sup>		1,350,000	1,350,000
Related payables		258	305
<b>TOTAL</b>	<b>0</b>	<b>3,450,258</b>	<b>3,450,305</b>

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

(2) Eligible for inclusion in the Compagnie de Financement Foncier Tier-1 solvency ratio until the end of 2013. No longer eligible since 1 January 2014 following the CRD IV implementation, however it is recognised as part of the Additional Tier One ratio for a decreasing amount during a phasing period ending on January 1, 2022.

## Additional information

(in thousands of euros)	Issuance currency	Issuance date	Maturity date	Interest rate
<b>SUBORDINATED DEBT</b>				
Floating-rate subordinated debt				
• Redeemable subordinated notes "RSN" *	EUR	12/30/03	12/30/43	Euribor 3M+0.5%
• Perpetual super-subordinated notes	EUR	12/30/11		EONIA+2.5%
<b>TOTAL</b>				

\* On December 30, 2011, Compagnie de Financement Foncier issued a redeemable super subordinated note of €1,350,000K, which was fully subscribed by Crédit Foncier. The prospectus provided the possibility of a full repayment on the first option date as defined in the first paragraph of the prospectus. The date concerned was December 30, 2016. Not having any constraints from the part of the French Prudential Supervisory and Resolution Authority, the Company has repaid the entirety of super-subordinated notes on September 15, 2015. Simultaneously, a capital increase of €1,350,000K was carried out on September 15, 2015, which was fully subscribed by Crédit Foncier, its parent company. Compagnie de Financement Foncier has issued two super subordinated redeemable loans, the first one of €100m was issued on December 30, 2003, the second one dated December 28, 2007 and accounted for €2,000m. These fully assimilated notes with a maturity as of 2043 were fully subscribed by Crédit Foncier and their outstanding amounted to €2,100m. In accordance with Articles 2.6.2 of contracts governing these loans, Compagnie de Financement Foncier has repaid €2,100m on September 15, 2015. In return, Crédit Foncier has simultaneously set up a current account advance with an equivalent amount.

## NOTE 13. CHANGES IN EQUITY

(in thousands of euros)	Opening balance at 01/01/14	Changes in capital and reserves			Balance at 12/31/14	Changes in capital and reserves			Balance at 12/31/15
		Alloca-tions	Dividends paid in shares	Other		Alloca-tions	Dividends paid in shares	Other	
Share capital <sup>(1)</sup>	1,187,460				1,187,460				2,537,460
Share premiums <sup>(1)</sup>	343,002				343,002				343,002
Reserves									
Legal reserve	46,479	1,630			48,109	4,217			52,326
General reserve	55,517				55,517				55,517
Regulated reserves									
Of which:									
• Regulated reserves for revaluation									
• Special reserve for long-term capital gains									
Retained earnings	86,472	535			87,007	5,894			92,901
<b>Net equity before net income for the year</b>	<b>1,718,931</b>				<b>1,721,095</b>				<b>3,081,207</b>
Net income for the year before distributions	32,593	-32,593			84,328	-84,328			132,486
<b>Equity after net income for the year</b>	<b>1,751,524</b>				<b>1,805,423</b>				<b>3,213,693</b>
Dividends paid		30,429				74,216			

(in thousands of euros)	Opening balance at 01/01/14	Changes in provisions			Balance at 12/31/14	Changes in provisions			Balance at 12/31/15
		Allocation	Additions	Reversals		Allocation	Additions	Reversals	
Special revaluation provision									
Other regulated provisions									
Regulated provisions									
<b>Equity before distributions</b>	<b>1,751,524</b>				<b>1,805,423</b>				<b>3,213,693</b>
Reserve for general banking risks	20,000				20,000				20,000
<b>TOTAL</b>	<b>1,771,524</b>				<b>1,825,423</b>				<b>3,233,693</b>

(1) After the capital increase (See section "Notes to the parent company financial statements", § 2.2 "Significant events of 2015") it is composed 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 13A. PROPOSED ALLOCATION OF INCOME

<i>(in thousands of euros)</i>	12/31/15	
<b>SOURCES</b>		
Retained earnings		92,901
Net income for the year		132,486
Deposit on dividends		
Transfer from reserves		
<b>ALLOCATION</b>		
Allocation to reserves		
• Legal reserve	6,625	
• Special long-term capital gains reserves		
• Other reserves		
Dividends	126,873	
Other distributions		
Retained earnings	91,890	
<b>TOTAL</b>	<b>225,388</b>	<b>225,388</b>

## NOTE 14. COMMITMENTS GIVEN

	12/31/15		12/31/14		12/31/13	
	Loans authorised but not yet established	Amounts not drawn down on loans already partially established	Loans authorised but not yet established	Amounts not drawn down on loans already partially established	Loans authorised but not yet established	Amounts not drawn down on loans already partially established
<i>(in thousands of euros)</i>						
<b>Financing commitments</b>	<b>756,263</b>	<b>99,702</b>	<b>236,697</b>	<b>1,467,886</b>	<b>244,597</b>	<b>1,547,394</b>
<b>Subsidised sector</b>						
<b>Non-Group commitments</b>						
• Credit institutions						
• Customers						
<b>Unsubsidised sector</b>	<b>756,263</b>	<b>99,702</b>	<b>236,697</b>	<b>1,467,886</b>	<b>244,597</b>	<b>1,547,394</b>
<b>Non-Group commitments</b>	<b>756,263</b>	<b>99,702</b>	<b>236,697</b>	<b>1,467,886</b>	<b>244,597</b>	<b>1,547,394</b>
• Customers <sup>(1)</sup>	756,263	99,702	236,697	1,467,886	244,597	1,547,394
<b>Group commitments</b>						
• Credit institutions						
<b>Guarantee commitments</b>	<b>556,624</b>		<b>1,673,247</b>		<b>1,668,153</b>	
<b>Non-Group commitments</b>	<b>556,624</b>		<b>1,673,247</b>		<b>1,668,153</b>	
Other values used as collateral <sup>(2)</sup>	556,624		1,673,247		1,668,153	
<b>Commitments on securities</b>						
Other commitments given						
<b>TOTAL <sup>(3)</sup></b>		<b>1,412,588</b>		<b>3,377,829</b>		<b>3,460,145</b>

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

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
Permanent credit lines (outstanding transferred from Ixis CIB)	756,263	517,842	546,839
State housing savings accounts (primes d'épargne logement)	100,000	949,532	1,000,000

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

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
Securities			
Receivables	556,624	1,673,247	1,668,153

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

(3) Of which:

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
Doubtful commitments	830	511	555

## NOTE 15. COMMITMENTS RECEIVED

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>Financing commitments</b>	<b>29,096,967</b>	<b>31,028,705</b>	<b>25,442,395</b>
<b>Non-Group commitments</b>	<b>489,828</b>	<b>1,468,030</b>	<b>1,464,512</b>
Credit institutions <sup>(1)</sup>	489,828	1,468,030	1,464,512
<b>Group commitments</b>	<b>28,607,139</b>	<b>29,560,675</b>	<b>23,977,883</b>
Repurchase guarantee			
Credit institutions <sup>(2)</sup>	3,000,000	3,000,000	3,000,000
Other assets received as collateral from the Group <sup>(3)</sup>	25,607,139	26,560,675	20,977,883
<b>Guarantee commitments</b>	<b>39,558,343</b>	<b>41,677,302</b>	<b>40,243,787</b>
<b>Non-Group commitments</b>	<b>39,086,007</b>	<b>38,985,196</b>	<b>37,275,319</b>
Credit institutions and similar institutions <sup>(4)</sup>	5,393,523	2,792,312	2,075,676
Customers <sup>(5)</sup>	33,692,484	36,192,884	35,199,643
<b>Group commitments <sup>(6)</sup></b>	<b>472,335</b>	<b>2,692,106</b>	<b>2,968,468</b>
Credit institutions and similar items	472,335	2,690,162	2,967,708
Customers		1,944	760
<b>Commitments on securities</b>			
Other securities to be received			
<b>TOTAL COMMITMENTS RECEIVED</b>	<b>68,655,309</b>	<b>72,706,007</b>	<b>65,686,182</b>

(1) Non-Group financing commitments refer to the commitment received from the Banque de France in relation to the collateral management mechanism, including an amount of €489.8m at December 31, 2015, compared with €1,468m at December 31, 2014.

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

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

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
• Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38)	10,348,612	10,082,140	5,300,385
• Guarantees received from BPCE SA as replacement values (L. 211-38 Short-term guaranteed notes)	6,655,400	6,600,000	7,297,400
• Guarantees received from Caisses d'Epargne and Banques Populaires for loans to French local authorities (L. 211-38)	2,555,844	2,560,013	162,344
• Guarantees received from Crédit Foncier for mortgage notes	6,047,283	7,318,522	8,217,754

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
(4) Mainly includes guarantees received from Crédit Logement rated Aa3/A+	1,712,796	872,813	211,973
• Guarantees received from Créserfi	324,625	357,075	354,233
• Security enhancement guarantees received from insurance companies	1,671,073	1,562,424	1,509,470

(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:

(in thousands of euros)	12/31/15	12/31/14	12/31/13
• Government guarantees on loans, mainly to the subsidised sector	241,191	404,081	506,709
• Guarantees from the SFGAS on FGAS-eligible loans and covered by the government	16,603,041	15,994,297	13,989,344
• Mortgage guarantees for mortgage loans that are only covered by this guarantee	13,642,321	15,566,209	15,950,029
• Guarantees given by local authorities and other organisations	2,213,582	2,124,901	2,247,868
• Security enhancement guarantees given by governments	992,349	2,103,396	2,505,693

(6) At December 31, 2015, guarantee commitments received from the Group included a guarantee received from BPCE in connection with French local authority loans purchased from Ixis CIB for €1,806m, compared with €2,154m at December 31, 2014, and a guarantee received from BPCE on securities for €360m and a guarantee received from Crédit Foncier on securities and loans amounting to €42.5m.

## NOTE 16. COMMITMENTS ON FORWARDS AND OPTIONS CONTRACTS

(in thousands of euros)	12/31/15		12/31/14		12/31/13	
	Euros	Other currencies <sup>(2)</sup>	Euros	Other currencies <sup>(2)</sup>	Euros	Other currencies <sup>(2)</sup>
<b>OVER-THE-COUNTER MARKETS</b>						
<b>Options (nominal amounts)</b>	<b>2,191,843</b>		<b>2,450,387</b>		<b>2,617,841</b>	
<b>Hedging transactions (purchases)</b>						
• Interest rate instruments	2,191,843		2,450,387		2,617,841	
• Foreign exchange instruments						
• Other instruments						
<b>Other options</b>						
<b>Options (fair value)</b>	<b>13,183</b>		<b>16,497</b>		<b>41,857</b>	
<b>Forward transactions (nominal amounts)</b>	<b>68,864,424</b>	<b>13,629,839</b>	<b>69,607,600</b>	<b>14,765,464</b>	<b>71,513,983</b>	<b>17,045,466</b>
<b>Hedging transactions</b>						
• Interest rate instruments	58,208,844	364,965	56,846,843	339,939	55,782,689	321,354
• Foreign exchange instruments <sup>(3)</sup>	10,655,581	13,264,874	12,760,757	14,425,525	15,731,294	16,724,112
• Other instruments						
<b>Other transactions</b>						
<b>Forward transactions (fair value) <sup>(1)</sup></b>	<b>1,598,783</b>	<b>159,816</b>	<b>755,769</b>	<b>1,712,622</b>	<b>-2,311,004</b>	<b>4,816,260</b>
<b>Forward and conditional transactions</b>	<b>71,056,267</b>	<b>13,629,839</b>	<b>72,057,987</b>	<b>14,765,464</b>	<b>74,131,824</b>	<b>17,045,466</b>
<b>TOTAL (NOMINAL AMOUNTS) <sup>(2)</sup></b>		<b>84,686,107</b>		<b>86,823,451</b>		<b>91,177,290</b>
<b>TOTAL (FAIR VALUE)</b>		<b>1,771,782</b>		<b>2,484,888</b>		<b>2,547,113</b>

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

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

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

(3) These items are financial micro-hedging currency swaps. They represent foreign exchange forward position; the inverse position, spot currency transactions, is included in the balance sheet assets (Cf. note 26).

## NOTE 17. INTEREST AND SIMILAR INCOME AND EXPENSES

<i>(in thousands of euros)</i>	12/31/15			12/31/14	12/31/13
	Income	Expenses	Net	Net	Net
<b>Interbank transactions</b>	<b>155,117</b>	<b>-73,220</b>	<b>81,897</b>	<b>69,395</b>	<b>2,496</b>
Interest on Central Bank accounts		-4,159	-4,159	-1,986	
Interest on current accounts	3	-2	1	398	47
Interest on forwards	30,833	-56,480	-25,647	-11,949	-28,946
Interest on subordinated loans					
Interest on receivables guaranteed (replacement values)	124,282		124,282	105,635	54,311
Interest on securities received/sold under repurchase agreements		1,476	1,476	-237	-2,193
Financing and guarantee commitments					
Other interest income and expenses				-715	
Hedging transactions ( <i>netting</i> )		-14,055	-14,055	-21,750	-20,723
Hedged losses on receivables					
Non-hedged losses on receivables					
Net changes in provisions					
<b>Customers transactions</b>	<b>1,173,972</b>	<b>-2,693</b>	<b>1,171,279</b>	<b>1,313,200</b>	<b>1,364,095</b>
Interest on demand deposits, term deposits and regulated savings accounts					
Interest on loans to customers	1,096,671		1,096,671	1,298,457	1,354,837
Interest on subordinated loans					
Interest on non-performing loans	44,854		44,854	41,299	36,562
Amortisation of additional loans fees (CRC Regulation 2009-03)	-608		-608	-639	-650
Interest on ABS cash collateral					
Other interest income and expenses	-3,383	-2,693	-6,076	-23,701	-10,175
Income on financing and guarantee commitments	21		21	55	70
Hedging transactions ( <i>netting</i> )	39,251		39,251	-510	-15,712
Hedged losses on receivables	-735		-735	-444	-1,228
Non-hedged losses on receivables	-10		-10		
Net changes in provisions <sup>(2)</sup>	-2,089		-2,089	-1,317	390
<b>Finance lease transactions</b>					
<b>Securities portfolio transactions</b>	<b>1,757,183</b>	<b>-2,365,161</b>	<b>-607,978</b>	<b>-656,383</b>	<b>-638,451</b>
Interest on investment securities	70,301		70,301	111,959	103,017
Spreading of discounts/premiums on investment securities				-437	-4
Interest on held-to-maturity securities	376,410		376,410	351,554	469,461
Amortisation of discounts/premiums on held-to-maturity securities	-13,275		-13,275	-3,317	-1,194
Interest on medium-term notes (BMTN) issued		-2,003	-2,003	-3,545	-3,711
Interest on certificates of deposits issued					
Interest on mortgage notes issued					
Interest and expenses on bond issuances		-2,360,207	-2,360,207	-2,608,904	-3,005,870
Interest on doubtful securities					
Hedging transactions ( <i>netting</i> ) <sup>(1)</sup>	1,312,639		1,312,639	1,496,754	1,799,851
Losses on non-recoverable receivables		-2,951	-2,951		
Net changes of provisions <sup>(1)</sup>	11,108		11,108	-448	

<i>(in thousands of euros)</i>	12/31/15			12/31/14	12/31/13
	Income	Expenses	Net	Net	Net
<b>Subordinated debt</b>		<b>-30,910</b>	<b>-30,910</b>	<b>-50,453</b>	<b>-50,121</b>
Payables on subordinated term securities		-30,910	-30,910	-50,453	-50,121
Payables on subordinated debt - credit institutions					
Payables on subordinated debt - customers					
<b>Other interest and similar income and expenses</b>	<b>42,317</b>	<b>-400,714</b>	<b>-358,397</b>	<b>-348,446</b>	<b>-375,812</b>
Income on debt securities	42,317		42,317	27,376	40,525
Fees on credit derivatives					
Commitments received/given on securities		-3,688	-3,688	-5,984	-6,171
Other interest income and expenses				365	3,548
Macro-hedging transactions ( <i>netting</i> )		-397,025	-397,025	-370,203	-413,714
Net changes of provisions					
<b>TOTAL INTEREST AND SIMILAR INCOME AND EXPENSES</b>	<b>3,128,590</b>	<b>-2,872,698</b>	<b>255,891</b>	<b>327,313</b>	<b>302,207</b>

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

(2) Total cost of risk in the net interest margin - customers -2,089 -2,089 -1,317 390

## NOTE 18. NET FEES AND COMMISSIONS

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>Commissions on interbank and cash transactions (net)</b>	<b>-10</b>	<b>-12</b>	<b>-11</b>
Income			309
Expenses	-10	-12	-320
<b>Commissions on transactions with customers (net) *</b>	<b>109,659</b>	<b>45,449</b>	<b>60,110</b>
Income	109,659	45,449	60,110
Expenses			
<b>Commissions on securities transactions (net)</b>	<b>-1,550</b>	<b>-1,904</b>	<b>-2,827</b>
Income			
Expenses	-1,550	-1,904	-2,827
<b>Other commissions (net)</b>	<b>-584</b>	<b>-2,203</b>	<b>-868</b>
Income	52	106	28
Expenses	-636	-2,309	-896
<b>Total income</b>	<b>109,711</b>	<b>45,555</b>	<b>60,447</b>
<b>Total expenses</b>	<b>-2,195</b>	<b>-4,225</b>	<b>-4,043</b>
<b>TOTAL NET COMMISSIONS</b>	<b>107,515</b>	<b>41,330</b>	<b>56,404</b>

\* 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.

## NOTE 19. NET GAINS/LOSSES ON TRADING PORTFOLIO TRANSACTIONS

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
Gains on currency and arbitrage transactions	213	319	-2,283
Losses on other financial instruments			
Gains on other financial instruments			
Charge to provisions for risks on Financial forward instruments <sup>(1)</sup>		-10,660	
Reversals from provisions for risks on Financial forward instruments			
<b>TOTAL NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS</b>	<b>213</b>	<b>-10,341</b>	<b>-2,283</b>

(1) Impact of the reclassification of HETA's securities on the associated hedging swaps in 2014.

## NOTE 20. OTHER BANKING INCOME AND EXPENSES

(in thousands of euros)	12/31/15			12/31/14	12/31/13
	Income	Expenses	Net	Net	Net
<b>Transfers of expenses and income, reallocated expenses</b>				-1	-14
Transfers of expenses					
• <i>Transfers of expenses</i>					
• <i>Other rebilled expenses or retrocessions</i>					
Transfers of income				-1	-14
Reallocated expenses					
<b>Total other banking income and expenses</b>	<b>77</b>	<b>-51</b>	<b>25</b>	<b>1,251</b>	<b>-1</b>
Other operating income and expenses <sup>(1)</sup>	77	-51	25	48	-1
Additions to and reservals from provisions for other operating income and expenses <sup>(1)</sup>				1,203	
<b>TOTAL</b>	<b>77</b>	<b>-51</b>	<b>25</b>	<b>1,250</b>	<b>-14</b>

**(1) Details**

<b>Other operating income and expenses</b>	<b>77</b>	<b>-51</b>	<b>25</b>	<b>48</b>	<b>-1</b>
• <i>Transfers to exceptional gains</i>					
• <i>Other operating income</i>	77		77	104	122
• <i>Losses on deferred interests and variable rate loans</i>		-10	-10	-23	53
• <i>Transfers to exceptional losses</i>					-4
• <i>Other operating expenses</i>		-41	-41	-34	-172

## NOTE 21. GENERAL OPERATING EXPENSES

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>Total payroll costs</b>	<b>-217</b>	<b>-233</b>	<b>-187</b>
Wages and salaries	-167	-169	-120
Costs of defined-contribution plans	-9	-10	-11
Other social security costs and payroll-based taxes	-41	-55	-55
Charges/reversals of provisions for litigation			
<b>TOTAL OTHER ADMINISTRATIVE EXPENSES</b>	<b>-122,938</b>	<b>-105,132</b>	<b>-103,814</b>
<b>Taxes other than on income</b>	<b>-19,194</b>	<b>-15,080</b>	<b>-15,824</b>
CET (local business tax) and CVAE (tax on company value added)	-1,935	-4,281	-3,255
Social solidarity contribution	-5,185	-5,222	-5,703
Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority (ACPR)	-791	-596	-759
Systemic banking risk tax	-3,942	-4,865	-5,751
Contributions to Single Resolution Fund	-5,739		
Management fees to ECB	-818		
Taxes other than on income	-784	-117	-357
Charges/reversals of provisions for tax disputes			
<b>EXTERNAL SERVICES</b>	<b>-103,744</b>	<b>-90,052</b>	<b>-87,990</b>
Leasing			
External services provided by the Group	-100,203	-86,383	-83,835
Fees, subcontracting and services	-3,211	-3,048	-3,536
Advertising	-234	-243	-241
Remuneration of intermediaries			
Transport and travel		-3	-20
Maintenance and repairs	-4	-4	-4
Insurance premiums			
Other external services	-92	-371	-354
Additions to/reversals from provisions for disputes relating to external services			
Additions to/reversals from provisions for external services costs			
<b>Other expenses</b>			
<b>Transfers of expenses</b>			
<b>TOTAL OPERATING EXPENSES</b>	<b>-123,155</b>	<b>-105,366</b>	<b>-104,001</b>

Note: the total amount of remuneration received by governing bodies at December 31, 2015 amounted to €120K.

## NOTE 22. COST OF RISK

(in thousands of euros)	12/31/15			12/31/14	12/31/13
	Expenses	Income	Net *	Net **	Net
<b>Net additions/reversals on held-to-maturity securities</b>		<b>104,000</b>	<b>104,000</b>	<b>-104,000</b>	
Net additions/reversals on securities transactions <sup>(1)</sup>		104,000	104,000	-104,000	
<b>Net additions/reversals on customer transactions</b>	<b>-48,012</b>	<b>5,791</b>	<b>-42,221</b>	<b>-22,708</b>	<b>-14,753</b>
Impairment of customer transactions	-46,987	5,220	-41,767	-21,158	-14,809
Provisions for counterparty risks on performing loans	-1,026	571	-455	-1,549	56
Sectoral provisions					
<b>Losses/recoveries on customer transactions</b>	<b>-10,024</b>	<b>25,292</b>	<b>15,267</b>	<b>-1,108</b>	<b>-400</b>
Losses on irrecoverable loans and receivables covered by provisions	-1,848	14,645	12,797		
Losses on irrecoverable loans and receivables not covered by provisions	-8,176		-8,176	-5,986	-2,815
Recoveries of bad debts written off		10,647	10,647	4,878	2,415
<b>Losses/recoveries on other transactions</b>	<b>-91,799</b>		<b>-91,799</b>		
Losses on the covered irrecoverable loans and receivables <sup>(1)</sup>	-91,799		-91,799		
<b>TOTAL COST OF RISK</b>	<b>-149,836</b>	<b>135,083</b>	<b>-14,753</b>	<b>-127,816</b>	<b>-15,153</b>

(1) Data corresponding to the capital loss recorded following the sale of HETA securities. This loss was covered by the €104m provision on held-to-maturity securities, recorded in 2014 and fully reversed in June 2015. (See section "Notes to the parent company financial statements", § 2.3 "Significant events of 2015").

\*\*\* Cost of risk neutralising an impact from HETA securities

-58,037

31,083

-26,954

-23,816

## NOTE 23. GAINS/LOSSES ON LONG-TERM INVESTMENTS

(in thousands of euros)	12/31/15	12/31/14	12/31/13
Capital gains or losses on disposals of held-to-maturity securities <sup>(1)</sup>	-4,032	1,362	-135,366
Provisions for impairment on held-to-maturity securities			
Reversals for impairment on held-to-maturity securities			
<b>TOTAL GAINS OR LOSSES ON OTHER ASSETS</b>	<b>-4,032</b>	<b>1,362</b>	<b>-135,366</b>

(1) See section "Notes to the parent company financial statements", § 2.4 "Significant events of 2015".

## NOTE 24. INCOME TAX

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>TAX EXPENSE COMPONENTS</b>			
Current tax expenses (income) <sup>(1)</sup>	48,551	8,921	-476,207
Deferred tax liabilities (income) <sup>(1)</sup>	-137,771	-52,324	407,007
Provisions for deferred taxes			
Provisions for risks or for tax litigations			
<b>TOTAL</b>	<b>-89,220</b>	<b>-43,403</b>	<b>-69,200</b>

(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).

<i>(in thousands of euros)</i>	12/31/15	12/31/14	12/31/13
<b>BREAKDOWN OF DEFERRED TAXES FOR THE PERIOD</b>			
Termination swap balance	-117,722	-93,103	404,021
Client provisions including credit risk provisions	3,272	2,953	1,909
Provisions on held-to-maturity securities			
Other temporary differences	-23,321	37,826	1,077
<b>TOTAL</b>	<b>-137,771</b>	<b>-52,324</b>	<b>407,007</b>

**NOTE 25. TRANSACTIONS WITH RELATED CREDIT INSTITUTIONS <sup>(1)</sup>**

	12/31/15	12/31/14	12/31/13	12/31/15 Valuation of assets received as collateral <sup>(3)</sup>
<i>(in thousands of euros)</i>				
<b>BALANCE SHEET</b>				
<b>Assets items</b>				
<b>Receivables due from credit institutions</b>				
Demand	460,025	342,918	408,810	
Term		460	377	
Term deposits guaranteed by repo securities	19,445,786	19,231,553	12,060,010	19,517,226
• <i>Loans guaranteed by French local authority loans (SPT) under L. 211-38</i>	12,831,385	12,610,340	5,450,740	12,901,243
• <i>to Crédit Foncier</i>	10,290,500	10,052,840	5,290,000	10,345,505
• <i>to BPCE</i>	2,320,000	2,320,000		2,330,817
• <i>to other Group entities</i>	220,885	237,500	160,740	224,921
• <i>Loans registered as replacement values under L. 211-38</i>	6,600,000	6,600,000	6,600,000	6,615,983
• <i>to BPCE</i>	6,600,000	6,600,000	6,600,000	6,615,983
• <i>Related receivables</i>	14,401	21,213	9,270	
<b>Customer transactions</b>				
Receivables				
<b>Securities transactions</b>				
Bonds and other fixed income securities	5,831,170	7,395,550	8,294,053	6,117,585
• <i>Mortgage notes</i>	5,749,962	7,317,500	8,217,000	6,117,585
• <i>to Crédit Foncier</i>	5,749,962	7,317,500	8,217,000	6,117,585
• <i>Other fixed income securities</i>	72,457	68,813	64,849	
• <i>Related receivables</i>	8,750	9,237	12,204	
<b>Other assets <sup>(2)</sup></b>				
Other debtors	55,131	90,572	18,882	
<b>TOTAL ASSETS</b>	<b>25,792,112</b>	<b>27,061,053</b>	<b>20,782,132</b>	<b>25,634,811</b>
<b>Liabilities items</b>				
<b>Amounts due to credit institutions</b>				
Demand	59			
Term	6,521,208	3,031,509	3,107,002	
Securities sold under repurchase agreements	3,318,110	1,992,159		
<b>Customer transactions</b>				
Demand				
<b>Securities transactions</b>				
Debt securities				
Subordinated debts		3,450,258	3,450,305	
<b>Other liabilities <sup>(2)</sup></b>				
Other creditors	16,615	16,231	15,197	
<b>TOTAL LIABILITIES</b>	<b>9,855,992</b>	<b>8,490,157</b>	<b>6,572,504</b>	

In accordance with the regulation No 2014-07, significant transactions which are not concluded under normal market conditions between related parties are stated in paragraph 2 of the Notes to the 2015 Registration document.

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

(2) Data as of December 31, 2013 are calculated on a pro forma basis.

(3) Assets received as collateral are valued at their outstanding principal amount fixed at the closing date for the French local authority receivables and at the trade date for the replacement values and the mortgage loan outstandings.

## NOTE 26. STATEMENT OF FOREIGN EXCHANGE POSITIONS

### ■ At 12/31/2015

HEADING <i>(in thousands of euros)</i>	Australian \$	Canadian \$	US \$	£ Sterling	Swiss Franc	Yen	Hun- garian Forint	New Zealand \$	Norwegian Krone	Danish Krone	Total
<b>BALANCE SHEET</b>											
Financial assets	4,630	2,812	2,674,048	151,725	1,402,392	1,876,843	11	37	7,077	7	6,119,582
Financial liabilities	172,462	334,412	1,239,966	784,163	3,822,738	252,632			439,418		7,045,791
<b>Balance sheet differential (I)</b>	<b>-167,832</b>	<b>-331,600</b>	<b>1,434,082</b>	<b>-632,438</b>	<b>-2,420,346</b>	<b>1,624,211</b>	<b>11</b>	<b>37</b>	<b>-432,341</b>	<b>7</b>	<b>-926,209</b>
<b>OFF-BALANCE SHEET</b>											
Commitments received	167,878	331,609	1,424,702	750,034	3,753,575	236,461			432,341		7,096,600
Commitments given			2,858,865	117,551	1,331,222	1,860,637					6,168,275
<b>Off-balance sheet differential (II)</b>	<b>167,878</b>	<b>331,609</b>	<b>-1,434,163</b>	<b>632,483</b>	<b>2,422,353</b>	<b>-1,624,176</b>	<b>0</b>	<b>0</b>	<b>432,341</b>	<b>0</b>	<b>928,325</b>
<b>TOTAL DIFFERENTIAL (I)+(II)</b>											
	<b>46</b>	<b>9</b>	<b>-81</b>	<b>45</b>	<b>2,007</b>	<b>35</b>	<b>11</b>	<b>37</b>	<b>0</b>	<b>7</b>	<b>2,116</b>

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

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

## NOTE 27. STATEMENT OF LIQUIDITY POSITION

## ■ At 12/31/2015

Heading (in thousands of euros)	Remaining maturity					Total <sup>(2)</sup>
	<3 months	3M<T<6M	6M<T<1Y	1Y<T<5Y	>5 years	
<b>BALANCE SHEET</b>						
<b>Financial assets<sup>(1)</sup></b>	<b>7,513,151</b>	<b>1,146,502</b>	<b>2,097,290</b>	<b>17,535,594</b>	<b>48,575,845</b>	<b>76,868,382</b>
Receivables from credit institutions	6,724,388	394,494	363,311	5,712,375	7,382,370	20,576,938
Receivables from customers	651,331	589,409	1,257,644	9,434,117	29,624,938	41,557,439
Bonds and other fixed-income securities	137,432	162,599	476,335	2,389,102	11,568,537	14,734,005
Subordinated term loans						
<b>Financial liabilities</b>	<b>10,201,338</b>	<b>2,089,158</b>	<b>2,527,249</b>	<b>27,954,002</b>	<b>35,065,408</b>	<b>77,837,155</b>
Due to credit institutions	5,682,338	1,456,145	1,357,508	245,948	1,084,812	9,826,751
Due to customers						
Debt securities:	4,519,000	633,013	1,169,741	27,708,054	33,980,596	68,010,404
• <i>Retails certificates of deposit</i>						
• <i>Interbank market securities</i>						
• <i>Negotiable debt securities</i>				150,000		150,000
• <i>Bonds</i>	4,519,000	633,013	1,169,741	27,558,054	33,980,596	67,860,404
• <i>Other debt securities</i>						
Subordinated term debt						
<b>Balance sheet differential (I)</b>	<b>-2,688,187</b>	<b>-942,656</b>	<b>-429,959</b>	<b>-10,418,408</b>	<b>13,510,437</b>	<b>-968,773</b>
<b>OFF-BALANCE SHEET</b>						
Commitments given			855,965			855,965
Commitments received	489,828			3,000,000		3,489,828
<b>Off-balance sheet differential (II)</b>	<b>489,828</b>		<b>-855,965</b>	<b>3,000,000</b>		<b>2,633,863</b>
<b>TOTAL DIFFERENTIAL (I)+(II)</b>	<b>-2,198,359</b>	<b>-942,656</b>	<b>-1,285,924</b>	<b>-7,418,408</b>	<b>13,510,437</b>	<b>1,665,090</b>
Conditional positions		1,500	1,524	16,574	2,172,245	2,191,843

(1) The financial assets of Compagnie de Financement Foncier include €7.2bn of securities (unencumbered assets) that meet the refinancing criteria of the European Central Bank to which are added loans amounting to €29.4bn meeting the criteria defined by Banque de France, as planned by the temporary acceptance process approved by the ECB on February 9, 2012. The amounts which could be redeemed at the Central Bank are estimated at €14.7bn after haircut and overcollateralisation constraints.

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

## NOTE 28. FINANCIAL RESULTS OF THE COMPANY OVER THE LAST FIVE YEARS

Description (in euros)	2011	2012	2013	2014	2015
<b>I) FINANCIAL SITUATION AT THE END OF THE FINANCIAL YEAR</b>					
a) Share Capital	1,187,459,936	1,187,459,936	1,187,459,936	1,187,459,936	2,537,459,936
b) Number of shares in issue	74,216,246	74,216,246	74,216,246	74,216,246	158,591,246
c) Number of bonds convertible into shares	None	None	None	None	None
<b>II) OVERALL EARNINGS FROM OPERATIONS</b>					
a) Revenue excluding taxes	4,534,760,577	5,223,327,050	3,951,959,039	3,483,192,834	3,238,589,705
b) Profit for the financial year before tax, employee profit sharing and net increase/reversal in amortisation and provisions	219,755,553	462,156,111	522,287,700	211,614,676	136,262,954
c) Income taxes *	100,591,419	340,513,414	476,207,470	-8,920,504	-48,551,006
d) Employee profit sharing for the financial year	None	None	None	None	None
e) Profit for the financial year after tax, employee profit sharing and net increase/reversal in amortisation and provisions	108,063,919	132,581,093	32,593,283	84,328,007	132,485,939
f) Amount of profits distributed	102,418,419	125,425,456	30,428,661	74,216,246	126,872,997
<b>III) EARNINGS FROM OPERATIONS PER SHARE **</b>					
a) Profit for the financial year after tax and employee profit sharing but before net increase/reversal in amortisation and provisions	1.72	1.64	0.62	0.19	0.48
b) Profit for the financial year after tax and employee profit sharing and net increase/reversal in amortisation and provisions	1.57	1.79	0.44	0.07	1.34
c) Dividend paid per share	1.38	1.69	0.41	1.00	0.80
<b>IV) STAFF</b>					
a) Number of employees	Negligible	Negligible	Negligible	Negligible	Negligible
• Management category	Negligible	Negligible	Negligible	Negligible	Negligible
• Employee and Technician category	None	None	None	None	None
b) Total employee salaries	Negligible	Negligible	Negligible	Negligible	Negligible
c) Amount paid for social contributions and benefits (social security, other staff benefits, etc.)	Negligible	Negligible	Negligible	Negligible	Negligible

\* At December 31, 2015, Compagnie de Financement Foncier's fiscal deficit was offset by a compensation for tax savings transferred to tax consolidation Group, in compliance with the tax consolidation agreement.

\*\* Starting from fiscal year 2011, earnings per share are determined by the average number of shares for the year concerned.

## NOTE 29. CASH FLOW STATEMENT

### 1. Principles

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

The Compagnie de Financement Foncier Cash Flow Statement is presented according to Recommendation 2004-R-03 of the French National Accounting Board (CNC), concerning the format of corporate summary documents subject to the supervision of the French Banking and Financial Regulatory Committee (BFRC).

It is prepared using the indirect method: net income for the period is restated for non-monetary items: depreciation allowances for tangible and intangible assets, net provisions, other transactions without cash payments such as expenses payable and accrued income. Cash flows from operating, investing and financing activities are determined by 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 by allocating retained earnings.

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

Operating activities include:

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

Financing activities include:

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

Cash flow is defined according to the standards of the 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>	12/31/15	12/31/14	12/31/13
<b>OPERATING ACTIVITIES</b>			
Net income for the year	132,486	84,328	32,593
Restatement of earnings related to operating activities			
Tangible and intangible fixed assets, excluding goodwill			
Net provisions/customers and credit institutions	29,211	20,753	13,433
Net provisions/available-for-sale securities			
Net provisions/held-to-maturity securities	-115,108	104,448	
Net provisions for risks/loans	455	12,209	-56
Net gain on sale of fixed assets			
Other transactions without cash payments	-606,237	-1,084,999	683,087
Cash flows on loans to credit institutions and customers	1,439,818	-6,173,992	-10,498
Cash flows on short-term investment securities	1,567,579	899,710	1,071,208
Cash flows on long-term investment securities	628,600	1,308,662	13,824,481
Cash flows on other assets	544,053	-22,109	-267,373
Cash flows on debts/credit institutions and customers	4,798,405	1,904,042	-704,393
Net borrowing	-1,567,500	-3,810,511	-9,218,009
Cash flows on other liabilities	-651,939	589,402	-1,582,255
<b>Net cash flows used for operating activities</b>	<b>6,199,823</b>	<b>-6,168,057</b>	<b>3,842,218</b>
<b>INVESTING ACTIVITIES</b>			
Cash flows related to the sale of:			
Financial assets			
Tangible and intangible fixed assets			
Disbursements for the acquisition of:			
Financial assets			
Tangible and intangible fixed assets			
Net cash flows from other investment activities			
<b>Net cash flows used for investment activities</b>			
<b>FINANCING ACTIVITIES</b>			
Cash flows from share issuances			
Dividends paid	-74,216	-30,429	-125,425
Net issuances of subordinated debt			
Other			
<b>Net cash flows from financing activities</b>	<b>-74,216</b>	<b>-30,429</b>	<b>-125,425</b>
<b>NET CHANGE IN CASH POSITION</b>	<b>6,125,607</b>	<b>-6,198,486</b>	<b>3,716,793</b>
Opening cash position	1,440,760	7,639,246	3,922,453
Closing cash position	5,466,367	1,440,760	7,639,246
<b>Net</b>	<b>4,025,607</b>	<b>-6,198,486</b>	<b>3,716,793</b>
Cash: deposits at Banque de France	5,360,083	1,200,069	7,399,719
Due to credit institutions on demand *	106,284	240,691	239,527
<b>TOTAL</b>	<b>5,466,367</b>	<b>1,440,760</b>	<b>7,639,246</b>
* Of which:			
BPCE	90,442	234,930	235,109

## NOTE 30. FEES OF STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

<i>(in thousands of euros)</i>	KPMG				PricewaterhouseCoopers			
	Amount (incl. tax)		%		Amount (incl. tax)		%	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Audit and other services</b>	<b>313</b>	<b>300</b>	<b>100%</b>	<b>100%</b>	<b>313</b>	<b>300</b>	<b>100%</b>	<b>100%</b>
<b>Audit</b>	<b>313</b>	<b>300</b>	<b>100%</b>	<b>100%</b>	<b>313</b>	<b>300</b>	<b>100%</b>	<b>100%</b>
Statutory Auditors, certification, review of individual and consolidated financial statements	204	201	65%	67%	204	200	65%	67%
Other procedures and services directly related to the Statutory Auditor's assignment	109	99	35%	33%	109	100	35%	33%
Other								

*These amounts are included in the income statement.*

*Other services directly related to the mission of the Auditors are fees for the issuance of letters of comfort.*

## Statutory Auditor's report on the financial statements

*This is a free translation into English of the statutory auditor's report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditor's report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.*

*This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

### **Compagnie de Financement Foncier S.A.**

Registered office: 19, rue des Capucines - 75001 Paris

Share capital: €2,537,459,936

Year ended December 31, 2015

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we hereby report to you, for the year ended 31 December 2015, on:

- the audit of the accompanying financial statements of Compagnie de Financement Foncier S.A. ;
- the justification of our assessments ;
- the specific verifications and information required by law.

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

### **I. OPINION ON THE FINANCIAL STATEMENTS**

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2015 and of the results of its operations for the year then ended in accordance with French accounting principles.

### **II. JUSTIFICATION OF OUR ASSESSMENTS**

In accordance with the requirements of article L.823-9 of the French Commercial Code (Code de commerce), we bring to your attention the following matters:

#### **Provisions for credit risks and for securities risks**

As indicated in Notes 4.3.2 and 4.3.3 to the financial statements, your Company records impairments and provisions to cover the credit risks inherent in its business.

We examined the control procedures put in place by management in relation to the monitoring of credit and counterparty risks, the assessment of the risks of non-recovery as well as the coverage of these risks through impairments and provisions on an individual and collective basis. We also examined the main individual impairments recorded on international public sector securities as mentioned in Note 3 "Post balance sheet events" and we assessed the valuation estimates based on the information available on closing date.

**Valuation of securities and financial instruments**

Your Company holds positions on securities and financial instruments. Notes 4.3.3 and 4.3.7 to the financial statements describe the accounting rules and principles applicable to securities and financial instruments. We examined the control procedures applicable to the related accounting classification and the determination of the criteria used for valuing these positions. As part of our assessment of the accounting rules and principles applied by your Company, we verified that the above-mentioned accounting methods and the related information provided in the notes to the financial statements were appropriate, and ensured that these methods were properly applied.

**Deferred tax assets**

Your Company recognized deferred tax assets, particularly in respect of tax loss carryforwards (Notes 4.3.9 to the financial statements). We reviewed the main estimates and assumptions that led to the recognition of these deferred tax assets.

These assessments were made as part of our audit of the financial statements, taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

**III. SPECIFIC VERIFICATIONS AND INFORMATION**

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors, and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code (Code de commerce) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Paris La Défense, on the March 31, 2016

Neuilly-sur-Seine, on the March 31, 2016

**The Statutory Auditors**

*French original signed by*

**KPMG Audit**

*Jean-François Dandé*  
Partner

**PricewaterhouseCoopers Audit**

*Anik Chaumartin*  
Partner

## ■ Details of the calculation of the overcollateralisation ratio and control of limits

		Net book values or amounts eligible for refinancing (in €k) 1	Weighting (in%) 2	Weighted amounts (in €k) 3
<b>Assets used to cover privileged resources</b>				
<b>1.</b>	<b>Mortgage-backed loans - prime mortgages or equivalent collateral</b>	<b>29,276,680</b>	<b>100%</b>	<b>29,276,680</b>
<b>2.</b>	<b>Promissory notes (Articles L. 313-42 To L. 313-49 of the French Monetary and Financial Code).</b>	<b>6,083,411</b>		<b>6,083,411</b>
2.1.	Of which: Mortgage-backed loans - prime mortgages or equivalent collateral	5,030,463	100%	5,030,463
2.2.	Guaranteed loans	1,052,948		1,052,948
2.2.1.	• Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> has a minimum of the second-highest grade of credit quality.	1,052,948	100%	1,052,948
2.2.2.	• Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> has the third-highest grade of credit quality.		80%	
2.2.3.	• Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company within the consolidation scope of the <i>société de financement de l'habitat</i> has a minimum of the second-highest grade of credit quality.		80%	
2.2.4.	• Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company within the consolidation scope of the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> has the third-highest grade of credit quality.		60%	
<b>3.</b>	<b>Exposures on public entities</b>	<b>33,920,232</b>	<b>100%</b>	<b>33,920,232</b>
	Of which:			
3.1.	• Exposures set out in paragraph 5 of Article L. 513-4 I of the French Monetary & Financial Code			
3.2.	• Exposures set out in paragraph 5 of Article L. 513-4 I of the French Monetary & Financial Code entered in the balance sheet prior to December 31, 2007			
<b>4.</b>	<b>Fixed assets resulting from the acquisition of property under the application of a guarantee</b>		<b>50%</b>	
<b>5.</b>	<b>Safe securities and deposits, and liquidities coming under Article R. 513-6</b>	<b>7,074,959</b>	<b>100%</b>	<b>7,074,959</b>
5.1.	Receivables and securities from credit institutions and investment firms corresponding to subparagraph 1 of Article R. 513-6	4,321,629	100%	4,321,629
5.2.	Receivables and securities from the management of forward financial instruments corresponding to subparagraph 2 of Article R. 513-6	2,753,330	100%	2,753,330
5.3.	Receivables and securities from credit institutions and investment firms corresponding to subparagraph 3 of Article R. 513-6		100%	
<b>6.</b>	<b>Guaranteed loans</b>	<b>1,832,869</b>	<b>100%</b>	<b>1,832,869</b>
6.1.	Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> has a minimum of the second-highest grade of credit quality.	1,832,869	100%	1,832,869

	Net book values or amounts eligible for refinancing <i>(in €k)</i>	Weighting <i>(in%)</i>	Weighted amounts <i>(in €k)</i>
	1	2	3
<b>Assets used to cover privileged resources</b>			
6.2.	Satisfying the conditions of 1-a) in the appendix to regulation No. 99-10: The guarantee company outside the consolidation scope of the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> has the third-highest grade of credit quality.	80%	
6.3.	Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company that is within the consolidation scope of the <i>société de financement de l'habitat</i> has a minimum of the second-highest grade of credit quality.	80%	
6.4.	Satisfying the conditions of 1-b) in the appendix to regulation No. 99-10: The guarantee company that is within the consolidation scope of the <i>société de financement de l'habitat</i> has the third-highest grade of credit quality.	60%	
<b>7. Shares, equities and debt securities issued by a securitisation entity</b>			
7.1.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 2-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> before December 31, 2011 that have the highest grade of credit quality (until December 31, 2014).	100%	
	Of which:		
7.1.1.	• Assets are at least 90% composed of loans to natural persons to finance housing		
7.1.2.	• Assets are 90% composed of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II		
7.1.3.	• Assets are 90% composed of exposures defined in Article L. 513-4		
7.2.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 2-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> before December 31, 2011 that have the second-highest grade of credit quality (until December 31, 2014).	80%	
	Of which:		
7.2.1.	• Assets are at least 90% composed of loans to natural persons to finance housing		
7.2.2.	• Assets are 90% composed of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II		
7.2.3.	• Assets composed 90% of exposures defined in Article L. 513-4		
7.3.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 2-b) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> after December 31, 2011 and shares, equities and debt securities acquired or financed prior to that date that have the highest grade of credit quality from January 1, 2015.	100%	

	Net book values or amounts eligible for refinancing <i>(in €k)</i>	Weighting <i>(in%)</i>	Weighted amounts <i>(in €k)</i>
	1	2	3
<b>Assets used to cover privileged resources</b>			
	Of which:		
7.3.1.	• Assets composed at least 90% of loans to natural persons to finance housing		
7.3.2.	• Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II		
7.3.3.	• Assets composed 90% of exposures defined in Article L. 513-4		
7.4.	Shares, equities and debt securities issued by a securitisation or similar entity whose assets have been disposed of exclusively by entities belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 2-b) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> after December 31, 2011 and shares, equities and debt securities acquired or financed prior to that date that have the second-highest grade of credit quality from January 1, 2015.	50%	
	Of which:		
7.4.1.	• Assets composed at least 90% of loans to natural persons to finance housing		
7.4.2.	• Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II		
7.4.3.	• Assets composed 90% of exposures defined in Article L. 513-4		
7.5.	Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 3-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> before December 31, 2011 that have the highest grade of credit quality (until December 31, 2014).	100%	
	Of which:		
7.5.1.	• Assets composed at least 90% of loans to natural persons to finance housing		
7.5.2.	• Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II		
7.5.3.	• Assets composed 90% of exposures defined in Article L. 513-4		
7.6.	Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 3-a) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> before December 31, 2011 that have the second-highest grade of credit quality (until December 31, 2014).	50%	
	Of which:		
7.6.1.	• Assets composed at least 90% of loans to natural persons to finance housing		
7.6.2.	• Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513-3 II		
7.6.3.	• Assets composed 90% of exposures defined in Article L. 513-4		

	Net book values or amounts eligible for refinancing (in €k) 1	Weighting (in%) 2	Weighted amounts (in €k) 3
<b>Assets used to cover privileged resources</b>			
7.7.	Shares, equities and debt securities issued by a securitisation or similar entity some of whose assets have been disposed of by an entity not belonging to the same consolidation scope as the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> and satisfying the conditions of 3-b) of the appendix to regulation 99-10: shares, equities and debt securities acquired or financed by the <i>société de crédit foncier</i> or <i>société de financement de l'habitat</i> after December 31, 2011 and shares, equities and debt securities acquired or financed prior to that date that have the highest grade of credit quality from January 1, 2015.	100%	
	Of which:		
7.7.1.	• Assets composed at least 90% of loans to natural persons to finance housing		
7.7.2.	• Assets composed 90% of loans mentioned in Article L. 513-3 that do not fall within the scope of R. 513- II		
7.7.3.	• Assets composed 90% of exposures defined in Article L. 513-4		
<b>8.</b>	<b>Other assets</b>	<b>100%</b>	<b>7,761,533</b>
8.1.	Other class 1 items	100%	5,363,379
8.2.	Other class 2 items	100%	605,763
8.3.	Other class 3 items	100%	1,792,387
8.4.	Other class 4 items	100%	4
<b>9.</b>	<b>Transactions deducted from assets</b>	<b>100%</b>	<b>2,901,456</b>
9.1.	Funds received from clients awaiting charging, recorded under liabilities on the balance sheet	100%	408
9.2.	Security repurchase agreements: securities sold	100%	2,901,048
9.3.	Receivables funded in the conditions set by Articles L. 313-23 to L. 313-34 of the French Monetary & Financial Code	100%	
9.4.	Assets deducted following the implementation of Article 9 of Regulation 99-10	100%	
<b>10.</b>	<b>TOTAL WEIGHTED AMOUNTS OF ASSETS (1+2+3+4+5+6+7+8+9)</b>	<b>A</b>	<b>83,048,227</b>
	<b>Coverage ratio</b> (with 2 decimals) (a/l x 100)		122.07

<b>Resources having the privilege defined in Article L. 513-11 of the French Monetary &amp; Financial Code: liabilities</b>		<b>Amounts</b> <i>(in €k)</i>
<b>1.</b>	<b>Privileged resources from credit institutions</b>	<b>0</b>
1.1.	of which nominal amount	0
<b>2.</b>	<b>Privileged resources from clients</b>	
2.1.	Financial clients	
2.2.	Non-financial clients	
2.3.	of which nominal amount	
<b>3.</b>	<b>Securities with privilege</b>	<b>69,123,577</b>
3.1.	Obligations foncières or housing finance bonds	67,860,404
3.2.	Negotiable debt securities	150,000
3.3.	Other securities with privilege	
3.4.	Debts related to these securities	1,113,173
3.5.	To be deducted: obligations foncières or housing finance bonds issued and subscribed for by the credit institution when they are not used as collateral for credit transactions by Banque de France	
3.6.	Subtotal	69,123,577
3.7.	of which nominal amount	68,010,404
<b>4.</b>	<b>Amounts due in respect of the contract provided for by Article L. 515-22 of the French Monetary and Financial Code</b>	<b>17,292</b>
<b>5.</b>	<b>Amounts due in respect of the forward financial instruments having the privilege defined under Article L. 515-19 of the French Monetary and Financial Code</b>	<b>-1,107,086</b>
5.1.	of which impact of variations in exchange rate on the nominal amount of privileged resources	-1,173,295
<b>6.</b>	<b>Liabilities resulting from the incidental expenses set out in the last paragraph of Article L. 515-19 of the French Monetary and Financial Code</b>	<b>204</b>
<b>7.</b>	<b>Privileged resources (1+2+3+4+5+6)</b>	<b>68,033,987</b>
	<b>P</b>	
<b>8.</b>	<b>NOMINAL AMOUNT OF PRIVILEGED RESOURCES (1.1+2.3+3.7+5.1)</b>	<b>66,837,108</b>

<b>Audit of the limits applicable to asset classes (ratio with 2 decimals)</b>		<b>Ratios/Amounts</b> <i>(in % / €k)</i>
<b>1.</b>	<b>Total assets</b>	<b>87,578,310</b>
2.1.	Loans guaranteed held directly	1,849,652
2.2.	Guaranteed loans included as assets of securitisation or similar entities, or assigned by promissory notes	1,052,948
2.3.	Total guaranteed loans (2.1 + 2.2) / asset (1) ( $\leq 35\%$ except for housing finance companies)	3.31%
3.1.	Promissory notes held directly	5,755,214
3.2.	Promissory notes included as assets of securitisation or similar entities	
3.3.	Total promissory notes (3.1 + 3.2) / asset (1) ( $\leq 10\%$ )	6.57%
4.	Total shares, equities and debt securities of securitisation or similar entities satisfying the conditions of Section II of Article R. 513-3 of the French Monetary & Financial Code and not satisfying Section IV of Article R. 513-3/nominal amount of privileged resources ( $\leq 10\%$ )	0.00%
4.1.	Total shares, equities and debt securities of securitisation or similar entities held satisfying the conditions of Section II of Article R. 513-3 of the French Monetary & Financial Code and not satisfying Section IV of Article R. 513-3 / nominal amount of privileged resources	0.00%
5.	Total shares, equities and debt securities of securitisation or similar entities satisfying the conditions of Section III of Article R. 513-3 of the French Monetary & Financial Code and not satisfying Section IV of Article R. 515-3/nominal amount of privileged resources ( $\leq 10\%$ )	0.00%
5.1.	Total shares, equities and debt securities of securitisation or similar entities held satisfying the conditions of Section III of Article R. 513-3 of the French Monetary & Financial Code and not satisfying Section IV of Article R. 513-3/nominal amount of privileged resources	
6.	Total exposures covered under paragraph 5 of Section I in Article L. 515-15 of the French Monetary & Financial Code/nominal amount of privileged resources ( $\leq 20\%$ )	
7.	Safe and liquid assets / nominal amount of privileged resources ( $\leq 15\%$ )	6.47%

## ■ Details of the calculation of the overcollateralisation ratio and control of limits

Details of the calculation of the 25% exposure limit to assets of related parties pursuant to the final subparagraph of Article 9 of regulation No. 99-10		Amounts	Weighting	Weighted
		(in €k)	(in %)	amounts (in €k)
		1	2	3
<b>1</b>	<b>Exposures to the entities mentioned in the third subparagraph of Article R. 513-8 of the French Monetary &amp; Financial Code</b>	7,389,063	100%	7,389,063
	Of which:			
1.1	Receivables and securities from credit institutions corresponding to subparagraphs 1 and 3 of Article R. 513-6 of the French Monetary & Financial Code	7,144,370	100%	7,144,370
1.2	Receivables and guarantees corresponding to subparagraph 2 of Article R. 513-6 of the French Monetary & Financial Code (including receivables and guarantees connected with the management of forward financial instruments)	0	100%	0
1.3	Other assets	244,693	100%	244,693
1.3.1	Interest accrued on swaps	166,411	100%	166,411
1.3.2	Accrued income	0	100%	0
1.3.3	Other	78,282	100%	78,282
<b>2</b>	<b>Non-privileged resources</b>	<b>18,084,988</b>	<b>100%</b>	<b>18,084,988</b>
2.1	Amount of the 25% limit of non-privileged resources provided for in Article 9 of CRBF Regulation No. 99-10	4,521,247		
<b>3</b>	<b>Assets received in guarantee, as security or outright with respect to 1 pursuant to Articles L. 211-36 to L. 211-40, L. 313-23 to L. 313-35 and L. 342 to L. 313-49 of the French Monetary &amp; Financial Code</b>	<b>4,305,565</b>	100 %	<b>4,305,565</b>
3.1	Assets weighted at 100%	4,305,565	100%	4,305,565
3.2	Assets weighted at 80%		80%	
3.3	Assets weighted at 60%		60%	
3.4	Assets weighted at 50%		50%	
<b>4</b>	<b>Amount to be deducted from assets</b>			





# 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 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 the Compagnie de Financement Foncier

Compagnie de Financement Foncier's business model is, by its very nature, highly secure. 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.

### 1.1. Main risks

Compagnie de Financement Foncier is exposed to three main risk categories which are presented below.

#### ■ CREDIT AND COUNTERPARTY RISK

The credit risk of customer loans mainly corresponds to the risk of a deterioration of the borrower's financial situation or the associated risk of default, which can lead to non-repayment of a portion of the principal or interest.

The particularly low credit risk profile of Compagnie de Financement Foncier is due to:

- the intrinsic quality of the counterparties concerned: the French and International public sector and retail customers (individuals) in France for first-rank mortgage loans;
- the robustness of the initial loan granting process, based on eligibility criteria and on loan selection and rating procedures and systems; strengthened by Compagnie de Financement Foncier's process of loan selection;
- nature of financings and the size and diversity of the guarantee process, underpinned by a careful selection process when the assets are acquired (see section 6.3).

For further details, refer to section 6 of this report.

#### ■ FINANCIAL RISKS

Asset and liability management covers three major types of risk: liquidity risk, interest rate risk and foreign exchange risk.

- **Liquidity risk** is the risk of not being able to honour one's commitments or not being able to unwind or offset a position, within a given period and at a reasonable cost, subject to market condition. Compagnie de Financement Foncier's exposure to liquidity risk is assessed mainly by determining a liquidity gap.
- **Interest rate risk** is the risk incurred in the event of interest rate fluctuations stemming from all balance sheet and off-balance sheet transactions.  
Compagnie de Financement Foncier's exposure to interest rate risk is assessed mainly by determining an interest rate gap.
- **Foreign exchange risk** is the risk incurred in the event of exchange rate fluctuations (against Euro) stemming from all balance sheet and off-balance sheet transactions. Monitoring and measurement indicators correspond to measurement of foreign exchange positions by currencies.

For further details, refer to section 7 of this report.

### ■ EARLY REPAYMENTS RISK

For Compagnie de Financement Foncier, it is the risk to see an important part of its customers, mostly individuals, to fully repay their loan in anticipation, especially in the case of a strong decrease in interest rates and a harder competition between lending banks.

Early repayment penalties paid by customers are limited by French law. Therefore, Compagnie de Financement Foncier is exposed to losses of the future cash-flows from interest that should have been paid until maturity.

### ■ OPERATING RISKS

The operating risk, mainly carried out by Crédit Foncier, is the risk of losses due to mismatches or weaknesses in internal procedures, or external incidents, whether deliberate, inadvertent or of a natural cause. Internal processes include, but are not limited to, human resources and information systems, risk management and internal control mechanisms (including fraud prevention). External incidents include floods, fire, storms, earthquakes and terrorist acts.

For further details, refer to section 8 of this report.

## 1.2. Risk factors

### ■ 1.2.1. POTENTIAL IMPACT OF CREDIT RATINGS ON THE PROFITABILITY OF COMPAGNIE DE FINANCEMENT FONCIER

Credit ratings from credit rating agencies have an important impact on liquidity for Compagnie de Financement Foncier in the financial markets. A rating downgrade may limit its access to capital markets, derivatives and collateralised funding. Funding costs are also the result of the markets' perception of the issuer's solvency.

### ■ 1.2.2. POTENTIAL IMPACT OF PROVISIONS ON THE RESULTS OR FINANCIAL POSITION OF COMPAGNIE DE FINANCEMENT FONCIER

Compagnie de Financement Foncier records provisions for doubtful receivables, which are booked in its income statement under "cost of risk". The overall level of provisions is decided based on collateral value, historical losses, the volume and types of loans granted, market practices, loan arrears, economic conditions or other factors that reflect the recovery rate of various loans. Although Compagnie de Financement Foncier aims to record sufficient provisions, an increase in non-performing assets, a deterioration in economic conditions which may trigger an increase in counterparty defaults and bankruptcy, or any other reason may lead Compagnie de Financement Foncier to increase these provisions in the future. Any significant increase in provisions or a significant change in the Crédit Foncier group's risk of loss estimates for its unimpaired loan portfolio, any change in accounting standards, or any losses in excess of provisions recorded for the loans in question, may have an unfavourable impact on Compagnie de Financement Foncier's results and financial position.

### ■ 1.2.3. POTENTIAL IMPACT OF UNEXPECTED FUTURE EVENTS ON THE FINANCIAL STATEMENTS OF COMPAGNIE DE FINANCEMENT FONCIER

According to current accounting standards and interpretations, Compagnie de Financement Foncier must base its financial statements on certain estimates, in particular accounting estimates relating to the determination of provisions for doubtful loans and receivables, provisions for potential claims and litigation, and the fair value of certain assets and liabilities. If the values used for these estimates prove to be materially inaccurate, in particular in the event of sharp or unexpected moves in the markets, or if the methods used to calculate these values are modified due to future changes in accounting standards or interpretations, Compagnie de Financement Foncier may be exposed to unexpected losses.

### ■ 1.2.4. POTENTIAL IMPACT OF INTEREST RATE CHANGES ON COMPAGNIE DE FINANCEMENT FONCIER'S NET BANKING INCOME AND RESULTS

Net interest income cashed-in during a given period can significantly impact the net banking income and the profitability of this period. Interest rates are sensitive to numerous factors. Market interest rates fluctuations can directly impact productive assets, especially through early repayments level.

In Compagnie de Financement Foncier's case, early repayments result not only in loss of interest incomes but also in an additional expense because of accelerated amortization of premiums. Indeed, Compagnie de Financement Foncier buys loans under its specific funding conditions on the market at the purchase date. Part of Compagnie de Financement Foncier loans are bought with a premium. This premium must be fully cancelled in case of early repayment.

The accumulation of these two factors, loss in revenue and accelerated amortization of premiums, may result in important decrease of net banking income, only partly offset by the early repayment penalties received, the latter being limited by law.

According to its risk policy, Compagnie de Financement Foncier ensures the matching of any new operation and the adaptation of

its hedging of interest rate risk. Early repayments can also result in additional costs due to macro hedging adaptation through the resiliation of financial instruments (swaps).

Finally, interest rates fluctuations also impact interest income and expenses through the changes in funding cost.

For further details, refer to section 7 of this report.

### 1.2.5. POTENTIAL IMPACT OF EXCHANGE RATE CHANGES ON COMPAGNIE DE FINANCEMENT FONCIER'S RESULTS

Compagnie de Financement Foncier can carry out some of its market financing activities in currencies other than Euro, and changes in exchange rates may affect its net banking income and results. As part of its risk management policy, Compagnie de Financement Foncier operates micro-hedging transactions to individually hedge its exposure to exchange rate risk until termination date.

For further details, refer to section 7 of this report.

### 1.2.6. POTENTIAL IMPACT ASSOCIATED WITH GROUPE CREDIT FONCIER'S STRATEGY

At the year-end 2011, groupe Crédit Foncier announced its strategic plan for a five-year period. Its implementation was ramped up in November 2013 when the parent company, Groupe BPCE, set in motion its "Another way to grow" strategic plan. Two main reasons were behind this acceleration: tightening of regulatory constraints and an economic and financial environment that prompted international asset disposals.

This plan, which is updated annually, is defined around five focus areas: (i) the development of the core business in France serving Crédit Foncier clients and those of Groupe BPCE's retail banking networks; (ii) end of international activities and balance sheet deleveraging; (iii) development of new ways of funding in addition to *obligations foncières*; (iv) cost savings aimed at improving Crédit Foncier's ability to withstand adversity and enabling its business lines to attain a sufficient level of profitability and, (v) strengthening of the synergies with Groupe BPCE.

As part of the strategic plan, groupe Crédit Foncier has announced a number of financial targets, which are based on assumptions but which in no way constitute a projection or forecast of expected earnings. The actual earnings of groupe Crédit Foncier and of Compagnie de Financement Foncier are likely to vary from these targets for various reasons, including the occurrence of one or more of the risk factors described in this section.

### 1.2.7. POTENTIAL IMPACT OF OFF-BALANCE SHEET NETTING

With respect to derivatives, relations between Compagnie de Financement Foncier and the derivative counterparty are governed by a framework market agreement in keeping with international standards. Any framework agreement is negotiated by the operators and the lawyers of the Front Office in coordination with the Risk Management Division.

This, signed in advance by the parties, makes it possible to significantly limit the credit risk to which Compagnie de Financement Foncier is exposed. This framework agreement allows netting of exposures to a single group, which limits the use of regulatory capital. The framework market agreement allows the option of reducing the exposure to the credit risk through the margin call mechanism.

Compagnie de Financement Foncier has a policy of systematically signing asymmetrical master agreements that establish that only counterparties will provide collateral, when the derivative's value is positive towards Compagnie de Financement Foncier, depending on their rating. The amount of collateral and the frequency at which collateral is deposited are defined in this framework agreement. The establishment of a trigger threshold or a minimum transfer amount represents a residual credit risk.

When the value of derivatives with a counterparty is positive towards the counterparty, Compagnie de Financement Foncier does not post collateral to this counterparty.

Furthermore, in accordance with the exemption set out in the EMIR directive and in its enabling legislation for issuers of Covered Bonds, Compagnie de Financement Foncier does not clear its derivatives through a clearing house.

### 1.2.8. POTENTIAL IMPACT OF ANY INTERRUPTION OR FAILURE OF THE INFORMATION SYSTEMS BELONGING TO COMPAGNIE DE FINANCEMENT FONCIER OR A THIRD PARTY

Compagnie de Financement Foncier is highly dependent on its communication and information systems, as a large number of increasingly complex transactions are processed in the course of its activities. Any failure, interruption or malfunction in these systems may cause errors or interruptions in the systems used to manage accounting, transactions and/or to process loans. Compagnie de Financement Foncier is exposed to the risk of the operational malfunction of the information systems of Crédit Foncier's and its service providers.

For further details, refer to section 8 of this report.

### 1.2.9. RISKS RELATING TO REGULATORY DEVELOPMENTS

Compagnie de Financement Foncier is subject to a significant regulation. Regulatory measures and changes thereto may adversely affect the business and results of Compagnie de Financement Foncier.

## 2. Governance and risk management system

### 2.1. Organisation of the risk, compliance and permanent control coordination divisions

The Risk and Compliance Division of Crédit Foncier is responsible for internal control and compliance for Compagnie de Financement Foncier. It is comprised of the Risk department, the Compliance and Permanent Control Coordination Division, 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 organisation set up at Crédit Foncier.

#### 2.1.1. ORGANISATION OF GROUPE CRÉDIT FONCIER'S RISK DEPARTMENT

Crédit Foncier Risk department, reporting functionally to Groupe BPCE Risk department, 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 organisation, 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 equity 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 General 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 an integral part of Crédit Foncier's overall organisation: Compagnie de Financement Foncier's Risk Executive Committee and Crédit Foncier's Internal Control Committee are the umbrella committees of this organisation.

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;
- analysing 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 analysing stress scenarios and monitoring capital.

The Asset and Liability Management Committee and the Liquidity Committee dedicated to Compagnie de Financement Foncier, are the ALM decision-making bodies: they are responsible for financial risk management in line with the risk policy and limits established by the Executive Management of Compagnie de Financement Foncier acting on proposals from the Risk Executive Committee in accordance with Groupe Crédit Foncier rules.

#### 2.1.2. ORGANISATION OF GROUPE CRÉDIT FONCIER'S COMPLIANCE DIVISION

The Compliance Division of Crédit Foncier reports functionally to the Compliance and Security Division (DCSG) of Groupe BPCE and is independent of all other functions as required by banking regulations. In the framework of the Compliance Charter and the area coordinated by the DCSG, the division is responsible for the implementation of procedures and permanent controls relating to compliance and to banking and finance ethics as well as the prevention of money laundering and the financing of terrorism. It also ensures fraud prevention and fraud processing.

It is also supported by the permanent control unit, led by the Permanent Control Coordination Division and quarterly reports to Compagnie de Financement Foncier.

### 2.1.3. ORGANISATION OF GROUPE CRÉDIT FONCIER'S PERMANENT CONTROL COORDINATION DIVISION

The Permanent Control Coordination Division, which ensures the existence and effectiveness of internal control mechanisms, works in close cooperation with first level internal auditors that report hierarchically to the Deputy Chief Executive Officers and with the General Secretariat of Compagnie de Financement Foncier.

### 2.1.4. ORGANISATION OF THE CONTINGENCY AND BUSINESS CONTINUITY PLAN DIVISION (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 Chief Risk and Compliance Officer of Crédit Foncier.

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

### 2.1.5. ORGANISATION OF THE INFORMATION SYSTEMS SECURITY DIVISION

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

Governance in terms of Information Systems Security at Groupe Crédit Foncier is organised around:

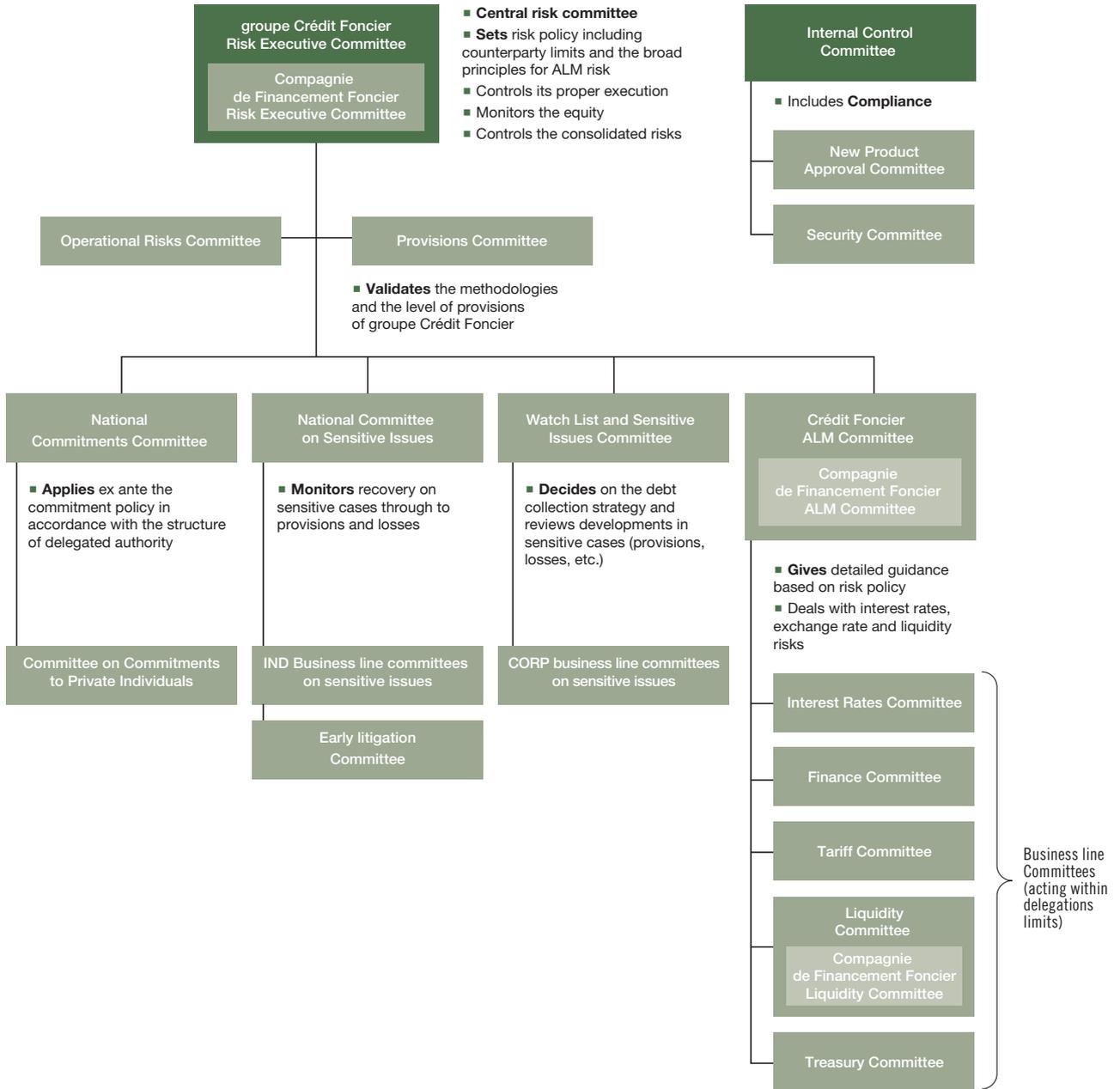
- Information Systems Security Policy (ISSP) specific to Crédit Foncier, coordinated with the Information Systems Security Policy of Groupe BPCE;
- bodies such as the Internal Information Systems Security Committee (ISSIC) chaired by a member of senior management, and attended by the Security Officer of Compagnie de Financement Foncier;
- permanent control mechanism for Information Systems Security, combined with a quarterly security report (security indicators).

### 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.

All Groupe BPCE entities thus provide that all data transferred to Group regulatory production systems are checked for accounting consistency at least quarterly.

**RISK ORGANISATION – COMMITTEE STRUCTURE**



## 2.2. Debt selection process

Compagnie de Financement Foncier's receivables selection process takes place in two steps:

- selection by Crédit Foncier during its loan origination process;
- acquisition process during which Compagnie de Financement Foncier uses special filters to screen loans acquired from Crédit Foncier.

The analysis is similar for purchasing loans and receivables to another entity of Groupe BPCE.

### 2.2.1. COMMITMENT SELECTION AND MONITORING SYSTEM AT CRÉDIT FONCIER

Commitment selection and monitoring relies on:

- implementation of risk policies across activities (loans to individuals, public and private corporates), in line with Group credit policies;
- definition of delegations, primarily with regard to public corporates and the consumer business;
- a system of fixed limits governing main corporate exposures, in order to manage concentration risks;
- system for assessing borrowers' creditworthiness and the quality of transactions using internal rating engines and counteranalysis;
- risk monitoring primarily achieved through the following mechanisms: quarterly review of portfolios, committees dealing with 'sensitive issues' and internal, external and regulatory reporting;
- risk management leading to the measurement and the prospective management of risks.

### 2.2.2. CREDIT RISK ANALYSIS

Loan assessment tools are organised around two mechanisms:

- counteranalysis;
- ratings-based creditworthiness assessment during loan origination and regular monitoring based on the type of loan.

#### COUNTERANALYSIS MECHANISM

The counteranalysis system is related to a delegation chain that provides for three levels of review:

- at the distribution channel level with an integrated scoring up to a certain level for the portfolio, with the Risk department attending committees, which have a right of evocation;
- the level of the National Committee on Commitments where a representative of the Risk department expresses an opinion supported by his own counteranalysis. He has no say in the decision; for amounts above a specified limit, the Group Risk department is asked to approve the execution of the transaction.

Loans are subject to a first analysis by the business lines (commercial and exposure to private individuals), followed by a counteranalysis performed by a special independent unit.

This counteranalysis falls within the exclusive competence of Risk department and is performed for all requests for financing submitted to the National business lines commitments committees.

#### RATING APPROACH

##### Individuals

The system for rating the creditworthiness of Individuals is specific to Crédit Foncier especially because it has no deposit accounts.

During the origination process, this system relies on a score based on both an expert system and a statistical rating.

Loan portfolio risk monitoring is carried out via a monthly rating using the features of the property transaction and of the borrower at the time of origination, as well as information on any potential past due payments.

The rating scales are specific to the type of transaction: home ownership or loans for rental housing.

##### Public and international operators

For legal entities (private or public) and not assimilated to private individuals, each counterparty is rated based on a unique set of internal rating approaches employed Group-wide in Groupe BPCE.

The rating of this portfolio relies on internal rating applications developed by Groupe BPCE. For counterparties of legal public entities, the rating approach is based on quantitative and qualitative creditworthiness assessments.

Ratings are reviewed annually.

The IPS portfolio is rated internally. As in past years, an effort to re-rate IPS outstandings was led in the fourth quarter based on the most recent accounting and financial data available.

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

### 2.2.3. ELIGIBILITY CRITERIA FOR CRÉDIT FONCIER AND PURCHASING OR MOBILISATION FILTER

The asset acquisition process implemented by Compagnie de Financement Foncier is very prudent and supplements a loan granting system that already ensures quality assets.

##### Individuals

Compagnie de Financement Foncier acquires loans:

- that finance home ownership and rental housing;
- that are secured by a first-ranking mortgage guarantee or equivalent.

Loan origination is carried out almost exclusively by Crédit Foncier. Compagnie de Financement Foncier can, however, acquire loans from other credit institutions. The *modus operandi* for selecting loans is then adjusted accordingly.

After loan origination by Crédit Foncier in accordance with existing policies and eligibility criteria, Compagnie de Financement Foncier acquires loans presenting a risk of default below a certain threshold, based on a selection process (which may involve a period of observation).

Eligible collateral are:

- first-ranking mortgages or equivalent;
- State guarantee provided by the guarantee fund for home ownership for low-income households (SGFGAS);

- on a more marginal scale, a guarantee from Crédit Logement, a financial company rated Aa3 by Moody's on December 31, 2015.

The LTVs applied to the mortgage value allow the determination of the outstanding amount of the loan that can be financed by privileged liabilities:

- 100% for SGFGAS guarantees;
- 80% for home loans granted to private individuals and secured by a first-rank mortgage or equivalent;
- 60% for the others (relating mainly to social housing).

In addition, Company de Financement de Foncier uses a rating filter:

### ■ For all Crédit Foncier entities except the Belgian branch

Filter conditions								Disposal	
Performing and not considered doubtful over the last 2 years	Segment or sub-segment known	Segment and sub-segment eligible	Age of the loan	≤	Rating of outstanding	1 to 7	Origination score	0 to 5	✓
				4 years		8,9,10, Unrated		6 to 9, Unrated	✗
			Age of the loan	>	Rating of outstanding	1 to 7			✓
				4 years		8,9,10, Unrated		✗	
		Segment or sub-segment not eligible							✗
	Segment or sub-segment known	Segments or sub-segments reconstituted eligible	Age of the loan	≤	Rating of outstanding	1 to 7	Origination score	0 to 5	✓
				4 years		8,9,10, Unrated		6 to 9, Unrated	✗
			Age of the loan	>	Rating of outstanding	1 to 7			✓
				4 years		8,9,10, Unrated		✗	
		Reconstituted segments or sub-segments (using the default rule based on product, zip code, etc.) not eligible							✗
Doubtful (CX, DX, RX) <b>or</b> Performing and having been doubtful over the last 2 years									✗

NB: Due to the IT migration of November 2015, an exceptional loan disposal was carried out on a larger perimeter but with a resolution clause in case of default.

## ■ Belgian branch

Purchases are only carried out through assignment.

Rating of outstanding	Filter conditions			Assignment?	
	0 to 8	Age	<= 1 year	Origination score	0 to 2 3 to 9
			> 1 year		✓ x
	9, CX, DX, RX				x
	Unrated				x

## French public sector

Compagnie de Financement Foncier's acquisition criteria on loans to French Local Authorities (FLA) were based on BPCE's internal rating system.

This rating covers the borrower's inherent characteristics (budget, degree of indebtedness, creditworthiness, etc.).

The lowest ratings are systematically excluded from selection.

## International public financing

Compagnie de Financement Foncier holds exposures to international counterparties that meet the eligibility requirements of the French Monetary and Financial Code. Since 2011, this portfolio has been in run off management. Before the phase-out, the loans selected at origination were concentrated on counterparties with the highest ratings, most of them step 1 ( $\geq$  AA-).

## ■ 2.2.4. CREDIT LIMITS

### Assigning credit limits

Compagnie de Financement Foncier's credit limits system incorporates the same limits as those used by Groupe Crédit Foncier, notably with regard to country limits and individual limits.

Groupe BPCE entities must, at their respective levels, adhere to the limitations placed on their operations determining the rules for risk diversification among the portfolios and to the regulatory limits applicable to managing major risks.

Validated by the Risk Executive committee, these individual limits, prepared and proposed by the Risk department, are subject to update, control, monitoring and a range of reporting requirements at the initiative of the Risk department. These limits are also followed at Groupe Crédit Foncier's level.

### Managing limit breaches and alert procedure

#### GENERAL PRINCIPLES

Compliance with limits is checked during regular counteranalysis prior to the review of loans by the Commitment Committees. A statement of breaches is submitted to Compagnie de Financement Foncier's Risk Executive Committee.

#### BANK COUNTERPARTIES

In accordance with the arrangements set out in the management agreements between the two institutions, compliance with limits on the counterparties to the financial transactions of Compagnie de Financement Foncier is monitored by the Permanent Control Unit of the Financial Transactions department and secondarily by the Risk department.

These limits are established for Compagnie de Financement Foncier's banking counterparties (primarily for hedging and treasury management requirements) and are regularly reviewed in *ad hoc* committees. Monitoring of compliance with the limits is carried out on a daily basis by next-day observation. Related usage is updated in real time by the Front Office. It should be noted that the framework contracts with bank counterparties include a systematic margin call for the value of the transactions, based on the counterparty's rating, to be paid only by the counterparties, not by Compagnie de Financement Foncier.

All breaches are reported in real time to the executive management of Compagnie de Financement Foncier and Crédit Foncier.

## ■ 2.2.5. RISK MONITORING

Risk monitoring relies on three main components:

- the quarterly review of portfolios with a view to ensuring the overall quality of exposures and controlling the recognition of provisions for credit losses;
- at a minimum, monthly monitoring of sensitive operations involving corporate clients and quarterly monitoring of individual clients;
- production of internal, external and regulatory reporting.
- special rules apply to the structured products of the French public sector.

### PORTFOLIO REVIEWS

Regular reviews are conducted to evaluate the quality of the exposures. This implies stringent analysis of the quality of each exposure performed by the business lines and the Risk department. This analysis extends to all of Crédit Foncier's large exposures as well as of Compagnie de Financement Foncier.

### MONITORING OF SENSITIVE ISSUES

This kind of monitoring concerns loans considered by the institution to be troubled or likely to encounter trouble in the future. Such monitoring involves ruling on the classification of the concerned loans or their servicing status (performing/doubtful/in litigation).

#### Individuals

This type of monitoring is carried out by the National Committee on Sensitive Issues (CNAS), which meets at least quarterly to review troubled loans and to recommend the potential recognition of a provision for credit loss.

**Public sector and social housing**

This type of monitoring is carried out via Groupe Crédit Foncier's Watch List which includes Compagnie de Financement Foncier's assets. The Watch List is reviewed quarterly. It lists all the counterparties requiring special attention due to the potentially high risk they represent. The Watch List concerns performing or doubtful loans but not loans already in the process of litigation by the Litigation department. The fact of being placed on the Watch List does not trigger the automatic suspension of credit lines or a downgrade of the counterparty to doubtful.

Additionally, troubled loans are reviewed more frequently in the sensitive cases committees.

In the framework of monitoring the structured products of public sector operators, and in coordination with Groupe BPCE, a signatory to the Gissler Charter, Groupe Crédit Foncier closely monitors these transactions, enabling it to alert customers in advance about the market development impacts.

## 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, L. 513-5 and L. 513-6 of the French Monetary and Financial Code, backed

by a first-rank mortgage (or equivalent real estate security or, to a lesser extent, a surety);

- exposure to public entities, as defined under Articles L. 513-4 and L. 513-5;
- and replacement values as defined in Article L. 513-7, limited to 15% of the nominal value of the privileged resources.

### ■ Breakdown of assets by guarantee

	12/31/2015		12/31/2014	
	€m	% balance sheet	€m	% balance sheet
<b>Secured loans</b>				
<b>Articles L. 513-3, L. 513-5 and L. 513-6</b>	<b>37,953</b>	<b>43.3%</b>	<b>40,390</b>	<b>45.9%</b>
Mortgage loans secured by the FGAS	16,594	18.9%	15,818	18.0%
Other mortgage loans	13,754	15.7%	16,329	18.6%
Mortgage notes	5,755	6.6%	7,323	8.3%
Guaranteed loans	1,850	2.1%	920	1.0%
<b>Exposures to public authorities Articles L. 513-4 and L. 513-5</b>	<b>39,304</b>	<b>44.9%</b>	<b>36,399</b>	<b>41.4%</b>
Public sector loans	12,000	13.7%	13,110	14.9%
Public loans mobilised under L. 211-38	12,846	14.7%	12,632	14.4%
Public entity securities	9,098	10.4%	9,457	10.8%
Deposits at Banque de France	5,360	6.1%	1,200	1.4%
<b>Other assets (interests on IFAT, adjustment accounts, etc.)</b>	<b>3,246</b>	<b>3.7%</b>	<b>4,214</b>	<b>4.8%</b>
<b>Replacement values</b>				
<b>Article L. 513-7</b>	<b>7,075</b>	<b>8.1%</b>	<b>6,946</b>	<b>7.9%</b>
<b>TOTAL ASSETS</b>	<b>87,578</b>	<b>100.0%</b>	<b>87,949</b>	<b>100.0%</b>

At end-2015, Compagnie de Financement Foncier's balance sheet was little changed although with a relative decline in long-term investments against an equivalent increase in cash. It also remains balanced between mortgage assets and public sector assets.

The decrease in the real estate loans portfolio reflects the unprecedented wave of redemptions of loans to individuals that affected all banking networks (14.8% for Compagnie de Financement Foncier in 2015, compared with 6.5% in 2014), acquisitions during the year covered ordinary portfolio repayments excluding the extraordinary early repayments during the year.

The long-term public exposures portfolio, excluding deposits at Banque de France, was down €1.4bn year-on-year from €35.2bn to €33.9bn, on the back of sales of international assets but also more limited acquisitions that did not offset natural portfolio repayments.

Moreover, the breakdown of assets by region remained almost unchanged during the year, foreign change adjustments partly offset the decrease related to international exposures disposals: 87% of the assets on the balance sheet had an underlying located in France.

At December 31, 2015, international assets, mainly from the public sector, amounted to €10.6bn, broken down in three categories:

- four countries with the highest exposures, namely Italy (€3.6bn), the United States (€2.0bn), Japan (€1.6bn) and Switzerland (€1.3bn);
- four countries with moderate exposure, namely Belgium (€0.6bn), Spain (€0.6bn), Canada (€0.5bn) and Poland (€0.4bn);
- and three other countries with outstanding amounts under €0.1bn, Portugal, Netherlands and Iceland.

## 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 resources 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 resources in terms of debt ranking priority are consisting of unsecured debts with different counterparties, subordinated debts and lastly equity which is mainly provided by Crédit Foncier.

### ■ Breakdown of liabilities by guarantee rank

	12/31/2015		12/31/2014	
	€m	% balance sheet	€m	% balance sheet
<b>Privileged liabilities</b>	<b>68,034</b>	<b>77.7%</b>	<b>70,579</b>	<b>80.3%</b>
Obligations foncières at the reporting date	68,972	78.8%	71,135	80.9%
Foreign exchange difference on obligations foncières	-1,173	-1.3%	-804	-0.9%
Other privileged resources	235	0.3%	248	0.3%
<b>Translation difference associated with hedging balance sheet items *</b>	<b>1,459</b>	<b>1.7%</b>	<b>1,012</b>	<b>1.2%</b>
<b>Non-privileged resources</b>	<b>18,085</b>	<b>20.7%</b>	<b>16,357</b>	<b>18.6%</b>
Unsecured debt	12,589	14.4%	10,810	12.3%
Subordinated debt and similar debt	2,246	2.6%	3,696	4.2%
• of which subordinated notes	0	0.0%	3,450	3.9%
• of which associate current account	2,100	2.4%	0	0.0%
Shareholders' equity, provisions and FRBG	3,250	3.7%	1,852	2.1%
<b>TOTAL LIABILITIES</b>	<b>87,578</b>	<b>100.0%</b>	<b>87,949</b>	<b>100.0%</b>
Regulatory capital according to CRR/CRDIV	3,068	3.5%	4,923	5.6%
• of which Common Equity Tier-1 capital	3,068	3.5%	1,728	2.0%
• of which Additional Tier-1 capital	0	0.0%	1,080	1.2%
• of which Tier-2 capital	0	0.0%	2,116	2.4%

\* In 2013 and 2014, Compagnie de Financement Foncier reviewed the treatment of swaps for the purposes of determining its regulatory coverage ratio. Since 2013, assets and liabilities have been recognised 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".

During the year, privileged resources fell €2.5bn, contractual debt repayments exceeding issuances this year.

On the other hand, unsecured liabilities increased primarily as a result of additional sales of securities under repurchase agreements with Crédit Foncier for €1.3bn, and the Crédit Foncier short-term capital injection for €1.5bn. Conversely, deposits received from

swap counterparties declined €0.7bn primarily due to exchange rate movements.

The sum total of subordinated debt and equity remained unchanged at €5.5bn, namely over 6% of the balance sheet, even if its composition was changed to increase the level of Compagnie de Financement Foncier's Tier-1 capital.

## 5. Prudential ratios

### 5.1. Management of specific ratios

The regulator does not ask Compagnie de Financement Foncier to follow prudential solvency ratios even if the latter disclose them to investors for information purpose; these ratios are monitored at Crédit Foncier's level, its parent company. However, as a *société de crédit foncier*, Compagnie de Financement Foncier is subject to several specific regulatory ratios that must be respected at any time and are generally 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 and since end-2013, the restatements concerned a) the mortgage loans held directly or through mobilisation by mortgage notes for the portion exceeding the LTV threshold and b) the assets sold under repurchase agreements.

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-2015, overruns of the LTV threshold amounted to €618m, still significantly lower than over-runs for non-privileged liabilities, standing at over €18bn at that date. These overruns were simulated in various stress scenarios using the assumption of a sudden fall in all collateral of 10%, 15% and 20%. In the worst case scenario, these over-runs are estimated at under €5bn.

In addition, assets used to secure other transactions are deducted from the assets recognised on the balance sheet. Thus the outstanding amount of securities sold to Crédit Foncier under repurchase agreements, representing €2.9bn at December 31, 2015, was not included for the purposes of calculating the ratio.

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

As a result, the coverage ratio was 122.1% at end-2015, including any associated currency hedging for assets and liabilities.

At December 31, 2014, this ratio was 120.0%; this slight improvement in the cover ratio for *obligations foncières* over the year results from a faster decrease of market resources in comparison with the one from assets held.

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 December 31, 2015, this ratio was 21.7%, significantly higher than the compulsory minimum ratio and slightly up from the 20.4% posted at the end of 2014.

#### 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 mobilisation by mortgage notes. 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 this report section 6.3.2.

Taking into account all outstanding mortgage loans, both directly-held and used to guarantee mortgage notes, the average LTV at the end of 2015 came to 75.5% for a total outstanding amount of €38.3bn, breaking down as follows:

- 82.0% on loans guaranteed by FGAS amounting to €19.0bn;
- 68.9% on other mortgage loans to individuals, with €18.7bn outstanding;
- 36.8% on mortgage loans to corporates amounting to €0.6bn.

At end-2014, the €40.1bn in outstanding loans to individuals had an average LTV of 73.6%.

## OTHER LIMITS

Compliance with the various holding limits applicable to certain assets is also verified. At December 31, 2015:

- guaranteed loans amounted to 3.3% of total assets, still well below the legal limit of 35% of the balance sheet; this calculation includes directly-held guaranteed loans (2.1%) as well as loans used to guarantee mortgage notes (1.2%);
- mortgage notes, which may not exceed more than 10% of the balance sheet, represent 6.6% of assets;
- replacement values have an outstanding volume equal to 6.5% of the nominal amount of privileged resources, below the mandatory legal 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

Moreover, as a credit institution, Compagnie de Financement Foncier monitors its liquidity ratios, which remain well above the minimum requirements set by banking regulations, largely as a result of its commitment to maintain enough liquid assets to cover one year's equivalent of debt liabilities. In addition, Compagnie de Financement Foncier has in excess of €39bn of eligible assets in the Eurosystem (excluding repurchase agreements) that would provide it with an estimated additional €15bn in cash resources after haircut and on the basis of the ECB's current rules, while keeping its coverage rate 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 ACPR.

Consequently, at the end of December 2015, according to the standard Basel III method, its Common Equity Tier One (CET1) ratio was 18.7%, equal to its Tier-1 ratio and its solvency ratio. Total risk exposures (RWA) amounted to €16.4bn, corresponding to an average risk weighting of 17% 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 oversight ensures constant compliance with regulatory ratios and is aimed at optimising the allocation of capital and safeguarding the overcollateralisation ratio. It therefore contributes directly to its AAA/Aaa/AA ratings at December 31, 2015.

The capital adequacy 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 CRR regulation, applicable since January 1, 2014, taking into account the national options set by the French Prudential Supervision and Resolution Authority (ACPR). It consists of three broad categories: Common Equity Tier-1, Additional Tier-1 Capital and Tier-2 Capital.

The amount of capital of Compagnie de Financement Foncier was €3.1bn at December 31, 2015. 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 associates are weighted at 0%.

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

(in millions of euros) Exposure categories	12/31/15		12/31/14	
	Capital requirements	RWA	Capital requirements	RWA
Central governments	74	930	46	578
Institutions	30	380	43	535
Regional governments	461	5,759	436	5,451
Corporations	26	329	32	395
Retail customers	89	1,113	121	1,517
Mortgage-backed exposure	503	6,284	550	6,873
Exposure at default	39	482	43	535
Other assets	3	41	5	57
<b>Requirements for credit risk (A)</b>	<b>1,225</b>	<b>15,317</b>	<b>1,275</b>	<b>15,941</b>
<b>Requirements for market risk (B)</b>	-	-	-	-
<b>Requirements for operational risk (C)</b>	<b>46</b>	<b>576</b>	<b>52</b>	<b>655</b>
<b>Credit value adjustment (D)</b>	<b>41</b>	<b>507</b>	<b>59</b>	<b>734</b>
<b>CAPITAL REQUIREMENTS (A)+(B)+(C)+(D)</b>	<b>1,312</b>	<b>16,400</b>	<b>1,386</b>	<b>17,330</b>

## CAPITAL ADEQUACY RATIOS

Compagnie de Financement Foncier's capital adequacy ratio at December 31, 2015 was determined using the standard approach.

	12/31/15	12/31/14
CET1 Ratio	18.7%	10.0%
Tier One Ratio	18.7%	16.2%
Global solvency ratio	18.7%	28.4%*

Source: COREP (Common solvency ratio reporting) at December 31, 2015.

\* At 31 December 2014, the global solvency ratio included subordinated notes issued by Compagnie de Financement Foncier and subscribed by Crédit Foncier. The latter were fully repaid on 09/15/15. Simultaneously, Crédit Foncier subscribed to the €1.35bn increase in capital of Compagnie de Financement Foncier (eligible to CET1) and granted a €2.1bn subordinated advance in shareholder's current account, not eligible to regulatory capital.

# 6. Analysis of credit and counterparty risk

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

- loans granted to private individuals and loans to business customers mainly in the public sector: these loans are acquired either directly by Compagnie de Financement Foncier or mobilised through Crédit Foncier or any other entity of Groupe BPCE, in the form of mortgage notes or loans guaranteed under Article L. 211-38 for public sector loans;
- subsidised loans which benefit from the guarantee of the French State were transferred to Compagnie de Financement Foncier when it was created in 1999; with no new loans of this type being granted, their value at the end of 2015 was very low at €0.24bn;
- public sector securities, which mainly comprise Compagnie de Financement Foncier's international exposure;
- replacement values composed of 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

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

Financed assets are analysed by transparency: the analysis covers the underlyings guaranteeing, on one hand, mortgage notes and, on the other hand, public sector collateralised exposures in application of Article L. 211-38.

Replacement values, on the other hand, are analysed by counterparty: loans granted to BPCE, essentially in the form of collateralized L. 211-38 RV<sup>(4)</sup>, are considered as an exposure to BPCE.

Compagnie de Financement Foncier reports that as of December 31, 2015, it had no exposure to the following asset classes:

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

<i>(in millions of euros)</i> Risk exposures	Exposures at 12/31/2015	Exposures at au 12/31/2014
	Balance sheet	Balance sheet
<b>A - Individuals mortgage loans</b>	<b>37,479</b>	<b>39,632</b>
French mortgage loans <sup>(1)</sup>	31,724	32,309
French and Belgian mortgage loans <sup>(2)</sup>	5,755	7,323
<b>B - Public sector</b>	<b>38,935</b>	<b>35,471</b>
French public sector	29,033	25,436
<i>Low-income housing</i>	1,860	2,156
<i>French Local Authorities (FLA)</i>	7,872	8,949
<i>FLA L. 211-38<sup>(3)</sup></i>	11,825	11,639
<i>France Sovereign</i>	7,477	2,692
Public-Private Partnership (PPP)	648	649
International public sector	9,254	9,386
<i>International Public Financing</i>	6,056	6,474
<i>International Sovereign</i>	2,712	2,475
<i>Large public sector corporates</i>	487	437
<b>C - Commercial mortgage exposures<sup>(6)</sup></b>	<b>116</b>	<b>109</b>
<b>D - Banking sector exposures</b>	<b>7,854</b>	<b>8,653</b>
Banks with sovereign guarantees or similar	700	1,637
Other banks	554	416
L. 211.38 VR <sup>(4)</sup>	6,600	6,600
<b>Total risk exposure (A+B+C+D)</b>	<b>84,384</b>	<b>83,865</b>
Miscellaneous accruals and other assets <sup>(5)</sup>	3,194	4,084
<b>TOTAL</b>	<b>87,578</b>	<b>87,949</b>

(1) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€63m at 12/31/15 and €67m at 12/31/14).

(2) Of which Belgian mortgage notes for €584m.

(3) Of which €87m L. 211-38 with Caisses d'Epargne and €133m with Banques Populaires.

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

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

(6) Of which €70m under the State guarantee.

At December 31, 2015, the total risk exposure was up €0.5bn to €84.4bn. This change was due to:

- the €2.2bn decline in Individuals mortgage loans to €37.5bn. This decline was mainly due to the early repayments and to the CFHL-2 transaction. As part of the policy of diversifying Groupe BPCE's sources of funding, in July 2015 Compagnie de Financement Foncier transferred €1.4bn in mortgage loan receivables to the CFHL-2 2015 securitisation mutual fund;

- the €3.6bn increase in the public sector to €29bn. This increase is mainly due to higher deposits with Banque de France, increasing Sovereign France (+€4.8bn) partially offset by disposals from the FLA portfolio;
- the €0.8bn decline in banking sector exposures and in particular banks with sovereign guarantees or similar. These disposals notably included €260m in securities in the Austrian bank, HETA Asset Resolution AG, which were wholly disposed of in June 2015.

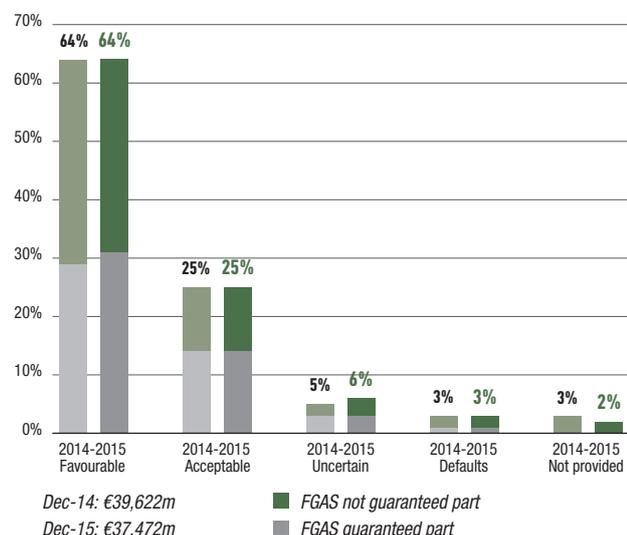
## Geographical breakdown of exposures

Geographical breakdown of exposures	12/31/2015		12/31/2014
	Balance sheet (€m)	%	%
France	76,977	88	87
Other countries in the European Economic Area	5,250	6	8
• of which Italy	3,595	4	3
• of which Belgium	584	n.s.	n.s.
• of which Spain	554	n.s.	n.s.
• of which Poland	352	n.s.	n.s.
• of which Portugal	87	n.s.	n.s.
• of which Netherlands	63	n.s.	n.s.
• of which Iceland	15	n.s.	n.s.
Switzerland	1,262	1	1
North America (USA & Canada)	2,525	3	3
Japan	1,564	2	2
<b>TOTAL</b>	<b>87,578</b>	<b>100</b>	<b>100</b>
Reminder of total exposures at 12/31/2014 (in €m)			87,949

## 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



NB: excluding self-employed professionals and associations.

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

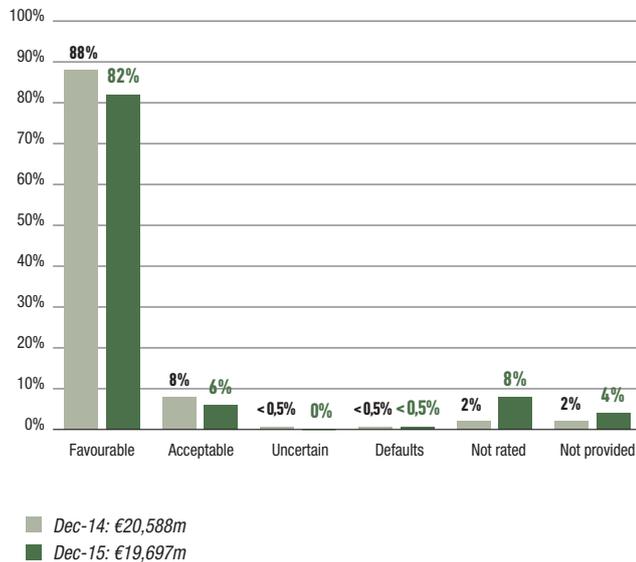
### FRENCH PUBLIC SECTOR PORTFOLIO

The French public sector portfolio stood at €29.7bn, breaking down as follows:

- French local authorities and low-income housing: €21.6bn;
- Sovereign France: €7.5bn;
- Public-private partnerships: €0.6bn.

**French local authorities portfolio**

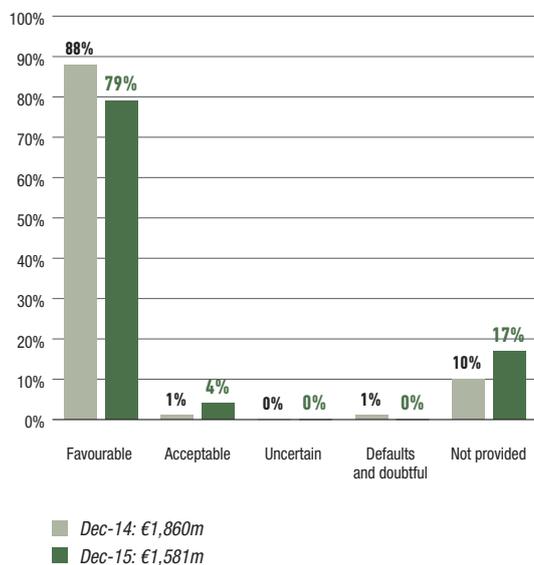
**Portfolio of French public operators – Breakdown by Basel II rating**



The quality of French local authorities outstandings held by Compagnie de Financement Foncier continues to be high.

**Social housing**

**Social housing - Breakdown by Basel II rating**



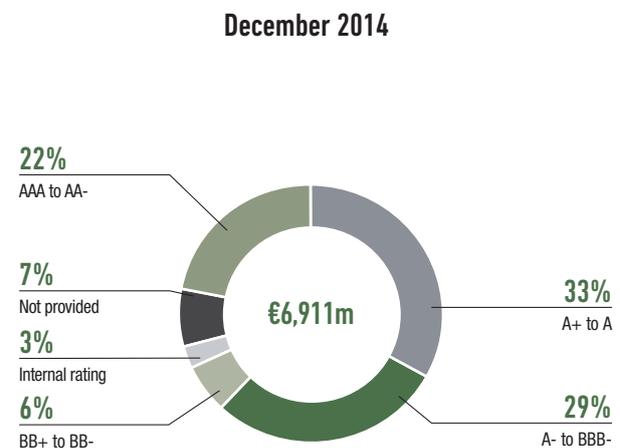
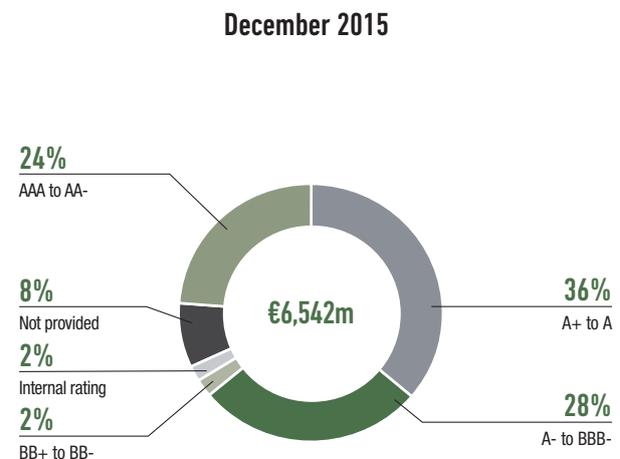
NB: excluding associations.

**INTERNATIONAL PUBLIC SECTOR PORTFOLIO**

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

At December 31, 2015, outstandings in the IPF portfolio and large IPF public financing corporates were €6.5bn, down 5.3%. The decline in outstandings was in large part due to the various asset disposals in the European authorities sub-portfolio.

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



The proportion of assets with an internal rating of at least A rose compared with 2014. This is primarily due to the fact that Compagnie de Financement Foncier reduced its exposure to certain local authorities deemed to be of lower credit quality (i.e. with an internal rating of under A).

■ Breakdown of direct exposures to International Public Sector and Large Corporates



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 (€1.7bn) is counter-guaranteed by monoline insurers. For some of these companies, the deterioration of their creditworthiness means that their 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 enhancer). This is, however, not the case of Assured Guaranty Municipal Corp (formerly FSA), rated AA by S&P and A2 by Moody's, which guarantees a total outstanding amount of €1.2bn in securities; or of National public Finance Guarantee Corp (formerly MBIA), rated AA- by Standard & Poor's and A3 by Moody's, and which guarantees a total outstanding amount of €0.2bn in securities.

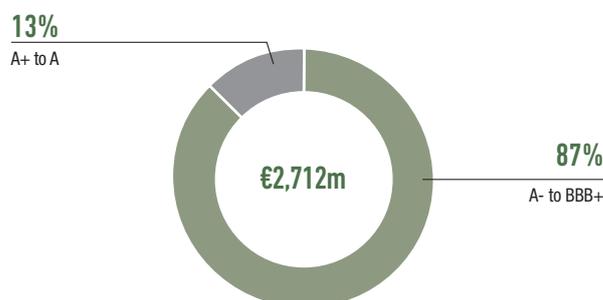
**International Sovereign**

Following the disposals carried out on the market when possible, and following the repayment at maturity, Compagnie de Financement Foncier is now only exposed to Italian and Polish sovereign. Some of the exposures are denominated in foreign currencies, which explains some fluctuations from one year to another.

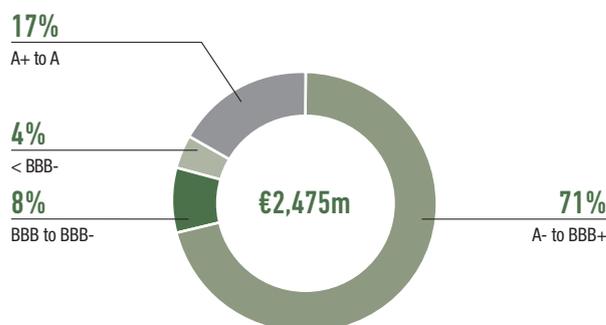
Despite the fact that the portfolio is in run-off management, exposure rose 9.6% overall during the year: this is due to the impact of currency translation and from the transfers from Crédit Foncier to Compagnie de Financement Foncier, with for some assets the recognition of an acquisition premium.

■ Breakdown of exposures by internal rating of Sovereigns excluding France

December 2015

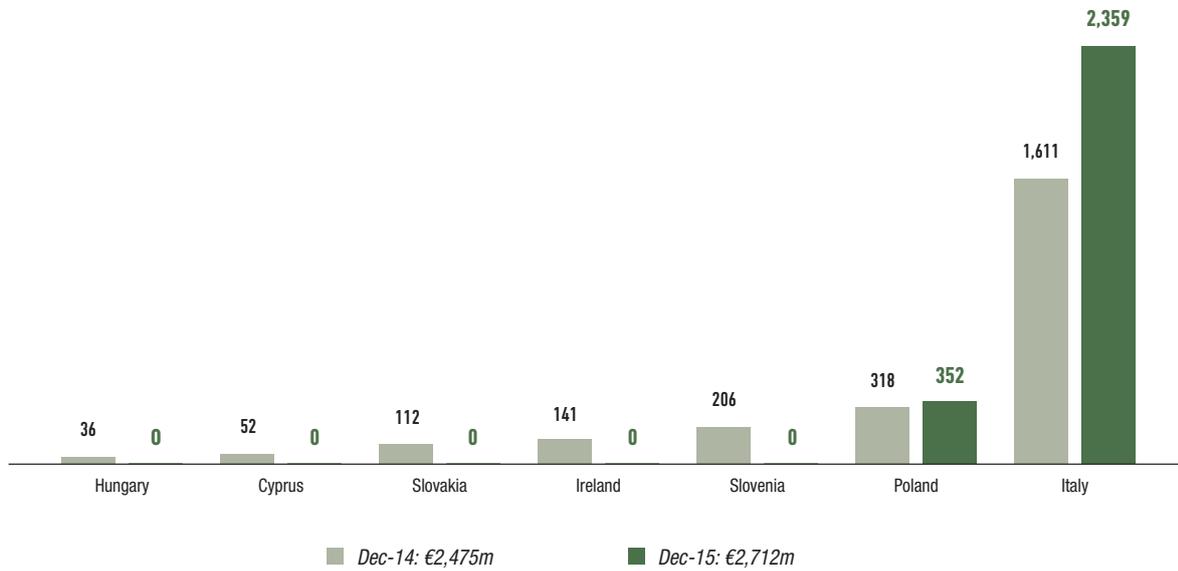


December 2014



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

■ Breakdown of direct exposures to Sovereigns outside France



**BANKING SECTOR PORTFOLIO**

Down by 9.2%, the banking sector exposures amounted to €7.9bn.

In addition to conventional hedging transactions and those with BPCE (€6.6bn) or Crédit Foncier, Compagnie de Financement

Foncier had an exposure, at December 31, 2015, of €700m to financial institutions benefiting from public authority guarantees (primarily to Swiss cantonal banks).

## 6.2. Delinquencies

### 6.2.1. COMPAGNIE DE FINANCEMENT FONCIER'S RISK HEDGING – SUMMARY

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 12/31/15			Exposures at 12/31/14		
	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidised sector)	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidised sector)
<b>A - Individuals mortgage loans</b>	<b>37,479</b>	<b>3.3%</b>	<b>3.2%</b>	<b>39,632</b>	<b>2.7%</b>	<b>2.7%</b>
French mortgage loans <sup>(1)</sup>	31,724	3.9%	3.8%	32,309	3.4%	3.3%
French and Belgian mortgage notes <sup>(2)</sup>	5,755	-	-	7,323	-	-
<b>B - Public sector</b>	<b>38,935</b>	<b>&lt;0.5%</b>	<b>&lt;0.5%</b>	<b>35,471</b>	<b>&lt;0.5%</b>	<b>&lt;0.5%</b>
French public sector	29,033	<0.5%	<0.5%	25,436	<0.5%	<0.5%
<i>Low-income housing</i>	1,860	0.8%	<0.5%	2,156	0.6%	<0.5%
<i>French Local Authorities (FLA)</i>	7,872	<0.5%	<0.5%	8,949	<0.5%	<0.5%
<i>FLA L. 211-38 <sup>(3)</sup></i>	11,825	-	-	11,639	-	-
<i>Sovereign France</i>	7,477	-	-	2,692	-	-
Public Private Partnership (PPP)	648	-	-	649	-	-
International public sector	9,254	-	-	9,386	-	-
<i>International Public Financing</i>	6,056	-	-	6,474	-	-
<i>International Sovereign</i>	2,712	-	-	2,475	-	-
<i>Public sector large corporations</i>	487	-	-	437	-	-
<b>C - Commercial mortgages exposures <sup>(6)</sup></b>	<b>116</b>	<b>63.0%</b>	<b>8.3%</b>	<b>109</b>	<b>72.2%</b>	<b>12.0%</b>
<b>D - Banking sector exposures</b>	<b>7,854</b>	<b>-</b>	<b>-</b>	<b>8,653</b>	<b>3.0%</b>	<b>3.0%</b>
Banks with sovereign guarantees or similar	700	-	-	1,637	16.1%	16.1%
Other banks	554	-	-	416	-	-
L. 211.38 VR <sup>(4)</sup>	6,600	-	-	6,600	-	-
<b>Total risk exposure (A + B + C + D)</b>	<b>84,384</b>	<b>1.6%</b>	<b>1.4%</b>	<b>83,865</b>	<b>1.7%</b>	<b>1.6%</b>
Miscellaneous adjustments and other assets <sup>(5)</sup>	3,194	-	-	4,084	-	-
<b>TOTAL</b>	<b>87,578</b>	<b>1.5%</b>	<b>1.4%</b>	<b>87,949</b>	<b>1.7%</b>	<b>1.5%</b>

(1) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€63m at 12/31/15 and €67m at 12/31/14).

(2) Of which Belgian mortgage notes amounted to €584m.

(3) Of which €87m L. 211.38 with Caisses d'Epargne and €133m with Banques Populaires.

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

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

(6) Of which €70m under the State guarantee.

The global doubtful loan rate is low at 1.4% (excluding subsidised loans).

With regards to direct mortgage loans and underlyings of mortgage notes, the doubtful rate (excluding subsidised loans) was 3.2%, versus 2.7% at the end of December 2014.

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

**6.2.2. RISK CHARGE OF COMPAGNIE DE FINANCEMENT FONCIER**

<i>(in millions of euros)</i>	12/31/2015	12/31/2014
Individual cost of risk (A)	-14.30	-126.27
Collective provisions (B)	-0.45	-1.55
<b>Cost of risk (A + B)</b>	<b>-14.75</b>	<b>-127.82</b>
Risk charge, net banking income (C)	-5.34	-12.75
<b>Net (A + B + C)</b>	<b>-20.09</b>	<b>-140.57</b>

At December 31, 2015, the cost of risk of Compagnie de Financement Foncier was -€20.09m.

On an individual basis, the cost of risk was -€14.3m and reflects a +€12.2m reversal on HETA assets. The net allocation to collective provisions was -€0.45m.

The risk charge in net banking income was -€5.34m and in particular includes the loss on the HETA swap (-€10.66m).

**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 risk exposures to the public sector. Both risks are further reduced by additional guarantees. Thus, for example, 50% of outstanding loans to private individuals are covered by a FGAS guarantee.

In relation to individual customers, the main provider of personal guarantees belongs to the Sovereign segment: the Société de gestion du fonds de garantie à l'accession sociale à la propriété (SGFGAS) provides a guarantee from the French government for home ownership loans governed by regulated loan agreements and guaranteed by first-rank collateral (mortgage or lender's lien). For this reason, SGFGAS benefits from the external ratings assigned to the French state and allows a 0% weighting of loans for which SGFGAS coverage was signed prior to December 31, 2006. Due to a change in SGFGAS coverage methods, guarantees granted thereafter have an average Basel III that equals to a half of that with only mortgage guarantee. The uncovered part, being guaranteed by Crédit Foncier, benefits from a weighting of 0%.

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

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

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.

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

**6.3.2. VALUATION AND PERIODIC REVIEW METHODS FOR REAL ESTATE ASSETS****SPECIFIC CONTROLLER'S CERTIFICATION ON THE VALUATION AND PERIODIC REVIEW METHODS OF THE REAL ESTATE ASSETS AT DECEMBER 31, 2015**

To the Board of Directors of Compagnie de Financement Foncier,

In our capacity as the Specific Controller of Compagnie de Financement Foncier, and pursuant to the Article 5 of regulation No. 99-10 of the CRBF, we proceeded to the assessment of the validity, in accordance with regulations in force, of the methods used to value the real estate assets underlying the loans and their results, and of the methods for periodically reviewing their value, as published together with the financial statements for the year ended December 31, 2015 and appended hereto.

The valuation methods and their results for real estate assets and the methods for periodically reviewing their value have been defined and implemented under the responsibility of your company's management.

Our responsibility is to assess the validity of this procedure in terms of its compliance with regulations in force as of December 31, 2015.

We implemented the diligences that we considered necessary in view of the professional standards of Compagnie nationale des Commissaires aux comptes applicable to this assignment. Our work consisted in checking the compliance of:

- the procedures, the valuation and periodic review methods and their results, in their design and application, with regulations in force as of December 31, 2015;
- the information published together with the annual financial statements with, on one hand, the system for the valuation and periodic review implemented, and on the other hand, with the results arising from the implementation of the valuation system.

Based on our work, we have no observations to make as regards compliance with the provisions set out in Articles 2 to 4 of the regulation No. 99-10 of the CRBF, the valuation methods for the real estate assets and their results or the methods for periodically reviewing their value as published together with the financial statements for the year ended December 31, 2015.

Paris, March 7, 2016

The Specific Controller

**CAILLIAU DEDOUIT et Associés**

Laurent BRUN  
19, rue Clément Marot  
75008 Paris

**PROCEDURE FOR THE VALUATION AND PERIODIC REVIEW OF THE VALUE OF THE ASSETS UNDERLYING THE LOANS FOR 2015**

**I. Valuation method applied to assets underlying loans**

**A –GENERAL ASSET VALUATION PRINCIPLES**

The procedure described below has been determined pursuant to Articles 1 and 2 of CRBF Regulation No. 99-10, as amended by regulation No. 2002-02 and the decrees of May 7, 2007 and February 23, 2011 transposing European directive 2006/48/EC into French law.

Real estate financed by eligible loans or posted as collateral for these loans is subject to cautious appraisal.

The valuation is performed taking into account the long-term sustainable aspects of the property, the normal and local market conditions, the current use and alternative appropriate uses of the property.

**B – DEROGATION RULE USED BY COMPAGNIE DE FINANCEMENT FONCIER**

For loans originated between January 1, 2003 and December 31, 2006, in accordance with the provisions of CRBF Regulation No. 99-10 and a decision by the Chairman of Crédit Foncier de France's Executive Board dated July 28, 2003, a cost of transaction without discount is understood to be an estimated value of an asset for all transactions with Individuals involving residential property where a transaction cost is less than €350,000.

Following a series of amendments to CRBF Regulation No. 99-10, this principle was broadened:

- for the period between May 7, 2007 and February 23, 2011, all residential property transactions with individuals where a transaction cost is less than €450,000 or where an outstanding principal amount on the acquired loan or a total amount authorised is less than €360,000;
- beginning on February 24, 2011, all residential property transactions with individuals where a transaction cost is less than €600,000 or where an outstanding principal amount on the acquired loan or a total amount authorised is less than €480,000.

Above these thresholds, an appraisal value is considered to be the value of the property.

**C – SUMMARY**

The above-mentioned rules, applied since February 24, 2011, are summarised in the following table:

<b>PROPERTY TYPES</b>	<b>Cost of transaction is less than €600,000 or acquired loan less than €480,000</b>	<b>Cost of transaction is €600,000 or more, and acquired loan €480,000 or more</b>
Residential Property for private individuals	Transaction cost	Appraisal
Residential Property for Professionals	Appraisal	Appraisal
Commercial property <sup>(1)</sup>	Appraisal	Appraisal

*(1) Property for professional use means all properties other than residential and multiple-use properties where the value allocated to the residential part is less than 75% of the total value of the entire property.*

An appraisal is made of all collateral underlying authorised loans (i.e. signed by the parties) during the year, regardless of whether or not they are implemented.

Other collateral (securing loans authorised before 2014 and already valued or re-valued) is mandatorily subject to a periodic review of its value as presented hereafter (see sections II, III and IV).

## II. Periodic review methods for collateral securing housing loans to individuals and professionals

The rules detailed below apply to collateral securing loans originated before 2015.

Two periodic review methods are used to determine the value of collateral as differentiated below:

- statistical method S1:
  - for collateral securing housing loans to private individuals,
  - for collateral securing housing loans to professionals where the amount is less than €600,000 or where the outstanding principal amount on the loan secured by the property is less than €480,000.
- method S2 for collateral securing housing loans to professional customers where an amount is €600,000 or more and where an outstanding principal amount on a loan secured by property is €480,000 or more.

### A – S1 PERIODIC REVALUATION METHOD

#### Principles

This method, which aims to approximate market value as closely as possible, is based on establishing indices. The indices obtained are the changes observed from one year to the next in market values, clarifying that, in accordance with the relevant legislation, an appraisal is carried out on the basis of a prudent assessment (which is then revalued by applying the indices).

The indices reflect four distinct geographical categories:

- (i) The 110 urban areas with more than 50,000 inhabitants as per the postal code groups established by the INSEE (French National Institute for Statistics and Economic Studies). The list of these urban areas and their composition changes as the urban fabric and real estate markets evolve.
- (ii) Outside these urban areas, the “non-urban” real estate market is divided into administrative regions (20, excluding Corsica and Île-de-France).
- (iii) Île-de-France, excluding the city of Paris, is valued separately using specific indices for each of its seven departments.
- (iv) Paris is also valued separately using a specific index.

Indices for each of these four categories (urban, non-urban, Île-de-France and Paris), are grouped according to postal codes, and broken down as follows:

- Urban areas: 110 Apartment indices/110 House indices;
- Non-urban area: 20 House indices;
- Île-de-France (excluding Paris): 7 Apartment indices/7 House indices;
- Paris: 1 Apartment index.

When the apartment/home distinction is not available for a particular item of collateral, the lower of the two indices for the corresponding postal code is used.

When the collateral is located in Corsica or in French overseas departments or territories, or if its location is unclear, the annual trend indices used for the corresponding type of housing are:

- for apartments: the average of the apartment indices for urban areas;
- for homes: the lower of the two averages for houses in urban areas and for regions.

#### Revaluation cycle management

Real estate value indices are updated annually. New indices are established each November based on the period ending on September 30.

The revaluation cycle is thus managed on a one year rolling period from September 30 of year “n-1” to September 30 of year “n”.

**Exceptionally in 2015, as a result of the major IT migration in November, the revaluation cycle was brought forward two months compared with the usual calendar requiring the following adaptation: the new indices established for the period ending September 30 which thus reflected the change over a nine-month period (September 2014 to June 2015) were annualised.**

#### Sources

These indices are based on an *ad hoc* survey and on expert estimates carried out each year by the Real Estate Research department of the network of regional real estate appraisers, quarterly gross statistical real estate information available in its database and regional indicators from [www.marche-immobilier.com](http://www.marche-immobilier.com).

### B – S2 PERIODIC REVIEW METHOD

For 2015, the S2 revaluation method consisted in applying the annual change in the rental index for residential property to 2014 values, i.e. +0.7% (source: INSEE).

## III. METHODS FOR PERIODIC REVIEW OF REAL ESTATE FOR PROFESSIONAL USE (NON-RESIDENTIAL)

In accordance with the provisions of CRBF Regulation No. 99-10, the following three valuation methods are applied to real estate for professional use based on its characteristic:

### A – THE “E1” METHOD

This category covers real estate for professional use, the value of which is less than or equal to €600,000 or for which the outstanding principal amount on a loan secured by property is more than €480,000.

Assets in this category are individually revalued by means of appraisal every three years, and statistically in the interim years using the S1 method.

### B – THE “E2” METHOD

This category covers real estate for professional use, the value of which exceeds €600,000 and for which the outstanding principal amount on a loan secured by property is more than €480,000.

Each property in this category is individually revalued every year by means of appraisal. The appraiser determines a prudential mortgage value based on a thorough analysis of the type of asset and its specific aspects and on a prudent, forward-looking view of the market.

**C – THE “S1” STATISTICAL METHOD**

This category covers real estate for professional use where an outstanding principal amount on a loan secured by property is below 30% of the initial principal amount of the loan.

For real estate in this category, the S1 statistical revaluation method (see section II.A above) is applied to the most recent appraisal value.

**IV. Summary table of methods**

Type of asset	Transaction cost > €600K and total authorised amount ≤ €480K or Transaction cost ≤ €600K and total authorised amount > €480K		Transaction cost ≥ €600K and total authorised amount ≥ €480K	Disputed cases
	If private individual customer: S1 method			
Residential	If Professional customer: S1 method		If Professional customer: S2 method	
Non residential	Outstanding principal/initial principal < 30% or total authorised amount ≤ €480K		Outstanding principal/initial principal > 30%	Specific individual appraisal
			Transaction cost ≤ €600K and total authorised amount > €480K	
	S1 method		E1 method	

**V. The special features of Dutch guarantees**

Revaluation was made of a total of 760 guarantees associated with 760 loans representing a total outstanding value of €63.5m.

Revaluation was conducted based on the PBK Index developed by the Netherlands land registry. In 2015, the index average rose by 2.1% (after excluding 11 guarantees that increased/decreased more than 15%).

**VI. The special features of Belgian guarantees**

Crédit Foncier proceeded to a revaluation of the guarantees of its Belgian branch for 2015, through its servicer, Stater. As of the date of adjustment, the data for real estate sales at June 30 had not yet been published, resulting in a revaluation as of December 31, 2014: in light of this, 6,720 guarantees were revalued representing an overall valuation amount of €1,382.8m, i.e. an average decrease in value of 0.12% (after excluding guarantees that increased or decreased by more than 25%) associated with 6,720 loans with an outstanding amount of €777m.

This revaluation was based on the indices provided by Stadim reflecting changes over the six month period from June 30 to December 31, 2014.

## APPENDIX 1 – CHANGES 2014/2015

## ■ Cities of over 200,000 inhabitants

Region	Dept No.	Department	Town/City	Apartment index 2014-2015	House Index 2014-2015
Alsace	67	BAS-RHIN	Strasbourg	1.008	0.987
Alsace	68	HAUT-RHIN	Mulhouse	0.981	0.991
Aquitaine	33	GIRONDE	Bordeaux	1.044	1.025
Auvergne	63	PUY-DE-DÔME	Clermont-Ferrand	0.994	0.990
Bourgogne	21	CÔTE-D'OR	Dijon	0.959	1.000
Bretagne	29	FINISTÈRE	Brest	0.997	0.981
Bretagne	35	ILLE-ET-VILAINE	Rennes	1.005	1.003
Centre	45	LOIRET	Orléans	0.988	0.972
Centre	37	INDRE-ET-LOIRE	Tours	0.981	0.977
Champagne	51	MARNE	Reims	0.997	0.984
Haute Normandie	76	SEINE-MARITIME	Le Havre	0.978	0.963
Haute Normandie	76	SEINE-MARITIME	Rouen	0.979	0.984
Languedoc-Roussillon	34	HÉRAULT	Montpellier	0.991	1.002
Lorraine	54	MEURTHE-ET-MOSELLE	Nancy	0.979	0.983
Lorraine	57	MOSELLE	Metz	0.983	0.973
Midi-Pyrénées	31	HAUTE-GARONNE	Toulouse	1.000	1.000
Nord	59	NORD	Valenciennes	0.967	0.979
Nord	59	NORD	Lille	0.988	0.984
Nord	62	PAS-DE-CALAIS	Douai-Lens	0.939	0.978
Nord	62	PAS-DE-CALAIS	Béthune	0.947	0.979
PACA	13	BOUCHES-DU-RHÔNE	Marseille-Aix-en-Provence	0.967	0.986
PACA	6	ALPES-MARITIMES	Nice	1.011	0.947
PACA	84	VAUCLUSE	Avignon	0.952	0.948
PACA	83	VAR	Toulon	0.954	0.924
Pays de Loire	44	LOIRE-ATLANTIQUE	Nantes	0.991	1.016
Pays de Loire	49	MAINE-ET-LOIRE	Angers	1.005	0.998
Rhône-Alpes	69	RHÔNE	Lyon	1.019	0.990
Rhône-Alpes	38	ISÈRE	Grenoble	0.988	0.985
Rhône-Alpes	42	LOIRE	Saint-Étienne	0.990	0.990
<b>AVERAGE</b>				<b>0.986</b>	<b>0.983</b>

## ■ Cities of 100.000-199.999 inhabitants

Region	Dept No.	Department	Town/City	Apartment index 2014-2015	House Index 2014-2015
Aquitaine	64	PYRÉNÉES-ATLANTIQUES	Bayonne	1.032	0.959
Aquitaine	64	PYRÉNÉES-ATLANTIQUES	Pau	0.932	0.952
Basse Normandie	14	CALVADOS	Caen	0.966	0.966
Bretagne	56	MORBIHAN	Lorient	0.990	0.982
Champagne	10	AUBE	Troyes	0.895	0.960

**RISK CONTROL AND MONITORING REPORT**

Analysis of credit and counterparty risk

Region	Dept No.	Department	Town/City	Apartment index 2014-2015	House Index 2014-2015
Franche-Comté	25	DOUBS	Besançon	1.000	0.983
Franche-Comté	25	DOUBS	Montbéliard	0.989	1.000
Languedoc-Roussillon	66	PYRÉNÉES-ORIENTALES	Perpignan	0.976	1.000
Languedoc-Roussillon	30	GARD	Nîmes	0.971	0.971
Limousin	87	HAUTE-VIENNE	Limoges	0.981	0.894
Lorraine	57	MOSELLE	Thionville	1.000	0.973
Nord	59	NORD	Dunkerque	0.969	0.972
Nord	62	PAS-DE-CALAIS	Calais	0.965	0.987
Pays De Loire	44	LOIRE-ATLANTIQUE	Saint-Nazaire	1.000	0.947
Pays De Loire	72	SARTHE	Le Mans	0.977	0.995
Picardie	80	SOMME	Amiens	0.971	0.980
Poitou-Charentes	17	CHARENTE-MARITIME	La Rochelle	0.980	0.977
Poitou-Charentes	86	VIENNE	Poitiers	0.983	0.992
Poitou-Charentes	16	CHARENTE	Angoulême	0.934	0.929
Rhône-Alpes	26	DRÔME	Valence	0.991	0.993
Rhône-Alpes	74	HAUTE-SAVOIE	Annecy	1.021	1.017
Rhône-Alpes	74	HAUTE-SAVOIE	Genève-Annemasse	0.994	1.008
Rhône-Alpes	73	SAVOIE	Chambéry	1.010	1.011
<b>AVERAGE</b>				<b>0.979</b>	<b>0.976</b>

**■ Cities of 50.000-99.999 inhabitants**

Region	Dept No.	Department	Town/City	Apartment index 2014-2015	House Index 2014-2015
Alsace	67	BAS-RHIN	Haguenau	0.983	0.983
Alsace	68	HAUT-RHIN	Colmar	1.010	0.985
Aquitaine	33	GIRONDE	Arcachon	1.000	1.000
Aquitaine	24	DORDOGNE	Périgueux	1.000	0.888
Aquitaine	24	DORDOGNE	Bergerac	1.000	0.958
Aquitaine	47	LOT-ET-GARONNE	Agen	0.974	0.908
Auvergne	3	ALLIER	Vichy	1.000	1.000
Auvergne	3	ALLIER	Montluçon	0.991	0.985
Basse Normandie	50	MANCHE	Cherbourg	0.986	0.991
Bourgogne	71	SAÔNE-ET-LOIRE	Chalon-sur-Saône	0.865	0.977
Bourgogne	58	NIÈVRE	Nevers	0.988	0.974
Bretagne	35	ILLE-ET-VILAINE	Saint-Malo	0.989	0.986
Bretagne	22	CÔTES-D'ARMOR	Saint-Brieuc	0.983	0.974
Bretagne	29	FINISTÈRE	Quimper	0.993	0.972
Bretagne	56	MORBIHAN	Vannes	0.995	0.997
Centre	18	CHER	Bourges	0.990	0.987
Centre	41	LOIR-ET-CHER	Blois	1.000	1.000
Centre	45	LOIRET	Montargis	0.992	0.991
Centre	36	INDRE	Châteauroux	0.973	0.973
Centre	28	EURE-ET-LOIR	Chartres	0.961	0.969

Region	Dept No.	Department	Town/City	Apartment index 2014-2015	House Index 2014-2015
Champagne	51	MARNE	Châlons-en-Champagne	0.962	0.956
Champagne	08	ARDENNES	Charleville-Mézières	0.987	0.995
Franche-Comté	90	TERRITOIRE DE BELFORT	Belfort	0.879	0.920
Haute Normandie	76	SEINE-MARITIME	Elbeuf	0.981	0.940
Haute Normandie	27	EURE	Évreux	0.958	0.980
Languedoc-Roussillon	30	GARD	Alès	0.980	0.982
Languedoc-Roussillon	34	HÉRAULT	Béziers	1.006	1.015
Languedoc-Roussillon	34	HÉRAULT	Sète	1.012	1.013
Limousin	19	CORRÈZE	Brive-la-Gaillarde	1.000	0.913
Lorraine	88	VOSGES	Épinal	0.975	0.989
Lorraine	57	MOSELLE	Forbach	0.979	1.010
Midi-Pyrénées	81	TARN	Albi	0.987	0.980
Midi-Pyrénées	81	TARN	Castres	0.962	0.986
Midi-Pyrénées	65	HAUTES-PYRÉNÉES	Tarbes	1.000	0.978
Midi-Pyrénées	82	TARN-ET-GARONNE	Montauban	0.987	0.992
Nord	62	PAS-DE-CALAIS	Arras	0.968	0.980
Nord	59	NORD	Armentières	0.957	0.979
Nord	59	NORD	Maubeuge	0.945	0.945
Nord	62	PAS-DE-CALAIS	Saint-Omer	0.954	0.978
Nord	62	PAS-DE-CALAIS	Boulogne-sur-Mer	0.969	0.980
Paca	83	VAR	Fréjus	1.007	1.021
Paca	06	ALPES-MARITIMES	Menton-Monaco	1.025	0.989
Paca	13	BOUCHES-DU-RHÔNE	Salon-de-Provence	0.958	0.952
Paca	13	BOUCHES-DU-RHÔNE	Arles	0.944	0.943
Pays de Loire	49	MAINE-ET-LOIRE	Cholet	0.973	0.989
Pays de Loire	53	MAYENNE	Laval	0.979	0.990
Picardie	2	AISNE	Saint-Quentin	0.942	0.976
Picardie	60	OISE	Creil	0.954	0.983
Picardie	60	OISE	Beauvais	0.970	0.981
Picardie	60	OISE	Compiègne	0.975	0.987
Poitou-Charentes	79	DEUX-SÈVRES	Niort	0.982	0.983
Rhône-Alpes	69	RHÔNE	Villefranche-sur-Saône	0.986	0.991
Rhône-Alpes	42	LOIRE	Roanne	0.992	0.986
Rhône-Alpes	01	AIN	Bourg-en-Bresse	0.993	0.993
Rhône-Alpes	26	DRÔME	Romans-sur-Isère	0.989	0.989
Rhône-Alpes	42	LOIRE	Saint-Chamond	0.996	0.990
Rhône-Alpes	74	HAUTE-SAVOIE	Thonon-les-Bains	1.009	0.990
Rhône-Alpes	74	HAUTE-SAVOIE	Cluses	1.009	0.989
<b>AVERAGE</b>				<b>0.979</b>	<b>0.978</b>

## ■ Non-urban areas

Region	House Index 2014-2015
ALSACE	0.981
AQUITAINE	0.971
AUVERGNE	0.958
BASSE NORMANDIE	0.950
BOURGOGNE	0.961
BRETAGNE	0.959
CENTRE	0.954
CHAMPAGNE	0.963
FRANCHE-COMTÉ	0.949
HAUTE NORMANDIE	0.952
LANGUEDOC ROUSSILLON	0.957
LIMOUSIN	0.933
LORRAINE	0.947
MIDI PYRÉNÉES	1.000
NORD	1.000
PACA	0.978
PAYS DE LOIRE	1.000
PICARDIE	0.949
POITOU-CHARENTES	1.000
RHÔNE-ALPES	0.973
<b>AVERAGE</b>	<b>0.967</b>

## ■ Paris and Île-de-France

Region	Dept No.	Department	Apartment index 2014-2015	House Index 2014-2015
ÎLE-DE-FRANCE	91	Essonne	0.975	1.001
	92	Hauts-de-Seine	0.981	0.988
	75	Paris	0.980	
	77	Seine-et-Marne	0.970	1.000
	93	Seine-St-Denis	0.989	0.983
	94	Val-de-Marne	0.981	0.991
	95	Val-d'Oise	0.971	1.000
	78	Yvelines	0.968	1.003
<b>AVERAGE (EXCLUDING PARIS)</b>			<b>0.976</b>	<b>0.995</b>

## APPENDIX 2 – COMPAGNIE DE FINANCEMENT FONCIER COLLATERAL PORTFOLIO

### ■ Collateral items and valuations of collateral using the periodic review approach (in €bn)

		Total	S1	S2	E1	E2
Revaluation 09/30/2015	Collateral valuation	60.79	58.66	2.13	NS	0.003
	No. of guarantees	368,756	368,368	385	2	1
Valuation year 2015	Collateral valuation	2.01	2.01			
	No. of guarantees	15,672	15,672			
	Collateral valuation	62.80	60.67	2.13		0.003
Total 2015	No. of guarantees	384,428	384,040	385	2	1

### ■ Breakdown of the collateral portfolio revalued using the S1 method (by region and for Paris)

Compagnie de Financement Foncier portfolio		
Region	Regional breakdown of collateral value (in €m)	Regional breakdown in%
Alsace	742.53	1.27%
Aquitaine	3,903.60	6.65%
Auvergne	539.88	0.92%
Basse Normandie	929.93	1.59%
Bourgogne	1,067.06	1.82%
Bretagne	2,045.65	3.49%
Centre	1,671.99	2.85%
Champagne-Ardenne	585.47	1.00%
Corse	130.05	0.22%
Dom-Tom	427.88	0.73%
Franche-Comté	631.13	1.08%
Haute Normandie	2,081.43	3.55%
IDF (excluding Paris)	15,012.75	25.59%
Languedoc-Roussillon	3,212.60	5.48%
Limousin	377.57	0.64%
Lorraine	1,256.36	2.14%
Midi-Pyrénées	3,392.15	5.78%
Nord-Pas-de-Calais	2,551.67	4.35%
PACA	5,880.74	10.03%
Paris *	1,145.30	1.95%
Pays de Loire	2,694.41	4.59%
Picardie	2,142.96	3.65%
Poitou-Charentes	1,010.11	1.72%
Rhône-Alpes	5,225.73	8.91%
<b>TOTAL</b>	<b>58,658.95</b>	<b>100.00%</b>

\* Because of the unique nature of the Parisian market, the city of Paris is separate from the Île-de-France region.

## ■ Breakdown of the Belgian collateral portfolio revalued by region

Provinces	No. of Guarantees	Valuation of collateral	Changes 2015-2014
Antwerpen	842	191,200,244	0.18%
Brabant Wallon	257	69,438,551	-0.17%
Hainaut	1,513	229,131,721	-0.49%
Liège	776	145,060,292	0.09%
Limburg	311	65,886,668	-0.31%
Luxembourg	180	30,430,024	-1.06%
Namur	374	72,590,786	-0.66%
Oost-Vlaanderen	746	179,015,376	0.68%
Région Bruxelles-Capitale	556	125,391,607	-1.12%
Vlaams-Brabant	584	156,168,350	-0.08%
West-Vlaanderen	581	118,518,982	0.33%
<b>TOTAL</b>	<b>6,720</b>	<b>1,382,832,602</b>	<b>-0.12%</b>

# 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 asset/liability hedges in the balance-sheet.

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.

In addition, Crédit Foncier provides supervision of the structural risks for the entire Groupe Crédit Foncier.

## 7.1. Methodology used for assessing liquidity, interest rate and exchange rate risks

Liquidity and interest rate risks are measured using different, complementary approaches depending on the scope of the analysis. There are two distinct approaches:

- a static approach, which covers on- and off-balance sheet transactions existing at a given date and up until their final maturity. Static processing factors in the stock of transactions and all flows from contracted commitments;
- a dynamic approach for liquidity risk (preparing the financing plan, evaluation of cash requirements) that includes business level forecasts over the current and following periods. Dynamic analyses consider likely events resulting from commitments that have been made or are under option and uncertain events resulting from future activity. Within the framework of these two

approaches, assumptions or agreements are made about flows of assets and liabilities:

- balance sheet items with contractual maturities: the main assumptions concern the propensity of customers to pay back the loan before maturity (early repayment) as well as how quickly loans known as deferred payments are disbursed;

Early repayment and renegotiation assumptions are applied to each type of loan according to customer category (private individuals or local authorities) and the type of rate (fixed rate, adjustable rate or variable rate). Early repayment rate assumptions are compared on the balance sheet date with rates actually observed in order to assess their relevance:

- balance sheet items without a contractual due date, such as items in the equity portion of the balance sheet (capital, reserves), are subject to specific maturity rules proposed by the Financial Management department in accordance with BPCE

rules or by a dedicated special agreement validated by approved by Compagnie de Financement Foncier's ALM Committee.

As regards information systems, the ALM uses a specific software package (*Bancware*) that is interfaced with the management systems.

## 7.2. Liquidity risk monitoring

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

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

In 2015, Compagnie de Financement Foncier issued €8.4bn of *obligations foncières*.

In addition, it took part in the securitisation operation led by its parent company, CFHL-2,2015, by transferring mortgage home loans for a total amount of €1,1bn.

Furthermore, Compagnie de Financement Foncier has a very large volume of assets that are eligible for the ECB's refinancing operations. As at December 31, 2015, the outstandings amounted to €39.1bn in nominal value, divided into:

- €6.3bn in public sector loans;
- €3.5bn in securities;
- €29.4bn in mortgage loans to individuals, meeting the criteria set out by the Banque de France after the ECB's decision of February 9, 2012 to expand, on a temporary and national basis, the conditions under which a receivable may be accepted as a guarantee for refinancing operations by the Eurosystem.

€2.6bn (gross) of these securities have currently been sold under repurchase agreements. Taking into account the available eligible outstandings of €36.6bn, and after applying a cautious haircut calculation, the additional financing that could be provided by the ECB can be estimated at €14.7bn, while keeping the overcollateralisation ratio above its regulatory limit of 105%.

In 2015 Compagnie de Financement Foncier did not make any use of this financing facility.

### 7.2.2. LIQUIDITY RISK MONITORING

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

As stated above, cash requirements are analysed 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 2015. 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 Liquidity Committee and the Executive Risk Committee.

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

At December 31, 2015, Compagnie de Financement Foncier had available cash of €5.8bn, including €5.4bn on demand deposited at Banque de France.

It also had €7.1bn in replacement values, consisting of safe and liquid 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) RATIO

Applicable since October 1, 2015, Compagnie de Financement Foncier's LCR ratio was 141% at December 31, 2015, in excess of the regulatory minimum of 60%.

Compagnie de Financement Foncier has an €8.8bn liquidity reserve including €3.4bn in securities (€1.7bn level 1 and €1.7bn level 2) and €5.4bn of deposits immediately available at Banque de France.

#### 180-DAY LIQUIDITY FORECAST

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

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

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

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

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

In addition, for the sake of forward management of liquidity, a benchmark level approved by the Risk 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%.

In 2015, Compagnie de Financement Foncier was in compliance with this limit and the reference level.

#### **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 overcollateralisation 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 instructed to the ACPR.

In 2015, without restricting eligible assets within the requirements of the regulatory overcollateralisation ratio, this limit is 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 2015, this commitment was also respected.

#### **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 it shall apply in case of it may no longer issue 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 resources;
- securities and values safe and liquid pursuant to Article R. 513-6 of the French Monetary and Financial Code;
- cash flows generated by all balance sheet assets and privileged liabilities;
- privileged liabilities.

The calculation of the cover ratio is based on the early repayment and a final loss rate on assets assumptions.

## **7.3. Monitoring of overall interest rate risk**

### **7.3.1. MANAGEMENT PROCEDURES**

Compagnie de Financement Foncier is protected against foreign exchange and interest rate risk: all fixed rate and/or non-euro denominated asset acquisitions or debt issuances are systematically hedged with variable rates and/or swapped into euros at origination.

In accordance with its new hedging policy implemented in 2014, derivatives transactions are generally intermediated by Crédit Foncier and results in an intragroup swap between Crédit Foncier and Compagnie de Financement Foncier.

With this strategy, Crédit Foncier becomes the main counterparty of Compagnie de Financement Foncier for external entities for interest rates swaps on assets and liabilities; which enables a reduction in clearing house as well as a smaller exposure of Crédit Foncier (and consequently margin calls and Credit value adjustment). Moreover, it enables to reduce outstanding swaps of Compagnie de Financement Foncier.

This strategy usually does not apply to cross-currency swaps hedging issuances in foreign currencies or to structured swaps hedging private placements or some loans to local authorities that are dealt with other banking counterparts.

Given the various hedging mechanisms implemented by Compagnie de Financement Foncier at the time of transactions being entered into, an exposure to interest rate risk is limited to the possible distortion of the hedging transaction arising from

events not known at the time of transaction conclusion and which occurred during the term of the contract (mainly early redemptions).

Interest rate position is reviewed each quarter by the Compagnie de Financement Foncier ALM Committee and macro-hedging transactions are entered into to keep interest rate gaps within 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.

The approved transactions are set out operationally by the Interest Rate Committee and then implemented by the Cash management unit of Crédit Foncier, which is the only point of entry to the market available to Compagnie de Financement Foncier for this kind of operations.

All of the counterparties to these currency or interest rate swaps have concluded collateralisation agreements with Compagnie de Financement Foncier that require them to provide a security deposit to the benefit of the Compagnie de Financement Foncier depending on their debt position and rating. These requests for funds are made on a daily basis if the rating of the counterparty falls below F1+ or AA- at Fitch Ratings, P1 or Aa3 at Moody's, A1+ or AA- at Standard & Poor's. If the opposite situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. As of December 31, 2015, the amount of deposits received was €2.8bn.

### 7.3.2. INTEREST RATE RISK MONITORING

Compagnie de Financement Foncier has adopted a static approach for measuring risk and the sensitivity of results. The two main indicators are the fixed interest-rate gap and the sensitivity of the equity's net present value (Basel II indicator). Variable rates by categories' buckets were also analysed.

The fixed interest-rate gap is calculated from total outstandings both on- and off-balance sheet on the balance sheet date, using predefined assumptions and rules for asset and liability flows. All of these indicators are monitored quarterly by the ALM Committee and Risk Executive Committee.

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 December 31, 2015, Compagnie de Financement Foncier was in compliance with these limits.

#### 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

### 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 utilisations 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.

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

In 2015, Compagnie de Financement Foncier was in compliance with this limit.

## 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 recognised 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 centralises month-end foreign exchange positions, by currency and by total amounts of foreign currencies.

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

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

Compliance with this limit is monitored by the ALM Committee and the Risk Executive Committee of Compagnie de Financement Foncier.

All these limits were respected in 2015.

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## 7.5. Monitoring settlement risk

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The handling and the accounting control of treasury accounts is the responsibility of a manager in charge of an independent unit, in keeping with the principle of segregation of duties. Compagnie de Financement Foncier has direct access to the market settlement systems of the Paris Stock Exchange for large transactions denominated in euros; it is a member of the European Target system. For transactions in foreign currencies and small transactions in euros, it has accounts with BPCE.

Daily procedures for monitoring settlement risk include:

- preparation of projected flow profiles;
- daily reconciliation of individual flows with forecasting;

- creation of a payment incidents database.

In the event of the definitive default of a settlement counterparty leading to Compagnie de Financement Foncier potentially being overdrawn with the Banque de France, there are provisions for hedging mechanisms to be put in place (interbank borrowing or end-of-day borrowing facility provided by the European Central Bank).

Compagnie de Financement Foncier has a contingency and business continuity plan for settlement under an agreement with BPCE. Accordingly, as regards its financial activities, Compagnie de Financement Foncier is covered by BPCE's Contingency and Business Continuity Plan.

# 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. Operational risks associated with the activity of Compagnie de Financement Foncier's General Secretariat 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 2015.

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## 8.1. General Management

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

Groupe BPCE's Risk department and on the Group's operational risk policy.

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## 8.2. Governance

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Operational risk management is part of Groupe Crédit Foncier's Risk department. It is managed by a specialised unit that is separate from operating activities and attached to the Risk

department. This unit reports to Compagnie de Financement Foncier's executive bodies and those responsible for controlling Compagnie de Financement Foncier.

## 8.3. Management environment

### 8.3.1. MANAGEMENT NETWORK

Operational risk oversight and management is delegated to the managers of various divisions. Each manager relies on a network of representatives coordinated by a risk manager, with a functional link to the Risk department.

### 8.3.2. METHODS AND TOOLS

The risk approach is based on three key elements that are part of an iterative, interactive method: identification and assessment by each business line of its vulnerability to the main operational risks, frequency and evaluation, determination of existing or necessary preventive measures to manage or reduce the impact of these risks. The mapping is updated whenever processes or the organisational structure changes, and in any case at least once a year.

In parallel with this, the following has been put in place:

- a system for recording incidents in a dedicated Group database (PARO: management and analysis of operational results): the management network inputs the incident database as and when such incidents occur and evolve; monitoring of corrective action plans; analysis of changes in risk exposures and resulting losses;
- indicators for the main risk areas warning when incidents are likely to enter a critical phase.

Groupe Crédit Foncier also receives reports through the PARO system.

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

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

In accordance with the service agreements between Groupe Crédit Foncier and Compagnie de Financement Foncier, business continuity of Compagnie de Financement Foncier is covered by Crédit Foncier's Contingency and Business Continuity Plan (CBCP). All aspects of this plan are maintained in working condition as required by the regulations.

Compagnie de Financement Foncier has its own CBCP manager who acts on its behalf in matters of compliance and maintaining the plan in deployment-ready condition in cooperation with the Crédit Foncier CBCP team.

## 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.

Since mid-November 2015, Crédit Foncier's IT system has been migrated to the Caisses d'Épargne MYSYS platform developed by IT-CE GIE, a subsidiary of Groupe BPCE responsible for the information technology of Caisses d'Épargne and other Groupe BPCE entities.

## 8.6. Insurance

As Compagnie de Financement Foncier's servicer, Crédit Foncier insures the risks relating to its activity. Under service agreements with Compagnie de Financement Foncier, it provides insurance-related services on behalf of Compagnie de Financement Foncier. As a result, Compagnie de Financement Foncier benefits from

insurance policies subscribed by BPCE primarily covering the following risks:

- IT fraud and malicious acts and subsequent losses arising out of banking operations;
- professional civil liability;
- civil liability of senior executives and corporate officers.

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## 8.7. Legal risks

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According to the service agreements that link Crédit Foncier to Compagnie de Financement Foncier, legal risks incurred by the latter are monitored by the General Secretariat of the Group.

The difficulties faced by a major operator in the French overseas departments led him to consider a withdrawal scheme through the sale of assets; it should be noted that the underlying receivable is guaranteed by both real estate collateral and a State guarantee provided in Article L. 312-1 of the French Construction and Housing Code.

Regarding French local authorities, given the fact that some interest rates, being at first subsidised became then subject to a structured calculation based on the exchange rates' evolution, they were affected by an actual trend of exchange rates' evolution. Crédit Foncier was summoned to appear in six of them. Compagnie de Financement Foncier was only named directly in one case. The

proceedings are ongoing, it being noted that a decision handed down by the Paris Court of first instance, which is not yet final, rejected all the claims made by the authority against Compagnie de Financement Foncier. Were proceedings to continue, the lender's case would naturally be underpinned by the provisions of Act No. 2014-844 of July 29, 2014 on the securing of structured loan agreements entered into by public sector entities and well as those relating to the Support Fund established by the 2014 Finance Act.

Following a media campaign, notably on the internet, all market participants received a number of complaints from borrowers, claiming that the effective annual interest rate (TEG rate) on their loan was wrong, and was subject to a number of legal proceedings on this matter. An appropriate defence was made in response to these claims both in and out of court. Progressively, a combination of favourable decisions support the position of the creditor in pending lawsuits.

# 9. Non-compliance risk

Compliance responsibilities for Compagnie de Financement Foncier are performed by Crédit Foncier in accordance with the terms of the relevant agreements (framework agreement and internal control and compliance service agreement) between the two entities. The

Head of Compliance at Crédit Foncier is notably registered with the AMF as Head of investment services compliance for Compagnie de Financement Foncier.

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## 9.1. Risk monitoring and measurement systems

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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.

Work on the application of the US FATCA tax law to Crédit Foncier's transactions and securities continued in 2015. The

particular issues arising from the European EMIR regulation relating to transactions with derivative instruments were also dealt with. Work was undertaken in 2015 on the application of the US Volcker rule, with a subsequent presentation being made to the governing bodies of Groupe Crédit Foncier and Compagnie de Financement Foncier. Indeed, in addition to the French law on the Separation of Banking Activities, the Volcker rule applies within Groupe BPCE to Natixis, BPCE SA and their subsidiaries.

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## 9.2. Risk identification and monitoring

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Non-compliance risks are identified using a dual approach:

- detection 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;
- analysis of the results of Level I controls carried out by Crédit Foncier operating 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.

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## 9.3. Risk management

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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.

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## 9.4. Monitoring of dysfunctions

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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.

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## 9.5. Approval of new products or services

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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.

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## 9.6. Ethics – Market abuse – Conflicts of interest

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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.

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## 9.7. Combating money laundering and financing of terrorism

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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 programmes 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 scrutinised by the Financial Security Unit of the Compliance department.

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## 9.8. Outsourced services

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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. Crédit Foncier monitors compliance

with this regulation for services it outsources to third parties. This outsourced services monitoring has been incorporated into Groupe BPCE's PILCOP application allowing thus the monitoring of ongoing services and an adequate implementation of new services.

The General Secretariat of Compagnie de Financement Foncier has specific responsibility for monitoring services outsourced to Crédit Foncier.





# Report of the Chairman of the Board of Directors

## REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

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# Report of the Chairman of the Board of Directors

## established pursuant to Article L. 225-37 of the French Commercial Code

### Conditions for preparing and organising the work of the Board of Directors

#### 1.1. MEMBERS OF THE BOARD

As of December 31, 2015, the Board of Directors of Compagnie de Financement Foncier was composed of eleven members, including the Chief Executive Officer and the Deputy Chief Executive Officer. The members of the Board are listed in the appendix. Compagnie de Financement Foncier's two Statutory Auditors and its Specific Controller also attend the Board meetings.

#### 1.2. BOARD MEETINGS

The legal secretary to the Board of Directors is provided by the General Secretariat of Crédit Foncier and it establishes, in consultation with the Chairman and Executive Officers, the agenda for the meetings, along with the materials covering the various items on the agenda. This department also drafts the minutes and keeps the legal registers. On June 30, 2010, the Board of Directors adopted internal regulations, most recently updated on April 10, 2015, defining operational procedures for the Board.

Compagnie de Financement Foncier's Board of Directors meets at least once every three months to examine a prescheduled agenda. Specific items may be added depending on the period. Items discussed include:

- approval of the accounts for the previous year;
- management forecasts;
- quarterly report of bond issuances and analysis of the performance of *obligations foncières* (covered bonds) issued by Compagnie de Financement Foncier on the primary and secondary markets;
- determining, at the end of each quarter, for the following quarter, the programme for issuing covered bonds and other privileged debt which requires certification by the Specific Controller;
- delegation of the powers necessary to carry out these operations;
- examination of the half-year accounts;
- more generally, authorisation of any major transaction involving Compagnie de Financement Foncier or any significant event being able to affect it (governance, changes to bylaws, agreements with the parent company, update of EMTN programmes, debt issuances that exceed limits of delegated powers, etc.);

- review of internal control reports and risk monitoring measures pursuant to Articles 258 *et seq.* of the Order of November 3, 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to the supervision of the French Prudential Supervisory and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution – ACPR*) (previously Articles 42 and 43 of regulation No. 97-02 as amended of the Committee on Banking and Financial Regulation (CRBF)) and of the annual report of the Specific Controller;
- presentation of the results of permanent, periodic and compliance controls.

The records and documents submitted to the Board provide it with clear, true and fair information about Compagnie de Financement Foncier and its evolution.

The Board of Directors didn't limit the powers of the Chief Executive Officer in any way. The Chief Executive Officer is vested with the broadest powers to act in all circumstances on behalf of the Company, within the limits of the corporate purpose, and subject to the powers expressly attributed by law to General Meetings and the special powers of the Board of Directors. He represents Compagnie de Financement Foncier in its relationships with third parties. The Deputy Chief Executive Officer is vested with the same powers as the Chief Executive Officer.

Compagnie de Financement Foncier's Board of Directors met six times in 2015.

Board members are entitled to attendance fees in accordance with the allocation rules recommended by BPCE, Compagnie de Financement Foncier's Central Institution. Under a BPCE Directive dated December 17, 2010, attendance fees payable to BPCE representatives are paid to BPCE and not to the individual in question. Since January 1, 2012, the same treatment applies to the representatives of Crédit Foncier. The attendance fees are paid to Crédit Foncier and not to the individual in question. It is specified that no attendance fees are paid to Natixis employees serving as director, in an individual capacity, on the Board of Directors of Groupe BPCE companies.

The amount of the attendance fees allocated to the Board members is set in advance for each meeting. It is paid only if the members actually attend the meetings (according to Article 13 of the bylaws, Directors taking part in the meetings of the Board through video-conferences or telecommunication means granting their identification and actual participation, are considered as attending for the calculations of the quorum and the majority). The amount is also subject to an annual cap.

### 1.3. COMMITTEES AND CONTROLS

In order to comply with the various changes relating to the governance of credit institutions introduced by Directive 2013/36/EU, transposed into the French Monetary and Financial Code (CMF) by Order No. 2014-158 of 02/20/2014 (CRD IV) and the Decree of November 3, 2014, the Board of Directors resolved, at its meeting of December 16, 2014, to establish an Appointments Committee and to change the name of the Audit Committee, in light of all its duties, to the Audit and Risk Committee. At its June 10, 2015 meeting, the Board of Directors resolved to split the Audit and Risk Committee, and established a separate Audit Committee and a separate Risk Committee.

#### APPOINTMENTS COMMITTEE

The Appointments Committee is responsible for nominating candidates for Board membership, assessing knowledge diversity and setting a target for male/female representation.

This Committee has two members, who are directors:

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

#### AUDIT COMMITTEE

The Audit Committee operates in accordance with a charter approved by the Board of Directors in its meeting of June 29, 2004 and most recently updated by the Board on August 25, 2015.

The Audit Committee is responsible for advising the Board of Directors on the clarity of the information provided and the relevance of the accounting methods used to prepare the parent company financial statements.

Its usual scope includes:

- budget procedures;
- financial statements;
- choice of Statutory Auditors and Specific Controller;
- examination of the annual report of the Specific Controller.

At December 31, 2015, the Audit Committee had the following members:

- Crédit Foncier, represented by Mr Éric FILLIAT, Chairman;
- BPCE, represented by Mr Olivier IRISSON;
- Ms Christine FABRESSE;
- Mr Dominique GARNIER.

#### RISK COMMITTEE

The Risk Committee operates in accordance with a charter approved by the Board of Directors in its meeting of August 25, 2015.

The Risk Committee is responsible for advising the Board of Directors on the quality of internal control, in particular the consistency of risk measurement, supervision and management, and is responsible for proposing, when appropriate, additional measures in this respect.

Its usual scope includes:

- assessing the overall risk exposure of Compagnie de Financement Foncier based on available reports;
- advising the Board of Directors on the overall strategy of Compagnie de Financement Foncier and risk appetite, both current and future;
- reviewing reports on internal control, compliance and permanent control;
- monitoring the independence of the General Inspection Division of Crédit Foncier and reviewing its work and annual plan;
- following up on the findings of missions of the French Prudential Supervisory and Resolution Authority (*Autorité de Contrôle Prudentiel et de Résolution* - ACPR) and/or the European Central Bank (ECB) and the General Inspection Division of Crédit Foncier and of BPCE;
- reviewing product and service pricing (mentioned in Books II and III of the French Monetary and Financial Code (CMF): financial instruments, savings products, banking operations, investment services,...).

At December 31, 2015, the Risk Committee had the following members:

- Crédit Foncier, represented by Mr Éric FILLIAT, Chairman;
- BPCE, represented by Mr Olivier IRISSON;
- Mr Pascal CHABOT;
- Ms Christine FABRESSE;
- Mr Dominique GARNIER.

Mr Thierry DUFOUR, Chief Executive Officer, is in charge of permanent and periodic control and compliance for Compagnie de Financement Foncier.

This appointment meets the requirements of Articles 14 *et seq.* of the Order of November 3, 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to the supervision of the French Prudential Supervisory and Resolution Authority, previously Article 7.1 of regulation No. 97-02 as amended of the Committee on Banking and Financial Regulation (CRBF), and to the principle applied by the Management of Crédit Foncier de France under which the executive bodies of credit institutions' subsidiaries may draw on the parent company's structure to fulfil their obligations in terms of permanent and periodic control and compliance.

### ATTENDANCE BY SHAREHOLDERS AT GENERAL MEETINGS

General Meetings of shareholders are called in accordance with French legal and regulatory requirements.

An invitation to attend the meeting is sent to each shareholder individually. The shareholders are exclusively registered shareholders.

Any shareholder may attend the General Meeting per the conditions set out by law.

There is no provision assigning multiple voting rights.

## PRINCIPLES AND RULES APPROVED BY THE BOARD OF DIRECTORS FOR DETERMINING COMPENSATION GRANTED TO CORPORATE OFFICERS

Compensation of the Chief Executive Officer and the Deputy Chief Executive Officer is composed of fixed and variable pays, the latter

being computed as a percentage of the fixed pay. For the Chief Executive Officer, the amount of the variable pay that is actually allocated depends on the income of Crédit Foncier for 80% and Groupe BPCE for the remaining part and, for the Deputy Chief Executive Officer, the degree of completion of the objectives that are assigned to him each year. This variable pay is fully paid by Crédit Foncier.

## Internal control procedures established by the Company

### REGULATORY ENVIRONMENT AND ITS APPLICABILITY TO THE ENTITIES OF THE GROUPE CRÉDIT FONCIER

In its dual capacity as credit institution and *société de crédit foncier*, Compagnie de Financement Foncier operates within a very comprehensive legal and regulatory framework governing its activities and their control.

As a credit institution, this framework is primarily governed by the French Monetary and Financial Code (*Code monétaire et financier* - CMF) and the regulations set forth by the Banking and Finance Regulatory Committee (*Comité de la réglementation bancaire et financière* - CRBF), and, with regards to internal controls, by the Order of November 3, 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to the supervision of the French Prudential Supervisory and Resolution Authority (previously regulation No. 97-02 as amended of the Committee on Banking and Financial Regulation (CRBF)).

As a *société de crédit foncier*, Compagnie de Financement Foncier is subject to specific provisions set forth in Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code (CMF) and in various implementing decrees (Articles R. 513-1 to 513-21 of the French Monetary and Financial Code, CRBF Regulation No. 99-10 as amended, etc.). The legal and regulatory framework applicable to *sociétés de crédit foncier* was revised and modernised in 2010, and the changes came into force in 2011.

This framework requires Compagnie de Financement Foncier to appoint a Specific Controller approved by the French Prudential Supervisory and Resolution Authority (ACPR). This person is in charge of monitoring compliance with legal requirements: asset eligibility, overcollateralisation, congruence of rates and maturity and valuation of assets or underlying securities.

The Controller drafts an annual report, which is then submitted to the French Prudential Supervisory and Resolution Authority and Executive officers.

Compagnie de Financement Foncier is also provider of investment services and therefore subject to the general regulations of the French Financial Markets Authority (AMF). A Head of Investment services compliance (HISC), Head of Compliance of Crédit Foncier and permanent holder of the card issued by the AMF for Compagnie de Financement Foncier, ensures the compliance with the financial regulation. To define its scope, he/she has provided a corpus of procedures on, notably, the possibility to alert, the framework applicable to people exposed to the risks of insider trading conflicts, the delivery and withdrawal of professional cards issued by the AMF, the recording process of telephone communications, the limited access to the trading floor, the certification of products and services.

In accordance with the regulations, Compagnie de Financement Foncier's Executive Management is responsible for establishing internal controls and implementing them. The internal controls encompass all procedures, systems and controls required to comply with laws, regulations and market rules, as well as groupe Crédit Foncier's rules, and ensure that all risks are properly managed.

In accordance with the legal framework that provides a privilege for holders of covered bonds, the law stipulates that *sociétés de crédit foncier* may not have their own resources.

Compagnie de Financement Foncier relies on the resources of its parent company to carry out its activities. Crédit Foncier provides it with a number of services, under a series of agreements, particularly with regard to internal control and compliance services. Accordingly, an agreement on internal control and compliance services signed on December 28, 2006 and was amended on February 13, 2014.

Pursuant to the Order of November 3, 2014 concerning the internal control of credit institutions, companies providing payment and investment services that are subject to the supervision of the French Prudential Supervisory and Resolution Authority, these services must be subject to a specific control system, which requires that the service provider's internal control system be suitable. This suitability remains the responsibility of the Executive Management of Compagnie de Financement Foncier, as per Article 237 of said Order: "outsourcing shall not result in the delegation by senior management of its responsibility".

The outsourced activities are performed in accordance with the permanent and periodic control procedures implemented by Crédit Foncier. These procedures comply with the rules and standards set by BPCE, which as the central institution determines the obligations of Group entities in the area of internal control (resources, organisation and guidelines).

BPCE's Internal Audit department also performs periodic audits of Crédit Foncier's internal control system as part of its overall assessment of internal control.

### ORGANISATION OF INTERNAL CONTROL AND ROLES OF THE VARIOUS PARTIES INVOLVED

The effectiveness of internal controls depends on a clear division of the roles and responsibilities of different governance structures and of permanent operational control entities as well as on the arrangements made for periodic controls.

## CORPORATE GOVERNANCE

Compagnie de Financement Foncier's Executive Management is responsible for managing the Company. It is in charge of the management of risks and internal controls, including the system of permanent controls.

The Board of Directors exercises control over the management of the Company and directs its strategy. It is involved in the most important decisions and is kept regularly informed of the level of indicators. Its work is prepared by the Audit Committee and the Risk Committee, which carry out the essential tasks of first ensuring that relevant and consistent accounting methods are used to prepare the Company's financial statements and second, of assessing the quality of internal controls, including the consistency of measurement, monitoring and risk management systems, and finally, if necessary, proposing an appropriate course of action.

## INTERNAL CONTROL PROCEDURES

### Context and principles of Compagnie de Financement Foncier's control system

Compagnie de Financement Foncier entrusts all of its management under a framework agreement, setting forth the general principles and the 10 specific agreements including an agreement on internal control and compliance, and thereby delegates the bulk of its internal control to Crédit Foncier. The complete list of these agreements is as follows:

- an agreement for loan assignments;
- an agreement for loan servicing and recovery;
- an agreement governing financial services;
- an asset/liability management (ALM) agreement;
- an administrative and accounting management agreement;
- a service agreement on internal control and compliance;
- an agreement related to the implementation of information technology services;
- an agreement concerning human resources;
- an agreement concerning compensation for services;
- an agreement related to settlement bank services.

The internal control principles of Compagnie de Financement Foncier are thus in line with those of Crédit Foncier.

The General Secretariat of Compagnie de Financement Foncier is responsible for monitoring the services outsourced to Crédit Foncier. Amongst its functions, this body is also responsible for organising and coordinating three committees exclusively focussed on the management of Compagnie de Financement Foncier and its control:

- **Agreements Monitoring Committee:** it is a joint committee between Crédit Foncier and Compagnie de Financement Foncier, tasked with defining or modifying the agreements governing the services provided by Crédit Foncier to Compagnie de Financement Foncier. This committee makes sure that the framework agreement and all the special agreements between the two companies are correctly applied, interpreted and well-balanced between both companies. The day-to-day management of the agreements is also delegated by the Agreements Monitoring Committee to the Compagnie de Financement Foncier Management Committee;
- **Compagnie de Financement Foncier Management Committee:** it undertakes operational monitoring of the management of Compagnie de Financement Foncier and,

where necessary, proposes solutions to resolve issues relating to compliance with the agreements entered into with its servicer, Crédit Foncier. It is chaired by a corporate officer of Compagnie de Financement Foncier and brings together all the Crédit Foncier units involved in the performance of said agreements;

- **Resolution Committee:** body empowered to cancel the transfer of receivables from Crédit Foncier to Compagnie de Financement Foncier in accordance with the rules set out in the assignment agreement.

Compagnie de Financement Foncier entrusts its internal control to Crédit Foncier, the organisation of which also follows Groupe BPCE principles.

### Context and principles of Groupe BPCE's control system

As a credit institution, Crédit Foncier de France is subject to extensive legal and regulatory obligations that govern its operations and control its activities. This framework was established by the French Monetary and Financial Code (CMF) and the regulations issued by the French Banking and Financial Services Regulatory Committee (CRBF) and, with regard to internal control, by the Order of November 3, 2014. The Groupe Crédit Foncier is supervised by European Central Bank in the single supervisory mechanism which acts in conjunction with the French Prudential Supervisory and Resolution Authority (ACPR).

In accordance with the regulations, Crédit Foncier's executive management team is responsible for designing and implementing internal controls. Internal controls encompass all procedures, systems and verifications required to:

- enable the achievement of the Company's objectives and compliance with laws and regulations as well as market or Group rules;
- ensure that all risks to which the Company is exposed are properly managed.

The structure of these control systems is based on two levels of permanent controls, applied by the operational units (CP1) or entities that are independent of the operations they are auditing (CP2), and on periodic controls carried out by the General Inspection department.

- More specifically, the Group's permanent control system incorporates the standards set by BPCE in accordance with regulations. As the Group's central body, BPCE's main purpose is to apply all administrative, financial and technical measures regarding the organisation and management of Banques Populaires and Caisses d'Épargne, their subsidiaries and joint entities. The organisational and auditing rules determined by BPCE are applicable to all affiliated institutions and govern all commercial and financial activities as well as the assessment, control and monitoring of credit, market, accounting, information technology and operational risks. Within this framework, particular attention, involving the definition of specific standards and controls, is applied to the prevention of money laundering and the financing of terrorism.
- At the same time, the quality and operational effectiveness of permanent controls is periodically audited by the General Inspection Division of Crédit Foncier, which is subject to specific requirements. Periodic audits are governed by Groupe BPCE's audit charter and are carried out by a special office staffed by members of BPCE's General Inspection department. The aim of this structure is to promote cooperation between the Audit departments and to provide coverage of the Group's entire scope as effectively as possible.

## Organisation of internal controls at Crédit Foncier

### CORPORATE GOVERNANCE

The Executive Management team is responsible for managing Groupe Crédit Foncier. It is in charge of the management of risks and internal controls, including the system of permanent controls. The Board of Directors exercises control over the management of the Company and directs strategy. It is involved in the most important decisions and is kept regularly informed of changes in major management ratios and indicators. Its work is prepared by the Audit Committee and the Risk Committee, which carry out the essential tasks of ensuring that relevant and consistent accounting methods are used to prepare the Company's individual and consolidated financial statements, of supervising internal controls, particularly the consistency of measurement, monitoring and risk management systems, and when necessary, of proposing appropriate additional courses of action.

### INTERNAL CONTROL

The internal control system is based on two levels of permanent control and a periodic control system, and is deployed through various organisational measures (involvement of supervisors, system of delegation, reporting structures, and the segregation of duties) which are detailed below.

### Levels of permanent control

Independent control units are positioned within the business lines.

The Risk and Compliance Divisions have been combined into a single Division under the authority of a Deputy Chief Executive Officer of Crédit Foncier. Within this Division, a Permanent Control Coordination department monitors the overall consistency of the permanent controls system (development and validation of annual audit plans, follows up the update of different entities control levels, monitors the general framework of permanent control and business meetings, etc.).

### OPERATIONAL PERMANENT CONTROL

First-level permanent operational controls (CP1) are performed within the operational units by employees or their management. The controls are specified in procedural and operating manuals, and unit heads are responsible for producing and updating these manuals.

Rapidly changing structures and regulatory environments, together with transformation of IT systems, constantly modify the processing procedures, calling for regular updating of directives and guidelines. This will be particularly true in 2016 in light of the migration of IT systems to the Mysys platform of the ITCE Economic Interest Group at end-2015.

### PERMANENT CONTROL PERFORMED BY UNITS THAT ARE INDEPENDENT FROM THE OPERATING STRUCTURES

These units provide second-level control (CP2) and ensure that procedures are properly executed and that risks are managed efficiently.

They may report directly to Executive Officers of Crédit Foncier:

- the head of permanent control for loan sales activities to individual customers reports directly to the Deputy Chief Executive Officer of Crédit Foncier in charge of the commercial development. He also reports functionally to the Chief Risk and Compliance Officer of Crédit Foncier;

- the heads of permanent control for the Corporate activity and the Middle and Back Office activities for loans to individual customers report to the Executive Directors in charge of these sectors;
- the same is true for the “Compagnie de Financement Foncier and VMG Oversight and Control” unit, which supervises permanent control of all processes impacting Compagnie de Financement Foncier (particularly the quality of procedures and services) and reports to the Head of Crédit Foncier's Financial Operations department.

The permanent control units can also put together dedicated central structures:

- **the Risk department** measures, controls and oversees credit and counterparty risks, as well as financial and operational risks;
- **the Compliance department** is responsible for controlling the risk of non-compliance and controlling investment services. It also covers ethics and the prevention of money laundering and fraud;
- **the Permanent Control Coordination department** is responsible for ensuring cross-business control functions within Groupe Crédit Foncier. It provides a strong functional reporting line between permanent control teams, ensuring the existence and effectiveness of the permanent control structure;
- **the Head of Information Systems Security** for groupe Crédit Foncier reports to the Chief Risk Officer. His responsibilities are to define the information systems security policy, oversee a network of officers within the Company's entities and assist and advise the IT department on security issues. In addition, he is now also responsible for the Contingency and Business Continuity Plan (CBCP) for groupe Crédit Foncier, with the duty to keep the plan up to date and in working order to ensure that Crédit Foncier will be able to continue operating following the materialisation of a major risk. These functions will be redefined with the migration of the IT system of Crédit Foncier to ITCE, which took place at end-2015.

These three departments report directly to the Chief Risk Officer, in charge of the Risk and Compliance Division.

- **The “Accounting Audit” unit**, which reports to the Accounting department but has no operational duties, is responsible for auditing the accounting and regulatory data generated by Crédit Foncier and its subsidiaries.

Groupe Crédit Foncier's permanent control system is structured around standardised and regularly updated risk management control procedures for each business unit.

The main duties of the Internal Control Committee of Crédit Foncier are to:

- ensure that permanent control of business activities is well organised and comprehensive, and that risk management and supervision are efficient (including monitoring of the risk management system);
- supervise actions aimed at ensuring good risk management, compliance of operations and internal procedures, quality and availability of the data processed by information systems, and the security of said systems;

- ensure that deficiencies identified by the permanent control units are resolved;
- convene the representatives of the control functions six times a year.

It should be noted that the Corporate Secretary of Compagnie de Financement Foncier is a standing member of the Internal Control Committee of Crédit Foncier.

The conclusions of the Committee's work are regularly reported to the Audit Committee and to the Risk Committee.

#### Periodic control

By agreement of Crédit Foncier and Compagnie de Financement Foncier periodic control is the responsibility of Crédit Foncier's General Inspection department.

The BPCE's control unit may also contribute to periodic control by auditing groupe Crédit Foncier and forwarding recommendations to Crédit Foncier's General Inspection department, which oversees their implementation.

#### Management's role in controlling employees' activities

As a key element of operational permanent control, control by line management is usually ensured:

- by analysing the incident reports, supervisory reports or reports that enable the managers to oversee the activities of their units;
- by a system of delegations, to a large extent incorporated into the IT procedures, or in the form of manual approvals.

#### Delegation system

Crédit Foncier's delegation system is based on two series of measures:

- firstly, an internal system ensuring that decisions are taken at the appropriate level (by the competent decision-making committees or via internal delegation systems) according to the degree of risk that they represent;
- secondly, a system of mandates enabling Crédit Foncier representatives to prove to third parties that they have the necessary powers to commit the Company.

Moreover, all members of the Executive Committee have full power and authority to perform their duties, within the scope assigned to them.

Decisions that are outside the framework of the responsibility of the Executive Officers of Crédit Foncier and which exceed the powers delegated to operational managers are taken by specialised committees. The Risk Committee, the resolution, the management, the ALM Committees and the Liquidity Committee are within the scope of Compagnie de Financement Foncier. The other committees are organised at Crédit Foncier consolidated level. The main specialised committees are:

- **National Commitments Committee:** authorises commitments exceeding the powers delegated to the operational units;
- **the Risk Committee** of Compagnie de Financement Foncier: monitors overall trends in counterparty, financial and operational risk and takes the relevant decisions (scoring rules, delegations and limits);

- **the Watch List Committee and the National Individuals' Sensitive Operations Committee:** manage strategy and decisions regarding substantial debts that are either distressed or exposed to risk;
- **the New Products & Services Committee:** approves the market launch of new types of loan and other products and provides services;
- **the ALM Committee and the Liquidity Oversight Committee** of Compagnie de Financement Foncier: analyses ALM indicators and provides ensuing decisions and guidelines; a stand-alone committee implements ALM Committee decisions;
- **the Finance Committee:** sets, amongst other things, financial terms of Compagnie de Financement Foncier's private placements;
- **the Interest Rate Committee:** manages the hedging transactions, including those of Compagnie de Financement Foncier;
- **the Loan Conditions Committee:** determines loan terms offered to customers;
- **the Provisions Committee:** validates Crédit Foncier's provisioning methods and levels;
- **the International Run-Off Portfolio Monitoring Committee:** manages strategy and decisions pertaining to the disposal of a significant amount of international securities and receivables;
- **the Management Committee** of Compagnie de Financement Foncier: it undertakes operational monitoring of the management of Compagnie de Financement Foncier and, where necessary, proposes solutions to resolve issues relating to compliance with the agreements entered into with its servicer, Crédit Foncier. It is chaired by a corporate officer of Compagnie de Financement Foncier and brings together all the Crédit Foncier units involved in the performance of said agreements. The work of this Committee is presented annually to the Agreements Monitoring Committee;
- **the Resolution Committee** of Compagnie de Financement Foncier: is empowered to cancel the transfer of receivables from Crédit Foncier to Compagnie de Financement Foncier in accordance with the rules set out in the assignment agreement.

#### Monitoring and measurement of risks

Crédit Foncier has set up risk measurement, oversight and management systems (mainly for counterparty, interest rate, foreign exchange, liquidity and operational risks) adapted to its activities, resources and structure. These systems form an integral part of the internal control system.

The main risk factors to which Crédit Foncier is exposed are closely monitored. The Company has drawn up precise limits and procedures for managing, selecting, measuring, overseeing and controlling its risks. These limits are updated regularly.

The Risk department performs exhaustive and precise assessments of Crédit Foncier's risks covering all categories of commitments and differentiating between the levels of risk.

Risk measurement methods are documented and supported. They are reviewed regularly to ensure that they are relevant and appropriate for the risks incurred.

Oversight of risks incurred entails constant monitoring of breaches of limits and their resolution and a periodic review of the main risks and portfolios. The classification of loans is verified periodically to ensure that loans are correctly classified according to the applicable regulations (in particular for doubtful loans). Checks are also performed regularly to ensure that provisioning is consistent with risk levels.

Risk assessments are submitted to the Executive Officers of Crédit Foncier and of Compagnie de Financement Foncier at committee meetings or in periodic activity reports and are regularly reported to the Risk Committee and to the Boards of Directors of Crédit Foncier and of Compagnie de Financement Foncier.

### Reporting lines

The information needed by the executive management to oversee the activity is provided in the monthly operating reports produced by the Finance Division. The various business lines draw up reports specific to their respective activities.

### Principle of the segregation of duties

Independence is on the whole ensured between the units in charge of carrying out transactions and those in charge of their accounting and settlement and the oversight and management of the related risks.

The independence of control units from operational units is ensured as follows:

- the Risk Division of Crédit Foncier oversees counterparty, financial and operational risk;
- accounting controls are performed by the Accounting Division and its specific unit;
- compliance and ethics are the responsibility of the Compliance Division of Crédit Foncier;
- permanent control is carried out by control units that are separate from the operational units;
- periodic controls are performed by the General Inspection Division of Crédit Foncier.

### Accounting system and procedures

Crédit Foncier's accounting system, services provider for Compagnie de Financement Foncier, relies mainly on the input of accounting data by the management chains.

The methods used for internal accounting control are described in the section on accounting and financial reporting control procedures.

## WORK PERFORMED BY THE GENERAL INSPECTION DIVISION OF CRÉDIT FONCIER

### Organisation and resources of the General Inspection Division of Crédit Foncier

By agreement, the General Inspection Division of Crédit Foncier is responsible for assessing the risks of Compagnie de Financement Foncier and reviewing the permanent control system.

It reports on its audits to the Chief Executive Officer and to the Risk Committee of Compagnie de Financement Foncier.

At the end of 2015, the department had a staff of 21 employees. All were university graduates drawn from a number of different fields (accounting, finance, legal, commercial sales).

An annual audit plan is prepared by the General Inspection Division of Crédit Foncier, working in conjunction with the Executive Management of Crédit Foncier and in consultation with BPCE's General Inspection department. The plan is approved by Crédit Foncier's Executive Management and submitted to its Risk Committee, then to the Risk Committee of Compagnie de Financement Foncier and to its Board of Directors for the relevant audited units (in the Group plan, the audits in question are specifically identified). The multi-annual audit plan is also submitted to the Audit Committee of Compagnie de Financement Foncier.

All units within the scope of intervention of the General Inspection department are audited on the basis of an audit cycle of at most four years; intrinsically risky activities are audited more frequently.

During the year, special audits or reviews may be conducted at the behest of Executive Management or the Risk Committees of the Group or of Compagnie de Financement Foncier.

Reports on the audits conducted are sent to Executive Management and to the Risk Committee. Information is also provided to top management at Crédit Foncier, allowing a final review of recommendations prior to implementation.

### Inspection assignments conducted in 2015

Overall, General Inspection Division of Crédit Foncier conducted its audit plan in 2015, apart from two financial audits conducted by the General Inspection department of the shareholder (ALM and treasury) and replaced by a HR department audit and the temporary assignment of a portion of its resources to work on company priorities (processing of early repayments, IT migration).

The audits conducted were included in the annual audit plan approved by the Audit Committee on December 16, 2014, covering the various segments of Groupe Crédit Foncier relevant to Compagnie de Financement Foncier: loans to individuals, corporates, support activities, (compliance, legal), financial operations (securitisation, run-off), outsourced services.

### Follow-up on recommendations from previous assignments

Monitoring of the implementation of audit recommendations is based on the reports submitted by the audited entity's management, indicating the percentage of completion and including, if necessary, an action plan and a new deadline.

The audited units now enter the reports into the Group intranet database made available to them (Reco! system). These reports must be accompanied by supporting documentation provided by the audited entity and containing all the necessary proof of completion. The General Inspection department systematically verifies whether the audit recommendations have actually been implemented by checking documents when the completion rate reaches 100%. The BPCE General Inspection department verifies its own recommendations as well as those by the French Prudential Supervision and Resolution Authority.

A detailed statistical report is prepared quarterly to provide a clear summary report to Executive Management of Crédit Foncier and to its top management. It is sent to the Risk Committee of Compagnie de Financement Foncier regarding recommendations within its own scope only: including requests to extend or abandon recommendations. Recommendations not implemented according to the initial timetable are specifically reviewed.

When an entity is re-audited, the status of previous recommendations is systematically examined.

## PROCEDURES FOR AUDITING ACCOUNTING AND FINANCIAL INFORMATION

The highlight of 2015 was the migration in November 2015, following three years of work, of the IT system of Crédit Foncier de France and of Compagnie de Financement Foncier to Mysys, the shared Caisses d'Épargne IT system.

The Programme consisted of business line processes and IT projects:

- the business lines were heavily involved in this ambitious endeavour;
- throughout the program, a cross-functional Change Management department supported the business lines in completing their work and addressed five major issues: ownership, organisation and processes, training, communication, switch-over organisational mechanism vis-à-vis the business lines;
- the IT projects underpinned this transformation.

Accounting is clearly heavily affected by this migration, in two respects:

- firstly, as “recipient” of all management activity;
- and secondly, as a result of changes to its own bookkeeping and analytical tools.

## BPCE'S ROLE

BPCE's Accounting department is responsible for standardisation, supervision, appraisal, oversight, forecasting, regulatory monitoring and Group's representation for prudential and accounting matters.

In this capacity, it defines and updates the Group's accounting standards, comprised of a Group Accounting Plan together with accounting rules and methods applicable to all Group entities. These rules and methods include general accounting tables and are summarised in a manual used by all the Group's institutions, which is regularly updated based on changes in accounting regulations. Furthermore, the rules for preparing the half-year and annual financial statements are the subject of a specific report aimed at harmonising accounting procedures and statements across the different companies in the Group.

All these standards and procedures are applied by ITCE, which, since the November 2015 migration, is responsible for monitoring IT processing, configuration as well as detailed accounting tables.

## AUDIT COMMITTEE OF COMPAGNIE DE FINANCEMENT FONCIER

Accounting and financial statements (annual and half-year financial statements) are presented to the Audit Committee. This committee analyses the statements, receives the conclusions of the Statutory Auditors and submits its conclusions to the Board of Directors.

## STRUCTURE OF GROUPE CRÉDIT FONCIER'S ACCOUNTING FUNCTION

Accounting at the groupe Crédit Foncier is performed by the Accounting department. The Accounting department is directly responsible for preparing the financial statements and regulatory filings for all Group entities, which do not have their own Accounting departments. It thus undertakes this work for Compagnie de Financement Foncier.

General Accounting department of Crédit Foncier is organised as follows:

## ■ Accounting department of Crédit Foncier

Functions	Main responsibilities in accounting system operations	Main responsibilities in compiling and summarising data
Reporting and consolidation	<b>Individual financial statements:</b> <ul style="list-style-type: none"> <li>account-keeping for Crédit Foncier, Compagnie de Financement Foncier, Vauban Mobilisations Garanties and Locindus, and preparation of the individual financial statements;</li> <li>tax declarations.</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheets, income statements and notes for these entities.</li> <li>Monthly summary results statements of the Group's two main credit institutions (Crédit Foncier, Compagnie de Financement Foncier).</li> </ul>
	<b>Consolidated financial statements:</b> <ul style="list-style-type: none"> <li>centralisation of consolidation packages;</li> <li>preparation of the consolidated financial statements;</li> <li>implementation of consolidation procedures (use of the BPCE Group BFC software package).</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheets, income statements and notes for groupe Crédit Foncier.</li> <li>Consolidated quarterly results for the Group.</li> <li>Consolidated monthly results under French GAAP.</li> </ul>
Regulatory and prudential disclosures	<ul style="list-style-type: none"> <li>Regulatory disclosures at Company level (SURFI, etc.).</li> <li>Calculation of Compagnie de Financement Foncier specific ratios, and of the Locindus liquidity ratio.</li> <li>Consolidated prudential disclosures to the French Prudential Supervisory and Resolution Authority and/or the European Central Bank (ECB) (via BPCE, central body), in cooperation with the Risk department.</li> </ul>	<ul style="list-style-type: none"> <li>Reporting to the French Prudential Supervisory and Resolution Authority and the European Central Bank (ECB) (via BPCE, central body).</li> </ul>
Operational accounting	<ul style="list-style-type: none"> <li>Supervision and control of interface operations between the loan management system, accounting software packages and reporting databases in cooperation with the IT firm, ITCE, and the Studies and Projects department of the Finance Division.</li> <li>Account-keeping for loan management chains and peripheral chains.</li> </ul>	<ul style="list-style-type: none"> <li>Reports on outstanding loans and loan flows.</li> </ul>
Subsidiaries' accounting	<ul style="list-style-type: none"> <li>Account-keeping for subsidiaries and preparation of individual financial statements.</li> <li>Tax declarations.</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheets, income statements and notes for these entities.</li> </ul>
Accounting and Regulatory Audit department	<ul style="list-style-type: none"> <li>Permanent controls in accounting, regulatory and tax audits.</li> </ul>	<ul style="list-style-type: none"> <li>Controls summary reports.</li> </ul>

### ACCOUNTING AND REGULATORY AUDIT

The organisational principles governing accounting control, as part of the process of task decentralisation, are set out in the "Accounting and Regulatory Audit Charter" approved by BPCE's Executive Board on May 10, 2010.

The Accounting and Regulatory Audit area reports hierarchically to the Head of the Accounting department and functionally to the Head of the Permanent Controls Coordination department, who is the recipient of all the audit work carried out. Operational accounting controls are the responsibility of the departments directly involved in producing accounting data.

The audits performed are set out in an annual work schedule proposed by the accounting and regulatory audit, presented to the Permanent Controls Coordination department and approved by the Internal Control Committee.

These audits include:

- in-depth controls at the quarterly account closing dates, in particular of the evidence supporting the accounts (banking reconciliation, consistency between accounting and management systems, suspense accounts, etc.);
- regular controls on the main regulatory and tax declarations as well as issues related to summary reports.

They result in the establishment of briefing notes, sent to the Accounting department, the Permanent Control Coordination department, the department responsible for oversight and control of Compagnie de Financement Foncier and the Statutory Auditors.

The consolidation packages, prepared by the subsidiaries and certified by their Statutory Auditors, are reviewed in detail and checked for consistency by the Consolidation Unit.

All the regulatory and prudential reports are consolidated by BPCE, which runs automatic consistency controls before sending them to

the French Prudential Supervisory and Resolution Authority (ACPR) and/or the European Central Bank.

#### AUDIT OF FINANCIAL DATA

The financial data disclosures (regulatory restitutions intended specifically for the French Prudential Supervisory and Resolution Authority (ACPR), Registration documents submitted to the French

Financial Markets Authority) are carefully audited by the competent departments (Management Control, ALM, General Accounting).

More specifically, for Compagnie de Financement Foncier, the "Oversight and Control for Compagnie de Financement Foncier and Vauban Mobilisations Garanties" unit is responsible for checking the documents for the Specific Controller and the rating agencies.

## APPENDIX

### COMPAGNIE DE FINANCEMENT FONCIER

#### MEMBERS OF THE BOARD OF DIRECTORS AT DECEMBER 31, 2015

Range of the number of members: 3 to 18

Number of members: 11

Number of Board meetings: 6

Average attendance rate: 78.79%

Number of women Directors: 2 (18.18%)

Number of men Directors: 9 (81.82%)

Director's fees: yes

Surname/First name Company name + Permanent representative	Position on the Board/ in the Company	Appointment date	Term expires on	Comments
Mr Bruno DELETRÉ	Chairman of the Board	12/18/13	OGM 2019	Chairman of the Appointments Committee
Crédit Foncier de France SA, represented by Mr Eric FILLIAT	Director	12/28/98	OGM 2017	Chairman of the Audit Committee, Chairman of the Risk Committee
Mr Thierry DUFOUR	Chief Executive Officer and Director	Director since 12/18/98 Chairman from 07/31/07 to 12/18/13 Chief Executive Officer since 12/14/07	OGM 2019	
Ms Sandrine GUÉRIN	Deputy Chief Executive Officer, Director	Deputy Chief Executive Officer since 10/15/01 (resignation on 02/08/16) Director since 03/25/02 (resignation on 02/08/16)	OGM 2019 OGM 2018	
BPCE SA, represented by Mr Olivier IRISSON	Director	03/28/11	OGM 2017	Member of the Audit Committee, Member of the Risk Committee
Mr Cédric MIGNON	Director	03/25/14	OGM 2020	
Mr Pascal CHABOT	Director	03/25/14	OGM 2016	Member of the Risk Committee
Ms Christine FABRESSE	Director	03/25/14	OGM 2018	Member of the Audit Committee, Member of the Risk Committee
Mr Francis DELACRE	Director	03/25/14	OGM 2016	
Mr Dominique GARNIER	Director	03/25/14	OGM 2018	Member of the Audit Committee, Member of the Risk Committee
Mr Jean CHEVAL	Director	03/25/14	OGM 2020	Member of the Appointments Committee

# Statutory Auditors' report

## prepared in accordance with Article L. 225-235 of the French Commercial Code (Code de commerce), on the report prepared by the Chairman of the Board of Directors of Compagnie de Financement Foncier S.A.

*This is a free translation into English of a 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 S.A.

Registered office: 19, rue des Capucines - 75001 Paris  
Share capital: €2,537,459,936

Year ended 31 December 2015

To the shareholders,

In our capacity as Statutory Auditors of Compagnie de Financement Foncier S.A., and in accordance with Article L.225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your company in accordance with Article L.225-37 of the French Commercial Code for the year ended 31 December 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors [or Supervisory Board] for approval, a report on the internal control and risk management procedures implemented by the company and containing the other disclosures required by Article L.225-37 particularly in terms of the corporate governance measures.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L.225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

### INFORMATION ON THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with article L.225-37 of the French Commercial Code.

### OTHER DISCLOSURES

We hereby attest that the Chairman's report includes the other disclosures required by Article L.225-37 of the French Commercial Code.

Paris La Défense, on the 31 March 2016

**KPMG Audit**

Département de KPMG S.A.

Jean-François Dandé

Partner

Neuilly-sur-Seine, on the 31 March 2016

**PricewaterhouseCoopers Audit**

Anik Chaumartin

Partner



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# 1. Corporate governance

Members of the Board of Directors and their professional addresses at December 31, 2015.

## **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

## **Crédit Foncier de France S.A. represented by Mr Éric FILLIAT**

December 28, 1998

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

## **Mr Thierry DUFOUR**

Director since December 18, 1998

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

Chief Executive Officer from June 25, 1999 to May 16, 2001

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

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

Resignation as Chief Executive Officer on September 4, 2006

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

Chief Executive Officer since December 14, 2007

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

## **Ms Sandrine GUÉRIN <sup>(33)</sup>**

Deputy Chief Executive Officer since October 15, 2001

Director since March 25, 2002

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

## **BPCE S.A. represented by Mr Olivier IRISSON**

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 7 330 – 34184 Montpellier Cedex 4

## **Mr Francis DELACRE**

Director since March 25, 2014

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

## **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

<sup>(33)</sup> Resignation from the term on February 8, 2016.

**Movements within the Board of Directors in 2015**

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

**Movements within the Board of Directors in 2016**

On February 9, 2016 the Board of Directors was informed of the resignation of Ms. Sandrine GUÉRIN from her term as Deputy Chief Executive Officer and Director starting from February 8, 2016.

During its meeting on February 9, 2016, the Board of Directors coopted Mr Benoît CATEL to replace Ms. Sandrine GUÉRIN for the rest of her term until the General Meeting called to approve the financial statements for the 2017 financial year, as proposed by the Appointments Committee. This appointment will be subject to the ratification of the next Board of Directors.

**Audit and Risk Committee split**

At its June 10, 2015 meeting, the Board of Directors resolved to split the Audit and Risk Committee, and established an Audit Committee and a Risk Committee.

At December 31, 2015, the Audit Committee had the following members:

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

At December 31, 2015, the Risk Committee had the following members:

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

## 2. General information concerning the Company

Compagnie de Financement Foncier, whose share capital is not listed, is committed to running its business and its administrative bodies in accordance with the existing corporate governance practices in France, based on the AFEP/MEDEF Corporate Governance Code.

However, two provisions of the Code were not followed. The first concerns the proportion of independent directors which should represent at least 1/3 of the Board of Directors, and cannot be properly applied because it does not allow a balanced representation of its equal ownership by Crédit Foncier, BPCE which is the parent company of Crédit Foncier, and by the Caisses d'Épargne and Banques Populaires networks which are shareholders of Groupe BPCE.

The second concerns the Directors' terms, where although a maximum term of four-years is recommended, the statutory term of Compagnie de Financement Foncier Board of Directors members is six years, which meets the requirement that members must have experience and a more comprehensive view of Compagnie de Financement Foncier's business and activities. However, the recommendation concerning the renewal of Compagnie de Financement Foncier Board of Directors' term by rotation is properly implemented.

The recommendation regarding the evaluation of the Board of Directors has been registered on the agenda of the December 10, 2015 Board meeting. At that time, Directors were given a self-assessment questionnaire prepared by the Appointments Committee. The Chairman of the Appointments Committee will present a summary of the responses to the February 9, 2016 Board meeting.

## ■ Statement of compliance with AFEP- MEDEF Code recommendations

Board of Directors: governing body	Recommendations implemented
Board of Directors and the market	Recommendations implemented
Separation of the terms of Chairman of the Board of Directors and Chief Executive Officer	Recommendations implemented
Board of Directors and strategy	Recommendations implemented
Board of Directors and Annual General Shareholders' Meeting	Recommendations implemented
Composition of the Board of Directors: guidelines	Recommendations implemented
Employee representation	Not applicable
Minority shareholders	Not applicable
Independent directors	Recommendations still to be implemented
Evaluation of the Board of Directors	Recommendations being implemented
Board and committee meetings	Recommendations implemented
Access to Director information	Recommendations implemented
Training for Directors	Recommendations implemented
Directors' terms	Recommendations implemented, except regarding Directors' terms
Board Committees	Recommendations implemented
Audit Committee	Recommendations implemented, except regarding proportion of independent directors and the two-day period prior to the review of the financial accounts by the Board
Committee responsible for selection or appointments	Recommendations implemented
Committee responsible for remuneration	Recommendations implemented
Number of terms for company Directors and Directors	Recommendations implemented
Company Director remuneration	Recommendations implemented
Implementation of recommendations	Recommendations implemented

### a. Registered office

The registered office of Compagnie de Financement Foncier is located at 19, rue des Capucines, 75001 Paris.

### b. Activity

Compagnie de Financement Foncier is the *société de crédit foncier* of Groupe Crédit Foncier de France, specifically governed by the provisions of Section IV of the second part of French law 99-532 of June 25, 1999 governing savings and financial security, which has been incorporated into Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code.

Pursuant to Article 110 of this law, Crédit Foncier transferred on October 21, 1999 to Compagnie de Financement Foncier assets

and liabilities covered by the specific legislative and regulatory requirements that applied to it before the transfer.

The purpose of Compagnie de Financement Foncier is to grant or purchase guaranteed loans and exposures to public authorities financed by the issuance of covered bonds, by other privileged resources, or by resources which may not benefit from the preferred status, or "privilege", as defined by Article L. 513-11 of the French Monetary and Financial Code.

## c. Structure of the relationship between Compagnie de Financement Foncier and Crédit Foncier

As stipulated by law, Compagnie de Financement Foncier draws on the technical and human resources of its parent company under agreements binding the two companies; these agreements, which are regulated as defined by Article L. 225-38 of the French Commercial Code, cover all of the Company's activities.

The general principles applied in preparing these agreements are described below.

The texts are drafted taking into account the special nature of the relationship between Crédit Foncier and its subsidiary Compagnie de Financement Foncier.

Sixteen agreements are signed by Crédit Foncier and Compagnie de Financement Foncier as of December 31, 2015, namely:

- a framework agreement, setting forth the general principles;
- an agreement for loan assignments;
- an agreement for loan servicing and recovery;
- an agreement governing financial services;
- an asset/liability management (ALM) agreement;
- an administrative and accounting management agreement;
- a service agreement on internal control and compliance;
- an agreement related to the implementation of information technology services;
- an agreement concerning human resources;

- an agreement concerning compensation for services;
- an agreement related to settlement bank services;
- a guarantee agreement for adjustable-rate loans;
- a guarantee and compensation agreement;
- a paying agent agreement;
- an agreement regarding deeply subordinated notes become irrelevant on September 15, 2015, the date of full repayment of the notes concerned;
- an agreement related to redeemable subordinated notes become irrelevant on September 15, 2015, the date of full repayment of the notes concerned;
- an agreement related to current account advance in force starting from September 15, 2015, the date of its establishment;
- an agreement relating to the assignment of mortgage ranking/priority;

and two agreements between Crédit Foncier, Compagnie de Financement Foncier and a third party:

- an agreement relating to management and recovery of loans subsidised by the French State;
- the renewal of the broker agreement (with BPCE, Caisses d'Épargne and Crédit Foncier).

Apart from its company Directors, Compagnie de Financement Foncier does not have any direct employees.

## d. Legal form and applicable legislation

Compagnie de Financement Foncier is a credit institution authorised as a financial company and a *société de crédit foncier* by a decision of the French Credit Institutions and Investment Companies Committee (CECEI – Comité des établissements de crédit et des entreprises d'investissement) on July 23, 1999. It is thus subject to all regulations and legislation applicable to credit institutions and, as a *société de crédit foncier*, it is also subject to Articles L. 513-2 to L. 513-27 of the French Monetary and Financial Code.

It was formed as a French limited company "*société anonyme*" and, for this reason, is also subject, apart from certain exemptions, to the requirements applicable to commercial companies under the French Commercial Code.

A *société de crédit foncier* benefits from a certain number of exemptions from ordinary laws, specifically:

- article L. 513-11 of the French Monetary and Financial Code instituting a "privilege" for holders of *obligations foncières*;
- article L. 513-20 of the French Monetary and Financial Code, which stipulates that the safeguard procedure, legal receivership or liquidation of a company holding shares of a *société de crédit foncier* cannot be extended to the *société de crédit foncier*;
- in addition, Article L. 513-21 of the French Monetary and Financial Code provides that, notwithstanding any provisions to the contrary, including those of Book VI, Title II to IV of the French Commercial Code, contracts that make provision for the management or recovery of the loans of a *société de crédit foncier* may be terminated immediately in the event of the safeguard, compulsory liquidation or administration of the Company in charge of the management or collection of such loans.

## e. Duration

The Company was incorporated on December 22, 1998 for a period of 99 years.

## f. Corporate purpose (Article 2 of the bylaws)

### ARTICLE 2 – PURPOSE

The purpose of the Company, within the provisions applicable to sociétés de crédit foncier is:

1° to conduct all transactions mentioned in Articles L. 513-2 and seq of the French Monetary and Financial Code without other restrictions in terms of the countries in which it operates than those resulting from said articles.

These transactions include:

- granting or acquiring secured loans, exposures to public authorities and investments and securities as defined in Articles L. 513-3 to L. 513-5 and L. 513-7 of the French Monetary and Financial Code;
- financing these types of loans, exposures, investments and securities by issuing covered bonds known as obligations foncières, benefiting from the “privilege” defined in Article L. 513-11 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription agreement mentions this “privilege”.

The Company may also finance the activities mentioned above by issuing bonds or resources that do not benefit from the “privilege.” It may issue the promissory notes referred to in Articles L. 313-42 to L. 313-49-1 of the French Monetary and Financial Code.

Notwithstanding any other provisions or stipulations to the contrary, the Company may carry out temporary transfers of its securities in accordance with Articles L. 211-22 to L. 211-34 of the French Monetary and Financial Code, pledge securities accounts pursuant to Article L. 211-20 of said Code and assign all or some of the receivables that it holds in accordance with Articles L. 211-36 to L. 211-40 or in accordance with Articles L. 313-23 to L. 313-35, whether or not these receivables are professional. The receivables or securities thus assigned or transferred do not fall within the scope of the “privilege” defined in Article L. 513-11 of the French Monetary and Financial Code and are not booked pursuant to Article L. 513-12 of said Code.

As an exception to Articles L.1300 of the French Civil Code, and L. 228-44 and L. 228-74 of the French Commercial Code, the Company may subscribe for its own obligations foncières solely for the purpose of using them as collateral for the refinancing facilities of the Banque de France under the conditions set forth in Article L. 513-26 of the French Monetary and Financial Code.

The Company cannot hold equity investments.

2° contracting, with any credit institution or financial company, all agreements necessary for:

- servicing and recovering of loans, exposures and securities;
- managing bonds and other resources;
- more generally, providing all services necessary to manage the assets, liabilities and the financial balances of the Company;
- as well as all agreements concerning the distribution and refinancing of loans.

3° acquiring and holding all property and equipment necessary to fulfil its purpose or arising from the recovery of its loans:

- contracting with any authorised third party any agreement related to the acquisition, ownership, management, maintenance and disposal of such assets;

4° contracting, with any insurance company, any agreement that serves the corporate purpose, notably to hedge risks related to borrowers, risks in respect of both assets securing the loans and assets being held by the Company, and the liability risks of the Company or its company Directors;

5° in connection with its own activity or on behalf of other companies, providing customers with and managing payment processes, in particular:

- for the payment of funds or the receipt of all cash flows arising from loan activities;
- for managing any financial relationship or account with any other credit institution, financial institution or public entity;
- for the management of technical accounts in respect of expenses and receipts.

6° participating in any system for interbank settlements, settlement-delivery of securities and all clearing system, as well as any transaction within the framework of the monetary policy of the European Central Bank, that contributes to the development of the Company’s activities;

7° more generally:

- carrying out all operations contributing to the fulfilment of its corporate purpose, as long as such transaction complies with the purpose of sociétés de crédit foncier as defined in the legislation and regulations that regulate their activity;
- contracting any agreement that allows the Company to use essential outsourcing services and related controls.

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## **g. Company registration number**

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Compagnie de Financement Foncier is registered in the Paris Trade and Companies Register under number 421,263,047 (RCS PARIS).

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## **h. Location of legal documents concerning the Company**

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Legal documents concerning Compagnie de Financement Foncier can be consulted at 4, quai de Bercy, 94220 Charenton-le-Pont.

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## **i. Financial year**

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The Company's financial year starts on January 1 and ends on December 31.

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## **j. Statutory allocation of earnings**

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If the financial statements for a given financial year, as approved by the General Meeting, show distributable earnings as defined by law, the General meeting shall decide either to attribute them to one or more reserve accounts, the allocation and use of which it determines, or to retained earnings, or to distribute them.

After noting the existence of the reserves at its disposal, the General Meeting may decide to distribute amounts drawn from those reserves. In such a case, the decision shall specify the

reserve accounts from which the distributed amounts are to be drawn.

However, dividends shall be withdrawn first from the distributable earnings for the financial year.

The General Meeting also has the right to grant each shareholder an option to receive payment either in the form of cash or in shares for all or part of the dividend or interim dividend to be distributed.

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## **k. General Meetings**

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General Meetings shall be called and shall deliberate under the conditions stipulated by law. An Ordinary General Meeting must be held each financial year within five months of the closing date of the preceding financial year. Meetings shall be held at the registered office or at another location stated in the notice of meeting. Any shareholder may participate personally, or by proxy, in General Meetings with proof of identity and ownership of shares in the form of a record in his name on the Company's books five days before the date of the General Meeting.

He may also vote by email under the conditions stipulated by law. Shareholders who participate in the General Meeting by videoconference or telecommunications that enable them to be identified shall be considered present for calculating the quorum and the majority. General Meetings shall be chaired by the Chairman of the Board of Directors or, in his or her absence, by a Director specially authorised for that purpose by the Board. Otherwise, the General Meeting shall appoint a Chairman. An attendance sheet shall be kept under the conditions stipulated by law. Minutes of General Meetings shall be drawn up and copies shall be certified and issued pursuant to law.

## 3. General information concerning the share capital

### A. SHARE CAPITAL

As of December 31, 2015, the Company's subscribed capital amounted to €2,537,459,936. It is divided into 158,591,246 fully paid-up shares with a par value of €16 each.

### B. SHARE CAPITAL AUTHORISED BUT NOT SUBSCRIBED

No authorisation to increase the share capital has been issued which has not been used, nor is there any potential capital share.

### C. CAPITAL STRUCTURE AND VOTING RIGHTS

#### Principal shareholders as of December 31, 2015

	Number of shares	%
Crédit Foncier de France	158,591,236	100.00
Directors	10	n.s.
<b>TOTAL</b>	<b>158,591,246</b>	<b>100.00</b>

### D. CHANGES IN CAPITAL OVER THE LAST FIVE YEARS

The Board of Directors, meeting on June 29, 2011, noted that following the payment of the dividend in shares for the 2010 financial year, the share capital was increased by €85,459,936 due to the creation of 5,341,246 new shares with a par value of €16, which was fully subscribed by Crédit Foncier. The same Board meeting found that in response to the decision by the Extraordinary General Meeting of June 27, 2011 to carry out a capital increase, the capital was increased by €94,000,000, due to the creation of 5,875,000 new shares with a par value of €16, fully subscribed by Crédit Foncier.

No change was made to the share capital in 2012.

No change was made to the share capital in 2013.

No change was made to the share capital in 2014.

The Board of Directors, meeting on August 25, 2015, unanimously resolved to exercise the powers granted by the Extraordinary General Meeting of May 28, 2015 and to increase the share capital by €1,350,000,000, from €1,187,459,936 to €2,537,459,936, by issuing 84,375,000 new shares with a par value of €16 each, the shares being issued at par. These shares were fully subscribed by Crédit Foncier on September 15, 2015.

### E. NATURAL OR LEGAL PERSONS THAT EXERCISE CONTROL OVER THE COMPANY

**Crédit Foncier de France** – 19, rue des Capucines – 75001 Paris – 542 029 848 RCS Paris

### F. INFORMATION ON GROUPE CRÉDIT FONCIER, TO WHICH COMPAGNIE DE FINANCEMENT FONCIER BELONGS

The principal business of Crédit Foncier is to grant mortgage loans to individuals and real estate professionals, grant loans to local authorities, provide structured financing and to issue bonds to finance these loans.

From its creation in 1852 and until 1999, Crédit Foncier held the special status as a *société de crédit foncier* and as such, issuing *obligations foncières*.

Acting as a key player in the specialised real estate financing market and responsible for distributing French state subsidised loans, following the real estate crisis in the 1990s and the abolition of subsidised loans, in 1999 Crédit Foncier joined the private sector after its 90% acquisition by Groupe Caisse d'Épargne.

In the legal context governing this acquisition, the Parliament created a specific new status for *sociétés de crédit foncier*. Compagnie de Financement Foncier was then founded and authorised as *société de crédit foncier* by the CECEI. Crédit Foncier transferred all its property commitments and pledged assets to Compagnie de Financement Foncier pursuant to Article 110 of law as of 99-532 from June 25, 1999.

After having been affiliated with Groupe Caisse d'Épargne between 1999 and 2009, Crédit Foncier became affiliated in 2009 to Groupe BPCE, which resulted from the merger of Caisse d'Épargne and Banque Populaire networks. Since August 5, 2010, Crédit Foncier has been fully owned by the Central body of BPCE.

Crédit Foncier is a major player in real estate financing services and a leading lender to French local authorities.

## 4. Resolutions submitted to the General Meeting

Ordinary General Meeting of May 25, 2016.

### Draft resolutions

#### ORDINARY

##### FIRST RESOLUTION

The General Meeting, having considered the management report of the Board of Directors and its special report on the exercise of the powers resulting in a share capital increase along with the report of the Statutory Auditors, approves the annual financial statements for the financial year ended December 31, 2015 as presented and that show a profit of €132,485,938.72.

Consequently, the General Meeting grants full and unconditional discharge to the members of the Board of Directors for this financial period.

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

##### SECOND RESOLUTION

The General Meeting, having recorded the distributable earnings of €225,387,407.87, composed of net income for the financial year of €132,485,938.72 plus retained earnings of €92,901,469.15, resolved to allocate said distributable earnings as follows:

Additions to the legal reserve: €6,625,000

Dividend: €126,872,996.80

Retained earnings: €91,889,411.07

The dividend per share for each of the 158,591,246 shares comprising the share capital is therefore fixed at €0.80.

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, 2016.

Pursuant to Article 24 of the bylaws, the General 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, 2016.

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, 2015 approved by the General 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, 2016 and June 15, 2016.

Any shareholder who has not exercised this option by June 15, 2016 at the latest will receive the dividends in cash on the dividend payment date of June 30, 2016.

The General 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 243a 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 financial years:

<b>Financial year</b>	<b>Number of shares</b>	<b>Overall remuneration per share</b>	<b>Dividend distributed *</b>
2012	74,216,246	€1.69	€1.69
2013	74,216,246	€0.41	€0.41
2014	74,216,246	€1.00	€1.00

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

### THIRD RESOLUTION

The General 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, authorises the Board to consider allowing shareholders to receive all or part of any interim dividends for the 2016 financial year in shares and to establish the terms thereof, pursuant to the regulations in force.

### FOURTH RESOLUTION

The General 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 General Meeting approves the nomination of Mr Benoît CATEL, previously temporarily appointed by the Board of Directors on the February 9, 2016, as Director in replacement of Ms Sandrine GUÉRIN (who resigned). The nomination is effective for the remaining time of its predecessor's mandate, which means until the General Meeting that will approve the 2017 annual financial statements.

### SIXTH RESOLUTION

The General Meeting, noting that the term of office of Mr Pascal CHABOT was expiring, resolved to renew his term of office for six years, ending at the General Meeting called to approve the financial statements for the 2021 financial year.

### SEVENTH RESOLUTION

The General Meeting, noting that the term of office of Mr Francis DELACRE was expiring, resolved to renew his term of office for six years, ending at the General Meeting called to approve the financial statements for the 2021 financial year.

### EIGHTH 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, 2015.

The General 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 Meetings, having considered the report of the Board of Directors, expresses a favourable opinion on the overall compensation package, totalling €120,000, paid in the financial year ended December 31, 2015 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.

### NINETH RESOLUTION

The General 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.

# 5. Bylaws

Bylaws applicable at the filling date of this Registration document.

## Section I: Legal form – purpose – corporate name – registered office – term of the Company

### ARTICLE 1 – LEGAL FORM

The Company is a French public limited company (*Société anonyme*).

The Company is governed by the legislative and regulatory provisions in force applicable to *sociétés anonymes*, credit institutions, and in particular to *sociétés de crédit foncier*, and by these bylaws.

### ARTICLE 2 – PURPOSE

The purpose of the Company, in the context of the laws and regulations applicable to *sociétés de crédit foncier*, is:

1° to perform all transactions mentioned in Articles L. 513-2 and *seq* of the French Monetary and Financial Code without other restrictions in terms of the countries in which it operates than those resulting from said articles.

These transactions include:

- granting or acquiring secured loans, exposures to public authorities and investments and securities as defined in Articles L. 513-3 to L. 513-5 and L. 513-7 of the French Monetary and Financial Code;
- financing these types of loans, exposures, investments and securities by issuing covered bonds known as obligations foncières, benefiting from the “privilege” defined in Article L. 513-11 of the French Monetary and Financial Code and by raising other resources whose issuance or subscription agreement mentions this “privilege”.

The Company may also finance the activities mentioned above by issuing bonds or resources that do not benefit from the “privilege.” It may issue the promissory notes referred to in Articles L. 313-42 to L. 313-49-1 of the French Monetary and Financial Code.

Notwithstanding any other provisions or stipulations to the contrary, the Company may carry out temporary transfers of its securities in accordance with Articles L. 211-22 to L. 211-34 of the French Monetary and Financial Code, pledge securities accounts pursuant to Article L. 211-20 of said Code and assign all or some of the receivables that it holds in accordance with Articles L. 211-36 to L. 211-40 or in accordance with Articles L. 313-23 to L. 313-35, whether or not these receivables are professional. The receivables or securities thus assigned or transferred do not fall within the scope of the “privilege” defined in Article L. 513-11 of the French Monetary and Financial Code and are not booked pursuant to Article L. 513-12 of said Code.

As an exception to Articles 1300 of the French Civil Code and L. 228-44 and L. 228-74 of the French Commercial Code, the Company may subscribe for its own obligations foncières solely for the purpose of using them as collateral for to access the refinancing facilities of the Banque de France under the conditions set forth in Article L. 513-26 of the French Monetary and Financial Code.

The Company cannot hold equity investments;

2° contracting, with any credit institution or financial institution, all agreements necessary for:

- servicing and recovering of loans, exposures and securities;
- managing bonds and other resources;
- more generally, providing all services necessary to manage assets, liabilities and financial balances of the Company;
- as well as all agreements concerning the distribution and refinancing of loans.

3° acquiring and holding all property and equipment necessary to fulfil its purpose or arising from the recovery of its loans:

- contracting with any authorised third party any agreement related to the acquisition, ownership, management, maintenance and disposal of such assets;

4° contracting, with any insurance company, any agreement that serves the corporate purpose, notably to hedge risks related to borrowers, risks in respect of both assets securing the loans and assets being held by the Company, and the liability risks of the Company or its company Directors;

5° in connection with its own activity or on behalf of other companies, providing customers with and managing payment processes, in particular:

- for the payment of funds or the receipt of all cash flows arising from loan activities;
- for managing any financial relationship or account with any other credit institution, financial institution or public entity;
- for the management of technical accounts in respect of expenses and receipts;

6° participating in any system for interbank settlements, settlement-delivery of securities and all clearing system, as well as in any transactions within the framework of the monetary policy of the European Central Bank, which contribute to the development of the Company’s activities;

7° more generally:

- carrying out all operations contributing to the fulfilment of its corporate purpose, as long as such transaction complies with the purpose of *sociétés de crédit foncier* as defined in the legislation and regulations that regulate their activity;
- contracting any agreement that allows the Company to use essential outsourcing services and related controls.

### ARTICLE 3 – CORPORATE NAME

The name of the Company is: “Compagnie de Financement Foncier”.

### ARTICLE 4 – REGISTERED OFFICE

The registered office is located at 19, rue des Capucines, Paris (75001), France.

If the location of the head office is moved by the Board of Directors in accordance with the conditions set out in the applicable legislation, the new location shall be automatically substituted for the previous one in this Article, provided the move is ratified by an Ordinary General Meeting.

### ARTICLE 5 – TERM

The term of the Company is ninety-nine years, starting from December 22, 1998, unless the period is extended or the Company is liquidated, in accordance with the legislation in force or these bylaws.

## Section II: Share capital – shares

### ARTICLE 6 – SHARE CAPITAL

The share capital is set at €2,537,459,936 (two billion, five hundred and thirty-seven million, four hundred and fifty-nine thousand, nine hundred and thirty-six euros).

It is divided into 158,591,246 shares with a par value of €16 (sixteen euros) each, all of which belong to the same class and are fully paid up in cash.

### ARTICLE 7 – FORM OF THE SHARES

The shares are in registered form. They are registered in accordance with the terms and conditions set forth by law.

### ARTICLE 8 – RIGHTS AND OBLIGATIONS ATTACHED TO SHARES

Each share confers a right to ownership of the Company's assets and a share in its profits proportional to the fraction of the Company's capital that it represents.

All shares which comprise or will comprise the Company's capital, as long as they are of the same type and the same par value, are strictly equivalent to each other so long as they have the same dividend-bearing date; both during the Company's existence and its liquidation, they provide payment of the same net amount on all allocations or redemptions, so that, if applicable, all shares are aggregated without distinction with respect to all tax savings or charges resulting from such allocations or redemptions.

The rights and obligations attached to shares are transferred with the title to the shares.

Ownership of a share automatically implies acceptance of the bylaws and the decisions of General Meetings.

The beneficiaries, creditors, successors or other representatives of a shareholder cannot cause legal seals to be placed on the assets and securities of the Company or request the distribution or division of such assets and securities or interfere in any manner in the Company's administration.

They must refer to the financial statements and to the decisions of General Meetings to exercise their rights.

Every time when an ownership of several shares is required to exercise a given right, in cases of exchange, grouping or allotment of shares, or as a result of an increase or decrease in capital stocks, splits or reverse splits of shares, or any other operation on the Company's capital, the owners of single shares or of less than the required number of shares, may exercise their rights only if they undertake to combine, sell or purchase the necessary number of shares.

### ARTICLE 9 – TRANSFER OF SHARES

Shares can be traded freely.

Shares can be transferred, with respect to third parties and the Company, by an order to transfer them from one account to another.

### ARTICLE 10 – INDIVISIBILITY OF SHARES

Shares are indivisible vis-à-vis the Company, which only recognises one owner for each share. Joint owners of a share are required to be represented within the Company by one of the joint owners or by a single agent.

The beneficial owner shall represent the bare owner in Ordinary General Meetings, however, the bare owner is the only one entitled to vote in Extraordinary General Meetings.

## Section III: Corporate governance

### ARTICLE 11 – BOARD OF DIRECTORS

The Company is administered by a Board of Directors comprised of at least three and at most eighteen members, selected among the shareholders and appointed by the Ordinary General Meeting.

Directors can be natural persons or legal entities. Legal entities shall, at the time of their appointment, appoint a Permanent representative who is subject to the same conditions and obligations and bears the same liability as if he/she were a Director in his/her own name. This without prejudice to the joint and several liability with the legal entity he/she represents.

When the Director of a legal person terminates the term of its Permanent representative, he/she must notify the Company without delay by registered mail of his/her decision as well as the identity of the new Permanent representative. The same applies in the event of the death or resignation of the permanent representative.

### ARTICLE 12 – DIRECTORS' TERM

The Directors' term is six years.

The renewal of the terms is carried out gradually, in such a way that members of the Board are required to seek re-election on a regular basis in the most equal proportions possible.

Exceptionally, the Ordinary General Meeting may elect a Director to serve for a term of two or four years, in order to ensure adequate rotation of Board members.

Directors can be dismissed at any time by the Ordinary General Meeting.

They may resign from their term without giving any reason. Reaching the end of his or her term, each Director may be re-elected.

The age limit for exercising the function of Director is set at 72 years. The number of Directors above the age of 68 may not be more than a third of the number of Directors. Once the age limit is reached, the oldest Director is deemed to have resigned from office following the next Ordinary General Meeting.

### ARTICLE 13 – MEETINGS AND PROCEEDINGS OF THE BOARD – MINUTES

The Board of Directors is called to meetings by its Chairman, as often as the interest of the Company requires, either at the registered office, or at any other location indicated on the notice. Meetings may be called by all means, even verbally.

If no meeting has been held for more than two months, at least one third of the members of the Board can request that the Chairman call a Board meeting with a specific agenda.

The Chief Executive Officer can also request that the Chairman call a Board meeting with a specific agenda.

The Chairman must comply with requests that have been made to him in accordance with the two previous paragraphs.

Resolutions are adopted with the quorum and majority required by law. In the event of a tie vote, the Chairman shall cast the deciding vote.

For the purposes of calculating a quorum and majority, Directors participating in the meeting through videoconferencing or other means of telecommunications that allow them to identify themselves and effectively participate shall be considered present.

This rule is not applicable to the adoption of resolutions that require, in accordance with the current legislation, the physical presence of Directors.

Sufficient proof of the number of Directors in office and of their presence at a meeting of the Board is provided by the production of a copy or an excerpt of the minutes of the Board meeting.

The minutes of the meeting are prepared, and the copies or excerpts are delivered and certified as required by law.

### ARTICLE 14 – POWERS OF THE BOARD

The Board of Directors determines the strategic direction of the Company's activities and supervises the implementation of such strategies. Subject to the powers expressly attributed to General Meetings, and within the limits of the Company's purpose, the Board deals with any issue affecting the Company's operations and settles, through its decisions, all matters concerning the Company.

The Board shall carry out any controls and checks that it considers appropriate.

Each Director receives all the information necessary to perform his or her duties and can request all documents that he or she considers useful.

In its relations with third parties, the Company is responsible for the acts of the Board of Directors which are not in accordance with the Company's purpose, unless it can prove that the third party knew that the act in question was not in accordance with the Company's purpose or that the third party could not have been unaware of this fact given the circumstances, the sole fact that the Company's bylaws are published does not constitute sufficient evidence.

In addition, without any effect to third parties, unless the Company proves that the third party knew that the acts exceeded those objects or could not in view of the circumstances have been unaware of it, decisions are submitted to the prior approval of the Board of Directors:

- (i) to establish the strategic guidelines of the Company;
- (ii) to agree on a business plan;
- (iii) to agree on the annual budget of the Company;
- (iv) any expenditure decisions exceeding €30 million (30,000,000);
- (v) granting any pledge, collaterals, or other guarantees on the Company's assets outside banking operations;
- (vi) authorise all proposals on issuing securities (bonds, other debt and hybrid securities) other than those approved in the budget or the debt issuance programme of the Company.

The Board of Directors can grant any representative of its choice a delegation of powers within the limit of its powers under law or these bylaws.

## ARTICLE 15 – COMPENSATION OF THE BOARD OF DIRECTORS

An Ordinary General Meeting may allocate to the Board of Directors a fixed annual compensation in the form of Directors' fees, the amount of which it shall determine. This compensation remains applicable until an Ordinary General Meeting decides otherwise.

The Board of Directors shall allocate this compensation in the proportions that it considers appropriate.

## ARTICLE 16 – CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors elects, from among its individual members, a Chairman and determines his or her compensation. It also decides on the Chairman's term, which may not exceed his or her term as Director. The individual can be re-appointed.

The Chairman's term must expire no later than the end of the Ordinary General Meeting that follows the date on which the Chairman reaches the age of 68.

The Chairman represents the Board of Directors. He or she organises and directs the work of the Board, and reports to the General Meeting on such work. The Chairman verifies that the Company's decision-making bodies function properly and ensures, in particular, that the Directors are able to fulfil their responsibilities.

The Board may confer on one or more of its members or on third parties, whether or not they are shareholders, special mandates for one or more specific purposes.

It may also appoint one or more committees, the structure and roles of which it shall determine. These committees, which can include both Directors and third parties chosen for their expertise, study the questions that the Board or the Chairman submits for their review.

In these various cases, the Board may allocate special compensation to the appointed Directors.

## ARTICLE 17 – MANAGEMENT

Management of the Company is directed, under his or her responsibility, by an individual appointed by the Board of Directors with the title of Chief Executive Officer. The positions of Chairman of the Board of Directors and Chief Executive Officer may no longer be held by the same person.

The Board of Directors shall appoint the Chief Executive Officer, determine the period for which the Chief Executive Officer is appointed and, if applicable, the limitation of his/her powers beyond the provisions laid down in Article 14 of these bylaws.

The Chief Executive Officer has the broadest powers to act in all circumstances in the name of the Company, within the limits of its purpose, and subject to the specific powers expressly attributed to General Meetings by law and to the specific powers of the Board of Directors.

The Chief Executive Officer represents the Company in its relationships with third parties. The Company is responsible for the acts of the Chief Executive Officer which are not in accordance with the Company's purpose, unless it can prove that the third party knew that the act in question was not in accordance with the Company's purpose, or that the third party could not have been unaware of this fact in light of the circumstances. The sole fact that the Company's bylaws are published does not constitute sufficient proof.

On the recommendation of the Chief Executive Officer, the Board of Directors can appoint one or more individuals, whether Directors or not, to assist the Chief Executive Officer, with the title of Deputy Chief Executive Officer. The number of Deputy Chief Executive Officers may not exceed five. The scope and duration of the powers of the Deputy Chief Executive Officers shall be determined by the Board of Directors with the consent of the Chief Executive Officer.

With respect to third parties, Deputy Chief Executive Officers have the same powers as the Chief Executive Officer.

The Board of Directors determines the compensation of the Chief Executive Officer and the Deputy Chief Executive Officers.

The Chief Executive Officer and, if they have been appointed, Deputy Chief Executive Officers, even if not members of the Board, are invited to the meetings of the Board of Directors.

The duties of the Chief Executive Officer and Deputy Chief Executive Officer must cease no later than the end of the General Meeting that follows the date at which the person reaches the age of 68.

The Chief Executive Officer may be removed at any time by the Board of Directors. The same applies, on the recommendation of the Chief Executive Officer, to the Deputy Chief Executive Officers. If the removal is decided without just cause, it may result in legal damages.

If the Chief Executive Officer resigns, or cannot carry out his or her duties, the Deputy Chief Executive Officers retain, unless the Board decides otherwise, their positions and the responsibilities assigned to them until a new Chief Executive Officer is appointed.

## ARTICLE 18 – NON-VOTING DIRECTORS

The Ordinary General Meeting may, on the recommendation of the Board of Directors, appoint up to four non-voting Directors.

The term of a non-voting Director is six years. They may be re-appointed.

The renewal of the terms is carried out gradually, in such a way that non-voting Directors are required to seek re-election on a regular basis in the most equal proportions possible.

Exceptionally, the Ordinary General Meeting may elect non-voting Directors to serve for a term of two or four years, in order to ensure adequate rotation.

The age limit for exercising the function of non-voting Directors is set at 72 years. The number of non-voting Directors above the age of 68 may not be more than a third of the number of non-voting Directors in office. Once the age limit is reached, the oldest non-voting Director is deemed to have resigned from office following the next Ordinary General Meeting.

Non-voting Directors are responsible for ensuring that bylaws are strictly applied.

Non-voting Directors attend meetings of the Board of Directors and have an advisory role.

The Board of Directors determines their compensation in the context of the allocation of the Directors' fees awarded by the General Meeting.

## Section IV: Company audits

### ARTICLE 19 – STATUTORY AUDITORS

The General Meeting shall designate one or more Statutory Auditors and one or more Alternate Auditors, under the conditions stipulated by law.

### ARTICLE 20 – SPECIFIC CONTROLLER

Under the conditions stipulated by law and by the regulations applicable to a *société de crédit foncier*, and after obtaining the opinion of the Board of Directors, the Chief Executive Officer shall appoint one Specific Controller and an alternate.

The Specific Controller and, if applicable, the alternate shall perform the duties assigned to them by the laws governing a *société de crédit foncier*.

## Section V: General Meetings

### ARTICLE 21 – GENERAL MEETINGS

General Meetings shall be called and shall deliberate under the conditions stipulated by law.

An Ordinary General Meeting must be held each financial year within five months of the closing date of the preceding financial year.

Meetings shall be held at the registered office or at another location stated in the notice of meeting.

Any shareholder may participate personally, or by proxy, in General Meetings with proof of identity and ownership of shares in the form of a record in his name on the Company's books five days before the date of the General Meeting.

He may also vote by email under the conditions stipulated by law.

Shareholders who participate in the General Meeting by videoconference or telecommunications that enable them to be

identified shall be considered present for calculating the quorum and the majority.

General Meetings shall be chaired by the Chairman of the Board of Directors or, in his or her absence, by a Director specially authorised for that purpose by the Board. Otherwise, the General Meeting shall appoint a Chairman.

An attendance sheet shall be kept under the conditions stipulated by law.

Minutes of General Meetings shall be drawn up and copies shall be certified and issued pursuant to law.

### ARTICLE 22 – DELIBERATIONS OF THE GENERAL MEETING

Ordinary and Extraordinary General Meetings ruling with the quorum and majority set by law shall exercise the powers that are conferred to them by law.

## Section VI: Annual financial statements – distribution of earnings

### ARTICLE 23 – FINANCIAL YEAR

The Company's financial year starts on 1 January and ends on 31 December.

The Board of Directors may change the closing date of the financial year if it determines such a change to be in the Company's best interest.

As an exception, the first financial year started on December 22, 1998, from the registration date, and ended on December 31, 1998.

### ARTICLE 24 – DISTRIBUTION OF EARNINGS

If the financial statements for a given financial year, as approved by the General Meeting, show distributable earnings as defined

by law, shareholders shall decide either to attribute them to one or more reserve accounts, the allocation and use of which it determines, or to retained earnings, or to distribute them.

After noting the existence of the reserves at its disposal, the General Meeting may decide to distribute amounts drawn from those reserves. In such a case, the decision shall specify the reserve accounts from which the distributed amounts are to be drawn.

However, dividends shall be withdrawn first from the distributable earnings for the financial year.

The above provisions shall apply if non-voting preferred shares are created.

General Meeting also has the right to grant each shareholder an option to receive payment either in the form of cash or in shares for all or part of the dividend or interim dividend to be distributed.

## Section VII: Dissolution – liquidation – disputes

### ARTICLE 25 – DISSOLUTION AND LIQUIDATION

At the expiration of the Company or in the event of early dissolution, the General Meeting shall determine the method of liquidation and shall appoint one or more liquidators, whose powers it shall determine and who shall perform their duties pursuant to law.

### ARTICLE 26 – DISPUTES

All disputes that might arise during the term of the Company or at the time of liquidation, either between the shareholders, regarding

the interpretation or execution of these bylaws or between the Company and its shareholders, shall be adjudicated as required by law and shall be subject to the jurisdiction of the competent courts of the place of the registered office.

To this effect, in the case of a dispute, any shareholder is bound to designate an address for service of process within the area of jurisdiction of the court of the head office and any assignments or notifications will be duly issued to this elected domicile, without consideration of the actual address. Failing an election of domicile, the assignments and notifications will be validly issued to the Public Prosecutor's office in the county court in the location of the head office.

## 6. 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.

#### 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 situation have occurred between February 9, 2016 – the date at which the Board of Directors closed the accounts – and the filing date of this 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.
- At December 31, 2015, 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.

## Persons responsible for auditing the financial statements

### PRINCIPAL

#### KPMG AUDIT – DEPARTMENT OF KPMG SA

Represented by Mr Jean-François DANDÉ

Address: Tour EQHO – 2, avenue Gambetta – 92066 Paris-La Défense

775 726 417 RCS Paris

Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Regional Association of Statutory Auditors of Versailles)

Start of term: May 25, 2005

Length of term: six financial years

Expiration of term: at the end of the Ordinary General Meeting called to approve the financial statements for the 2016 financial year.

#### PRICEWATERHOUSECOOPERS AUDIT

Represented by Ms. Anik CHAUMARTIN

Address: 63, rue de Villiers – 92200 Neuilly-sur-Seine

302 474 572 RCS Paris

Member of the Compagnie Régionale des Commissaires aux Comptes de Versailles (Regional Association of Statutory Auditors of Versailles)

Start of term: June 30, 2003

Length of term: six financial years

Expiration of term: at the end of the General Meeting called to approve the financial statements for the 2019 financial year.

### ALTERNATES

#### KPMG AUDIT FS I

Represented by Ms. Isabelle GOALEC

Address: Tour EQHO – 2, avenue Gambetta – 92066 Paris-La Défense

Start of term: May 23, 2011

Length of term: six financial years

Expiration of term: at the end of the Ordinary General Meeting called to approve the financial statements for the financial year ending December 31, 2016

#### MR ÉTIENNE BORIS

Address: 63, rue de Villiers – 92200 Neuilly-sur-Seine

Start of term: May 26, 2008

Length of term: six financial years

Expiration of term: at the end of the General Meeting called to approve the financial statements for the 2019 financial year.

## Specific Controllers

### PRINCIPAL

#### CAILLIAU DEDOUIT & ASSOCIÉS

Represented by Mr Laurent BRUN

Address: 19, rue Clément-Marot – 75008 Paris

Date of approval from the Banking Commission: June 23, 2004. Assent renewed by French Prudential Supervisory and Resolution Authority on November 14, 2014.

Start of term: June 29, 2004

Length of term: remainder of predecessor's term, then renewed for a term of four years.

Expiration of term: after submission of the report and certified statements for the financial year ending December 31, 2018.

### ALTERNATES

#### MR REMI SAVOURNIN

Address: 19, rue Clément-Marot – 75008 Paris

Date of assent from the ACPR: November 14, 2004

Start of term: January 1<sup>st</sup>, 2015

Length of term: four years.

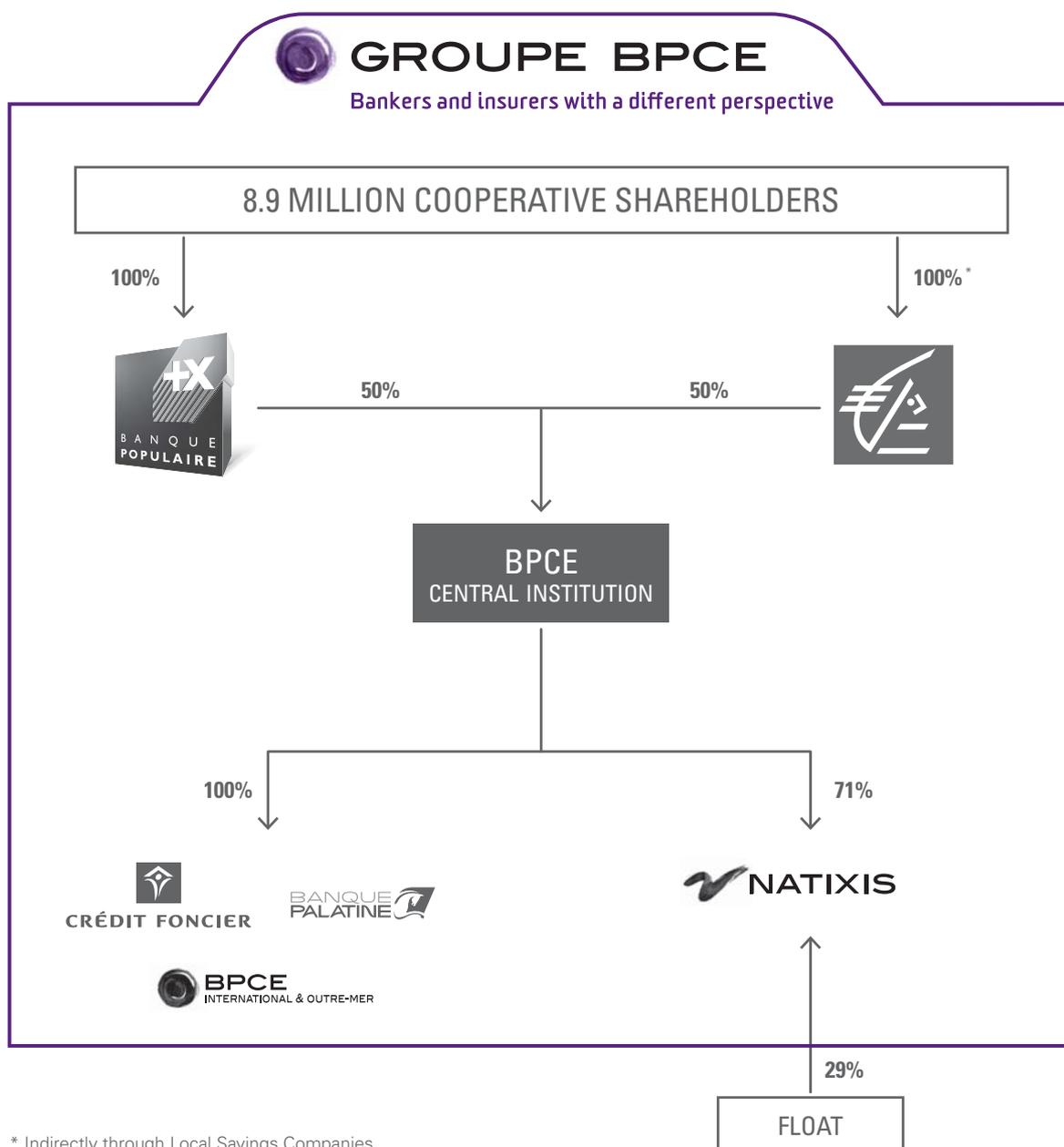
Expiration of term: after submission of the report and certified statements for the financial year ending December 31, 2018.

# Appendix

## Positioning of Crédit Foncier, fully-owner of Compagnie de Financement Foncier, within Groupe BPCE

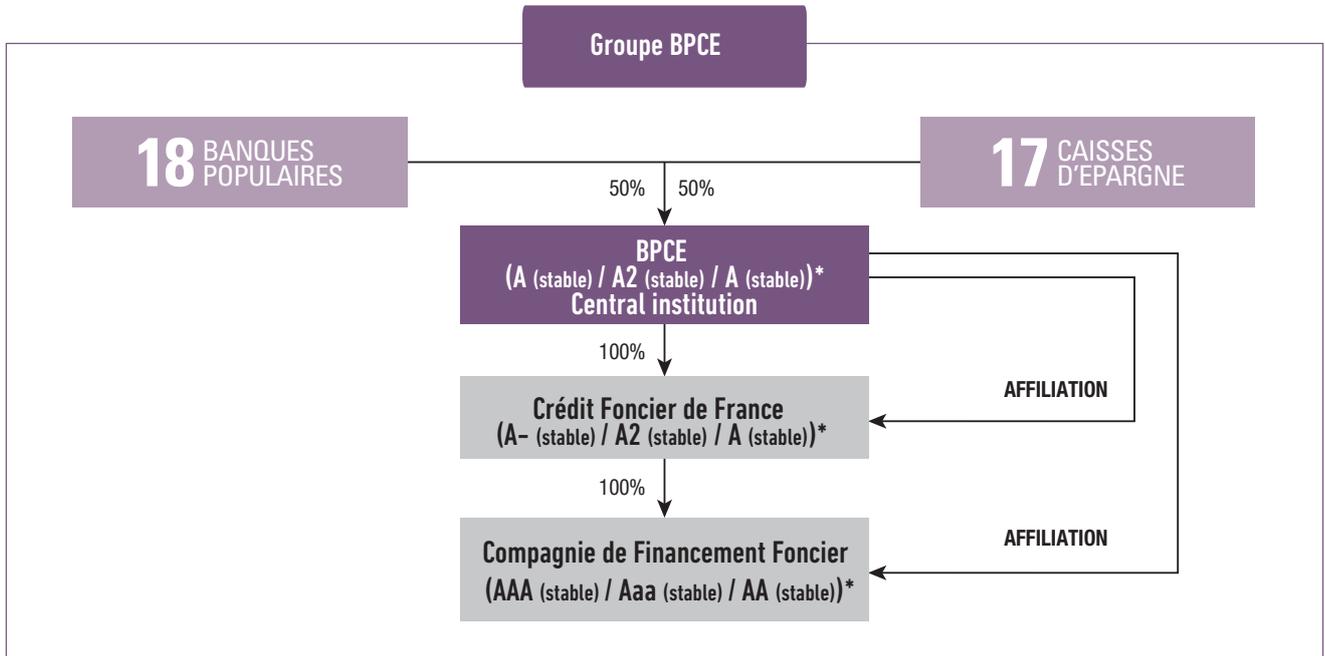
Since the merger of holding companies previously owned by Banques Populaires (BP Participations) and Caisses d'Épargne (CE Participations) on August 5, 2010 within the Central body (BPCE), Crédit Foncier's is wholly owned by Groupe BPCE, the second banking group in France <sup>(34)</sup>.

### ■ Organisation chart of Groupe BPCE at December 31, 2015



<sup>(34)</sup> Market shares: 22.4% of market share for customer savings and 20.7% for customer credits (source: Banque de France Q3-2015 – all non-financial customers).

■ Focus on the positioning of Compagnie de Financement Foncier



\* Ratings (S&P/Moody's/Fitch) of obligations foncières for Compagnie de Financement Foncier and senior debts for the other issuers, updated as of the Registration document's filing date.

# Statement from the person who assumes responsibility for the Registration document

## PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Thierry DUFOUR  
Chief Executive Officer

Compagnie de Financement Foncier  
Address: 4, quai de Bercy – 94220 Charenton-le-Pont  
Telephone: +33 (1) 57 44 92 12  
Fax: +33 (1) 57 44 92 88

## STATEMENT FROM THE PERSON WHO ASSUMES RESPONSIBILITY FOR THE REGISTRATION DOCUMENT

I certify, after having taken every reasonable measure to this purpose, that the information provided in this registration document is, to my knowledge, true to fact and that no information has been omitted that would change the interpretation of the information provided.

I further certify that, to the best of my knowledge, the financial statements have been prepared in compliance with the applicable accounting standards and give a true and fair view of the Company's assets, financial position and earnings, and that the information contained in the management report pages 43 to 68 gives an accurate representation of the business trends, earnings and financial position of the Company, as well as a description of the primary risks and uncertainties the Company faces.

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

Charenton-le-Pont, April 5, 2016

Chief Executive Officer of Compagnie de Financement Foncier

Thierry DUFOUR

# AMF Cross-reference Table

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(1) In accordance with Articles 28 of EC Regulation No. 809-2004 and 212-11 of the AMF General Regulations are included in this Registration document for reference purposes:

- the parent company financial statements for the financial year ended December 31, 2014 and the related Statutory Auditors' report, presented on pages 73 to 122 and 123 to 124 of Registration document No. D.15-0329 filed with the AMF on April 13th, 2015;
- the parent company financial statements for the financial year ended December 31, 2013 and the related Statutory Auditors' report, presented on pages 63 to 110 and 111 to 112 of Registration document No. D.14-0223 filed with the AMF on March 27, 2014.

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Investor relations:

[ir@foncier.fr](mailto:ir@foncier.fr)

The annual reports, half-year reports, quarterly reports relating to the quality of the financed assets, ECBC label reportings of Compagnie de Financement Foncier can be downloaded at [www.foncier.fr](http://www.foncier.fr)

This document is printed in compliance with ISO 1400:2004 for an environment management system

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