

# COMPAGNIE DE FINANCEMENT FONCIER

Update to the 2015 Registration document  
including the 2016 half-year financial report





*This is a free translation into English of Compagnie de Financement Foncier 2016 half-year report issued in the French language and is provided solely for the convenience of English speaking readers. In case of discrepancy the French version prevails.*

*Only the French version of the update of the Registration document as of June 30, 2016, has been submitted to the Autorité des Marchés Financiers (French Financial Markets Authority). It is therefore the only version that is binding in law.*

*This update of the Registration document was filed with the French Financial Markets Authority on August 25, 2016 and registered under the number D.16-0278-A01, in compliance with Article 212-13 of its general regulation. It completes the Registration document filed with the French Financial Markets Authority on April 5, 2016, in accordance with Article 212-13 of its general regulation, and registered under the number D. 16-0278. It may be used to support a financial transaction if accompanied by a securities note approved by the French Financial Markets Authority. This document was drawn up by the issuer and is the responsibility of its signatories.*

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

# Table of contents

<b>Activity report</b>	<b>2</b>
Profile	3
Economic environment	3
Activity	3
Key figures	4
<b>Financial report</b>	<b>6</b>
Management report of the 1 <sup>st</sup> half of 2016	7
Condensed interim financial statements	13
Statutory Auditors' report on the interim financial statements	45
Statement from the person who assumes responsibility	46
<b>Risk control and monitoring report</b>	<b>48</b>
Foreword	49
1. Main risks of Compagnie de Financement Foncier	49
2. Governance and risk management system	50
3. Changes in assets	53
4. Changes in liabilities	54
5. Prudential ratios	56
6. Analysis of credit and counterparty risk	58
7. Financial risk analysis	65
8. Operating risks	68
9. Non-compliance risk	69
<b>Legal information</b>	<b>72</b>
1. Corporate governance	73
2. Resolutions submitted to the General Meeting	74
3. General information	75
AMF Cross-reference Table	76

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



# Activity report

**PROFILE**

**3**

**ACTIVITY**

**3**

**ECONOMIC ENVIRONMENT**

**3**

**KEY FIGURES**

**4**

# Profile

Compagnie de Financement Foncier is a credit institution approved as a specialized credit institution and a *société de crédit foncier*.

As a wholly-owned subsidiary of Crédit Foncier [A- (stable)/A2 (stable)/A (stable)]<sup>(1)</sup> and as an affiliate of BPCE [A (stable)/A2 (stable)]<sup>(1)</sup> A (stable)] 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)]<sup>(2)</sup>.

Compagnie de Financement Foncier's *obligations foncières* are French legal covered bonds that comply with the European directives UCITS 52-4<sup>(3)</sup> and CRD<sup>(4)</sup>, as well as with Article 129 of the European Capital Requirements Regulation (CRR)<sup>(5)</sup>. The issuances carried out by Compagnie de Financement Foncier are

eligible for the European Central Bank refinancing program, under the condition that they meet the criteria defined by the latter.

Since 2012, Compagnie de Financement Foncier is a member of the ECBC<sup>(6)</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 €67bn as of June 30, 2016 and an issuance volume of €3.7bn during the 1<sup>st</sup> half of 2016.

# Economic environment

The economic recovery in the eurozone is expected to continue, supported by the accommodating orientation of the ECB's monetary policy, low oil prices, improvements in the labor market situation and some fiscal easing. Progress made on debt reduction in different sectors should also encourage the growth of domestic demand. According to ECB estimates, eurozone GDP should grow 1.6% in 2016. France is also expected to benefit from this

favorable environment. French growth should be at the same level as that of the eurozone, or 1.6%.

Retail real estate market in France continues to witness a high level of renegotiations and early repayments during the 1<sup>st</sup> half of 2016 due to a further decrease in interest rates and a fierce competition between the different credit institutions.

# Activity

In the 1<sup>st</sup> half of 2016, Compagnie de Financement Foncier issued €3.7bn of *obligations foncières*. This includes three benchmarks: a 10-year €1.0bn issuance in January, a 6-year €1.0bn issuance in March and a 8-year €1.0bn issuance in April.

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

(2) Standard & Poor's/Moody's Ratings, updated on the Update to the 2015 Registration document filing date.

(3) 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.

(4) CRD: Capital Requirements Directive.

(5) CRR: Capital Requirements Regulation.

(6) ECBC: European Covered Bond Council.

# Key figures

## ISSUER INFORMATION

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

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

**Type of bonds issued:** obligations foncières

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

**Sole service provider:**

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

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

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

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

## SIMPLIFIED ECONOMIC BALANCE SHEET

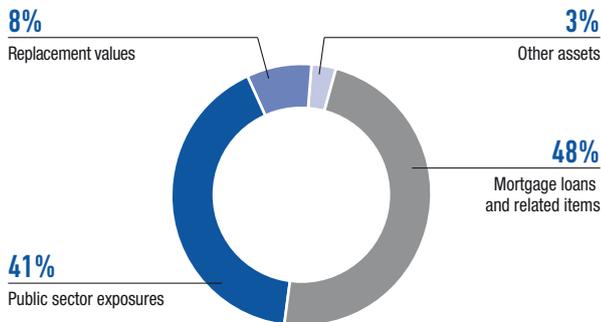
	At June 30, 2016		At December 31, 2015	
	€bn	%	€bn	%
<b>ASSETS</b> (by type of exposures)				
<b>Mortgage loans and related items</b>	<b>40.2</b>	<b>47.9%</b>	<b>38.0</b>	<b>43.3%</b>
<b>Public sector exposures</b>	<b>34.1</b>	<b>40.6%</b>	<b>39.3</b>	<b>44.9%</b>
French public sector *	24.2	28.8%	29.3	33.5%
Foreign public sector	10.0	11.9%	10.0	11.4%
<b>Replacement values and other assets</b>	<b>9.6</b>	<b>11.5%</b>	<b>10.3</b>	<b>11.8%</b>
Replacement values	6.8	8.1%	7.1	8.1%
Other assets	2.9	3.4%	3.2	3.7%
<b>TOTAL ASSETS</b>	<b>84.0</b>	<b>100%</b>	<b>87.6</b>	<b>100.0%</b>

\* Including short-term loans and deposits with the Banque de France amounting to €1.1bn at the end of June 2016 and €5.4bn at the end of 2015.

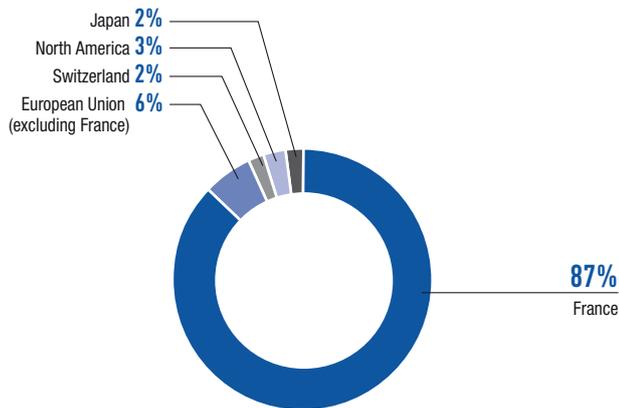
	At June 30, 2016		At December 31, 2015	
	€bn	%	€bn	%
<b>LIABILITIES AND EQUITY</b>				
<b>Privileged liabilities</b>	<b>66.2</b>	<b>78.8%</b>	<b>68.0</b>	<b>77.7%</b>
Obligations foncières	67.0	79.7%	69.0	78.8%
Foreign exchange difference on obligations foncières	-1.0	-1.2%	-1.2	-1.3%
Other privileged resources	0.2	0.3%	0.2	0.3%
<b>Difference associated with hedging balance sheet items</b>	<b>1.6</b>	<b>1.9%</b>	<b>1.5</b>	<b>1.7%</b>
<b>Non-privileged resources</b>	<b>16.2</b>	<b>19.3%</b>	<b>18.1</b>	<b>20.7%</b>
Unsecured debt	10.8	12.8%	12.6	14.4%
Subordinated debt and similar debt	2.2	2.7%	2.2	2.6%
Shareholders' equity, provisions and FRBG	3.2	3.8%	3.3	3.7%
<b>TOTAL LIABILITIES</b>	<b>84.0</b>	<b>100%</b>	<b>87.6</b>	<b>100.0%</b>
Regulatory capital according to CRR/CRD IV	3.1	3.6%	3.1	3.5%

**BREAKDOWN OF ASSETS: €84.0BN**

**By type of assets**



**By region**



(1) Excluding non-recurring operations (buy-back).  
(2) Calculated according to the standard method.

**PERFORMANCE INDICATORS AS OF JUNE 30, 2016**

**€3.7bn**

Obligations foncières issued in 1<sup>st</sup> half of 2016 <sup>(1)</sup>

**€79m**

Net income

**€189m**

Net banking income

**€3.1bn**

Regulatory capital

**120%**

Estimated regulatory overcollateralization ratio

**19.7%**

Non-privileged resources/privileged resources ratio

**74.5%**

Average LTV of mortgage loans

**18.6%**

Common Equity Tier-1 ratio <sup>(2)</sup>

**18.6%**

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

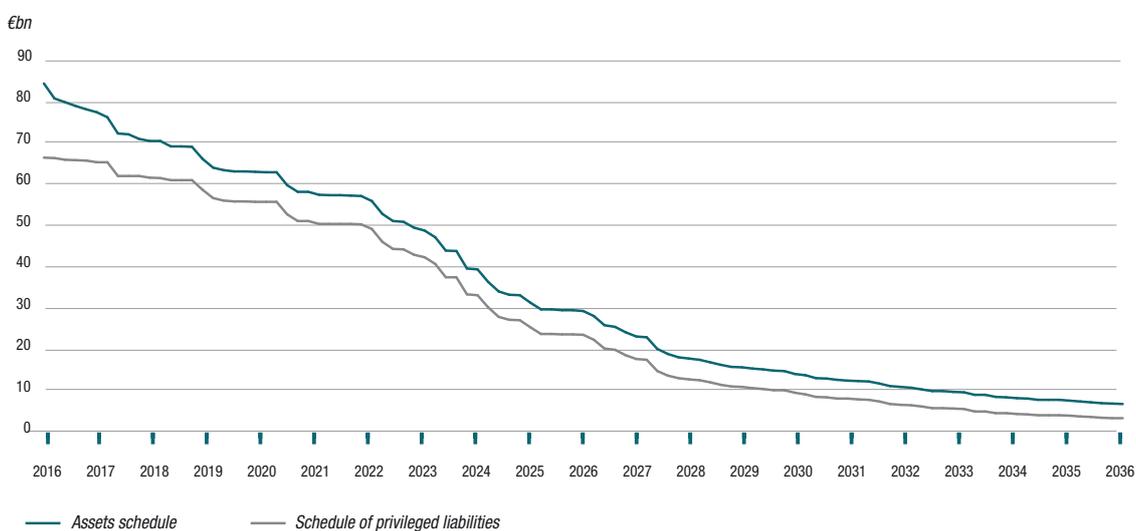
**Outstanding privileged liabilities**

€67bn of obligations foncières.

**Positioning**

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

**AMORTIZATION OF ASSETS AND PRIVILEGED LIABILITIES**





# Financial report

## MANAGEMENT REPORT OF THE 1<sup>ST</sup> HALF OF 2016

1.	Main operations of the period	7
2.	Changes in assets	7
3.	Changes in liabilities	8
4.	Analysis of the income statement	9
5.	Credit risk analysis	10
6.	Financial risk analysis	11
7.	Regulatory and prudential information	11
8.	Outlook	12

## CONDENSED INTERIM FINANCIAL STATEMENTS 13

## STATUTORY AUDITORS' REPORT ON THE INTERIM FINANCIAL STATEMENTS 45

## STATEMENT FROM THE PERSON WHO ASSUMES RESPONSIBILITY 46

# Management report of the 1<sup>st</sup> half of 2016

In the 1<sup>st</sup> half of 2016, and in line with Crédit Foncier's strategic guidelines, Compagnie de Financement Foncier's business activity remained centered on the refinancing of real estate and French public sector loans, originated by its parent company or by Groupe BPCE entities.

Compagnie de Financement Foncier issued €3.7bn of *obligations foncières* during this period.

At June 30, 2016, Compagnie de Financement Foncier's balance sheet came to €84bn and its net income was €78.9m.

It should also be noted that Compagnie de Financement Foncier solicited the rating agency Fitch Ratings on June 6, 2016 to no longer attribute ratings to its privileged liabilities issuance

programs. Since 2013, Fitch methodology has strengthened the dependence between the sovereign rating and the rating of covered bonds guaranteed by public assets. Following the repeated downgrades of France's rating by Fitch Ratings (AA since December 2014), Compagnie de Financement Foncier has analysed the overcollateralization required in order to benefit from a rating better than the sovereign one. This overcollateralization level appears as very excessive, especially due to the present regulatory overcollateralization ratio of Compagnie de Financement Foncier, which is around 120%.

The privileged debt issues of Compagnie de Financement Foncier continue to benefit from the best-possible rating from Standard & Poor's and Moody's, AAA and Aaa with stable outlook respectively.

## 1. Main operations of the period

### ACQUISITIONS AND DISPOSALS

Compagnie de Financement Foncier continued its business activity in 2016 in keeping with groupe Crédit Foncier's strategic guidelines, in synergy with Groupe BPCE.

- Over the 1<sup>st</sup> half of 2016, Compagnie de Financement Foncier financed Crédit Foncier through acquisition €4.1bn of real estate loans, previously granted by the latter to its retail customers.

Compagnie de Financement Foncier also continued to adapt the structure of the *billets hypothécaires* (mortgage notes) subscribed by Crédit Foncier. In June, all existing mortgage notes have been repaid by anticipation. Simultaneously, new mortgage notes have been issued for an amount of €6.2bn as of June 30, 2016. The mortgage notes are guaranteed, for a limited amount, by reverse mortgages and ordinary mortgages individually amounting over €600k.

- Regarding the public sector, Compagnie de Financement Foncier financed Crédit Foncier *via* a portfolio of loans guaranteed by exposures to French local authorities pursuant to Article L. 211-38 of the French Financial and Monetary Code. At June 30, 2016 the outstanding amount of these loans accounts for €10.2bn.
- In regard to the decrease in international exposures, it is mainly due to the €97.8m asset disposals carried out during the semester, which mainly consisted of north american exposures; and to a smaller extent to contractual repayments. These disposals had almost no impact on result.

### FUNDING AND CASH MANAGEMENT

In the 1<sup>st</sup> half of 2016, Compagnie de Financement Foncier issued a gross amount of €3.7bn of *obligations foncières*, broken down as follows:

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

All issuances in the 1<sup>st</sup> half of 2016 were denominated in euros; they continue to demonstrate the diversity of Compagnie de Financement Foncier's investor base, still with a strong presence of institutional investors and central banks.

The 1<sup>st</sup> half of 2016 was marked by the following benchmark public issuances:

- €1bn at 10 years in January at 1.0%;
- €1bn at 6 years in March at 0.25%;
- €1bn at 8 years in April at 0.50%.

At June 30, 2016, the outstanding amount of *obligations foncières* amounted to €67bn, including related receivables.

## 2. Changes in assets

■ ASSETS (in thousands of euros)	06/30/2016	12/31/2015
<b>Cash and amounts due from central banks</b>	<b>1,100,043</b>	<b>5,360,083</b>
<b>Treasury bills and equivalent</b>	<b>3,594,319</b>	<b>3,606,541</b>
<b>Loans and receivables due from credit institutions</b>	<b>20,628,543</b>	<b>21,092,317</b>
• Demand	188,843	478,256
• Term	20,439,700	20,614,061
<b>Customer transactions</b>	<b>44,028,035</b>	<b>43,026,282</b>
<b>Bonds and other fixed-income securities</b>	<b>11,784,975</b>	<b>11,246,613</b>
<b>Equity investments and other long-term investments</b>	<b>4</b>	<b>4</b>
<b>Intangible assets and property, plant and equipment</b>		
<b>Other assets</b>	<b>7,452</b>	<b>59,306</b>
<b>Accrual accounts</b>	<b>2,842,551</b>	<b>3,187,163</b>
<b>TOTAL ASSETS</b>	<b>83,985,922</b>	<b>87,578,310</b>

Compagnie de Financement Foncier's balance sheet total is down by €3.6bn compared to December 31, 2015 (or -4.1%).

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

- decrease in assets with the Banque de France, in particular due to the repayment of *obligations foncières* maturing in the 1<sup>st</sup> half of 2016;

- slight increase in outstanding loans to customers for €1bn;
- increase in mortgage notes for €0.5bn.

### ■ LOANS TO CUSTOMERS

Overall, loans to customers, classified under "Customer transactions" and under "Bonds and other fixed income securities" through mortgage notes, were up €2.0bn compared to the end of 2015.

(in millions of euros)	06/30/2016	12/31/2015
Home loans	35,360	33,873
Mortgage notes	6,250	5,750
<b>TOTAL</b>	<b>41,610</b>	<b>39,623</b>

This change during the 1<sup>st</sup> half of 2016 breaks down as follows:

- internal acquisitions for €4,097m;
- early repayments for €1,623m;
- the natural amortization of outstandings;
- a net increase in mortgage notes for €500m.

The other customer receivables, including loans to French local authorities and direct exposures to social landlords, are down €0.3bn due in particular to the amortization of the receivables.

### ■ SECURITIES PORTFOLIO

Compagnie de Financement Foncier's securities portfolio, excluding mortgage notes, was up by €29m compared with December 31, 2015. This change breaks down as follows:

- increase related to the currency difference on the part of the portfolio denominated in foreign currencies;
- €97.8m decrease due to market disposals made as part of its policy to reduce international exposures and equally due to contractual repayments.

## 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 Groupe BPCE entities funding options through loans backed by the loans' assignment.

These loans are classified as term loans and receivables from credit institutions. In the 1<sup>st</sup> half of 2016, the outstanding amount on these loans remained relatively stable, decreasing from €19.4bn at December 31, 2015 to €19.3bn at June 30, 2016. This amount breaks down as follows:

- €10.2bn in loans to Crédit Foncier, mainly 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 €19.4bn corresponding to outstanding capital of the pledged receivables at June 30, 2016.

## OTHER ASSETS AND ACCRUAL ACCOUNTS

Other assets amounted to €7.5m at June 30, 2016 versus €59.3m at December 31, 2015, a change arising essentially from the fact that there was no tax consolidation receivable as of June 30, 2016 as it was already paid during the 1<sup>st</sup> half of the year according to the tax consolidation agreement between Compagnie de Financement Foncier, Crédit Foncier and BPCE.

The accrual accounts amounted to €2.8bn at June 30, 2016 versus €3.2bn at December 31, 2015, mainly due to the decrease in the balances of swaps to be amortized (- €56m), in additional paid-in capital (- €11m), in accrued interest on swaps (- €159m), in cash in domiciliation (- €88m) and in deferred tax assets (- €31m).

## 3. Changes in liabilities

■ LIABILITIES (in thousands of euros)	06/30/2016	12/31/2015
<b>Central banks</b>		
<b>Due to credit institutions</b>	<b>8,223,975</b>	<b>9,852,497</b>
• Demand	2,396	12,176
• Term	8,221,579	9,840,321
<b>Customer transactions</b>	<b>2</b>	<b>408</b>
• Demand	2	408
<b>Debt securities</b>	<b>67,119,863</b>	<b>69,123,576</b>
• Interbank market instruments and negotiable debt securities	150,466	151,326
• Bonds (obligations foncières)	66,969,398	68,972,251
<b>Other liabilities</b>	<b>2,865,394</b>	<b>2,981,454</b>
<b>Accrual accounts</b>	<b>2,572,602</b>	<b>2,370,553</b>
<b>Provisions</b>	<b>18,353</b>	<b>16,129</b>
<b>Subordinated debts</b>		
<b>Fund for general banking risks</b>	<b>20,000</b>	<b>20,000</b>
<b>Equity excluding fund for general banking risks</b>	<b>3,165,733</b>	<b>3,213,693</b>
• Subscribed capital	2,537,460	2,537,460
• Additional paid-in capital	343,002	343,002
• Reserves	114,468	107,843
• Regulated provisions and investment subsidies		
• Retained earnings	91,889	92,901
• Income to be allocated		
• Net income for the period	78,914	132,486
<b>TOTAL LIABILITIES</b>	<b>83,985,922</b>	<b>87,578,310</b>

Amounts due to credit institutions decreased by €1.6bn. This decrease was attributable to a drop in term accounts and loans from Groupe BPCE entities (- €1.5bn).

Debt securities were down €2.0bn in the 1<sup>st</sup> half of 2016, due to the decrease in *obligations foncières* outstanding. This decrease breaks down as follows:

- increase of €3.7bn due to net issuances made on the market;
- decrease due to contractual redemptions and repayments.

Other liabilities decreased by €0.1bn, primarily due to the decrease in deposits received in the context of collateralization transactions.

Accrual accounts were up by €0.2bn compared with the end of 2015.

Provisions amounted to €18.3m at June 30, 2016, up by €2.2m compared to December 31, 2015 due to the impact of the recording of a provision for the accelerated amortization of termination swap balances.

Equity remained stable at the end of June 2016 versus the end of December 2015.

## 4. Analysis of the income statement

■ INCOME STATEMENT (in thousands of euros)	1 <sup>st</sup> half of 2016	1 <sup>st</sup> half of 2015
<b>Net banking income</b>	<b>188,635</b>	<b>185,239</b>
Total operating expenses	-59,790	-55,399
<b>Gross operating income</b>	<b>128,845</b>	<b>129,841</b>
Cost of risk	-4,418	3,680
<b>Operating income</b>	<b>124,427</b>	<b>133,521</b>
Gains or losses on long-term investments	-48	-15,722
<b>Income before tax</b>	<b>124,378</b>	<b>117,799</b>
Income tax	-45,465	-43,149
<b>NET INCOME</b>	<b>78,914</b>	<b>74,650</b>

### ■ NET BANKING INCOME

Net banking income came to €189m at June 30, 2016, compared with €185m in the 1<sup>st</sup> half of 2015.

Net interest margin "excluding amortization of discounts/premiums on acquired loans" in the 1<sup>st</sup> half of 2016 is €28.2m higher than at June 30, 2015. This change is mainly due to a performance improvement of some assets recently registered in the balance sheet of Compagnie de Financement Foncier; and also to the operations of the off balance sheet structure optimization.

Moreover, the parameters for calculating the cost of purchasing loans to individuals by Compagnie de Financement Foncier were adjusted at the end of 2015; this revision allows an increase in the margins received by Compagnie de Financement Foncier on its acquisitions.

Finally, it should be noted that the high level of early repayments received on loans to individuals had a negative impact on the net interest margin due to the accelerated amortization of premiums/discounts (- €96m in the 1<sup>st</sup> half of 2016 versus - €78m over the same period in 2015).

### ■ GROSS OPERATING INCOME

Operating expenses remain in line with the budget. However, they were up €4.4m in the 1<sup>st</sup> half of 2016 compared to the same period in 2015, due mainly to:

- taking into account the contribution to BPCE's central institution, transferred for its share to Compagnie de Financement Foncier since 2016 (€2.2m);
- increase in the contribution to the Single Resolution Fund in the amount of €4.2m (representing an additional charge of €1.2m);
- other taxes higher than in the 1<sup>st</sup> half of 2015 (+€0.7m).

Gross operating income was €128.8m in the 1<sup>st</sup> half of 2015, compared with €129.8m at June 30, 2015.

### ■ COST OF RISK

The cost of risk (excluding the impact of HETA Asset Resolution AG securities' disposal) decreased by €4.1m compared to the same period in 2015, in particular due to a provision reversal of €3m, reflecting a better treatment of certain guarantees.

### ■ GAINS OR LOSSES ON LONG-TERM INVESTMENTS

Asset disposals having reached a limited outstanding had no significant impact on the 1<sup>st</sup> half of 2016. On the contrary, the disposals carried out in the 1<sup>st</sup> half of 2015 amounted to €1bn (excluding HETA) and resulted in a loss of €15.7m.

### ■ INCOME TAX

Income tax on the 1<sup>st</sup> half of 2016 was €45.5m, compared with €43.1m in the 1<sup>st</sup> half of 2015.

### ■ NET INCOME

After deducting income tax, the net income of Compagnie de Financement Foncier for the 1<sup>st</sup> half of 2016 was €78.9m, versus €74.7 at end-June 2015.

## 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 the 1<sup>st</sup> half of 2016. Out of the €20.6bn in loans and receivables due from credit institutions, €19.3bn 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 €44bn at June 30, 2016, including €1.4bn of doubtful loans. At December 31, 2015, gross receivables amounted to €43bn, including €1.3bn of doubtful loans. At June 30, 2016, the doubtful loans were still concentrated almost exclusively (99.8%) on home loans. At the same time, out of a total of €97.1m in impairments, €96.6m concern home loans.

### ■ SECURITIES AVAILABLE FOR SALE

Available for sale securities amounted to €6.2bn at June 30, 2016, exclusively consisting of mortgage notes and backed by guarantees amounting to €6.4bn. None of these securities were reclassified as doubtful or impaired in the 1<sup>st</sup> half of 2016.

### ■ SECURITIES HELD TO MATURITY

Held to maturity securities amounted to €9.1bn at June 30, 2016. None of these securities were reclassified as doubtful or impaired in the 1<sup>st</sup> half of 2016.

The carrying amount (including accrued interest and after premiums or discounts) was spread out between Italy (34%), the United States (20%), Japan (20%), France (10%), Spain (6%), Canada (5%), 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 of the counterparties to these currency or interest rate swaps have concluded collateralization agreements with Compagnie de Financement Foncier that require them to provide a security deposit to the benefit of the Compagnie de Financement Foncier in case of the debit position and depending on their rating. In the majority of cases, these requests are made on a daily basis. If the opposite situation occurs, these agreements stipulate that Compagnie de Financement Foncier shall not deposit any collateral. As of June 30, 2016, the amount of deposits received was €2.7bn.

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 the 1<sup>st</sup> half of 2016, Compagnie de Financement Foncier continued to enter into such financial instruments along with its acquisition, issuance and ALM activities.

At June 30, 2016, outstandings in micro and macro hedging instruments consisted of €84bn, of which €61bn in interest rate swaps and €23bn in currency swaps; this compared with €82bn at end-2015, of which €59bn in interest rate swaps and €24bn in currency swaps.

Taking into account management rules followed by Compagnie de Financement Foncier, changes in the interest rate position are a result of events not known when the transaction was entered into and which occurred during the term of the contract. These consist mainly of early repayments of fixed-rate loans granted to private

individuals in the competitive sector. As the date of the event 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.

Over the 1<sup>st</sup> half of 2016, interest rates on real estate loans remained very low and the trend noted in 2015 of increased renegotiations or early repayments of loans continued. Over this half-year, the total amount of loans to individuals saw an early repayment rate of 10.3% compared with 14.8% in 2015.

## LIQUIDITY RISK

The very prudent liquidity management policy continued in 2016, with Compagnie de Financement Foncier still committed to maintaining sufficient available cash flow to meet the contractual maturities on all of its privileged debt, for one year, without recourse to new resources.

At June 30, 2016, Compagnie de Financement Foncier had available cash of €1.3bn, including €1.1bn 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. Regulatory 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. Outlook

In the second half of 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 (careful selection of acquisitions and active asset management in order to ensure the high quality of its assets, funding of Crédit Foncier or other Groupe BPCE entities by purchases and assignment of loans portfolios, etc.).

Compagnie de Financement Foncier envisages the possibility of refinancing, during the second half of the year, the 1<sup>st</sup> rang non residential mortgage loans granted to non public entities. These

operations will be carried out through loans granted to Crédit Foncier and guaranteed by the loans selected via a dedicated process and based on stringent quality criteria.

In case of an incident with one of the loans brought in guarantee, the latter will be immediately excluded from the guarantee pool and replaced by another loan.

The exposure to this type of assets will remain limited in terms of the total balance sheet of Compagnie de Financement Foncier.

# Condensed interim financial statements

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

■ ASSETS	Notes	06/30/2016	06/30/2015	12/31/2015
Cash and amounts due from central banks		1,100,043	1,973,463	5,360,083
Treasury bills and equivalent	3	3,594,319	2,743,137	3,606,541
Loans and receivables due from credit institutions	1	20,628,543	20,200,626	21,092,317
• Demand		188,843	252,101	478,256
• Term		20,439,700	19,948,526	20,614,061
Customers transactions	2	44,028,035	44,001,293	43,026,282
• Other facilities granted to customers		44,028,035	44,001,293	43,026,282
Bonds and other fixed-income securities	3	11,784,975	13,477,675	11,246,613
Equity interests and other long term investments *		4		4
Intangible assets and property, plant and equipment				
Other assets	4	7,452	64,868	59,306
Accrual accounts	5	2,842,551	3,773,198	3,187,163
<b>TOTAL ASSETS</b>		<b>83,985,922</b>	<b>86,234,260</b>	<b>87,578,310</b>

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

■ LIABILITIES	Notes	06/30/2016	06/30/2015	12/31/2015
Central banks				
Due to credit institutions	6	8,223,975	4,994,212	9,852,497
• Demand		2,396		12,176
• Term		8,221,579	4,994,212	9,840,321
Customer transactions	7	2	2,891	408
• Demand		2	2,891	408
Debt securities	8	67,119,863	70,346,706	69,123,576
• Interbank market instruments and negotiable debt securities		150,466	150,504	151,326
• Bonds (obligations foncières)		66,969,398	70,196,202	68,972,251
Other liabilities	9	2,865,394	3,046,083	2,981,454
Accrual accounts	10	2,572,602	2,536,909	2,370,553
Provisions	11	18,353	15,110	16,129
Subordinated debts	12		3,466,492	
Fund for general banking risks		20,000	20,000	20,000
Equity excluding fund for general banking risks	13	3,165,733	1,805,857	3,213,693
• Share capital		2,537,460	1,187,460	2,537,460
• Additional paid-in capital		343,002	343,002	343,002
• Reserves		114,468	107,843	107,843
• Regulated provisions and investment subsidies				
• Retained earnings		91,889	92,901	92,901
• Income to be allocated				
• Net income for the period		78,914	74,650	132,486
<b>TOTAL LIABILITIES</b>		<b>83,985,922</b>	<b>86,234,260</b>	<b>87,578,310</b>

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

	Notes	06/30/2016	06/30/2015	12/31/2015
<b>TOTAL COMMITMENTS GIVEN</b>				
Financing commitments		817,733	2,764,335	1,412,588
• <i>Commitments given to credit institutions</i>	14			
• <i>Commitments given to customers</i>	14	760,657	1,089,450	855,965
• <i>Other securities pledged as collateral</i>	14	57,076	1,674,885	556,624
Guarantee commitments				
• <i>Commitments given to credit institutions</i>	14			
• <i>Commitments given to customers</i>	14			
Commitments on securities				
• <i>Other commitments given</i>	14			
<b>TOTAL COMMITMENTS RECEIVED</b>				
Financing commitments		29,141,174	31,420,503	29,096,967
• <i>Guarantees received from credit institutions</i>	15	3,256,347	4,466,840	3,489,828
• <i>Other securities received as collateral from the Group</i>	15	25,884,827	26,953,663	25,607,139
Guarantee commitments		39,109,876	40,018,405	39,558,343
• <i>Guarantees received from credit institutions</i>	15	5,753,808	5,263,278	5,865,858
• <i>Commitments received from customers</i>	15	33,356,068	34,755,127	33,692,484
Commitments on securities		46,964	53,624	
<b>TOTAL RECIPROCAL COMMITMENTS</b>				
• <i>Sale and purchase of foreign currencies</i>	16	23,181,557	27,033,470	23,920,454
• <i>Other financial instruments</i>	16	62,949,072	57,870,318	60,765,652

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

	Notes	06/30/2016	06/30/2015	12/31/2015
Interest and similar income	17	1,424,177	1,637,370	3,128,590
Interest and similar expenses	17	-1,267,392	-1,491,185	-2,872,698
<b>Net interests margin</b>		<b>156,785</b>	<b>146,185</b>	<b>255,891</b>
Fees and commissions income	18	33,177	39,833	109,711
Fees and commissions expenses	18	-1,026	-1,139	-2,195
Net gains or losses on trading books transactions	19	-301	398	213
Other banking income	20	2	27	77
Other banking expenses	20	-1	-64	-51
<b>Net banking income</b>		<b>188,635</b>	<b>185,239</b>	<b>363,646</b>
Payroll costs	21	-17	-91	-217
Taxes	21	-11,409	-9,572	-19,194
External services and other expenses	21	-48,364	-45,736	-103,744
Amortization				
<b>Total operating expenses</b>		<b>-59,790</b>	<b>-55,399</b>	<b>-123,155</b>
<b>Gross operating income</b>		<b>128,845</b>	<b>129,841</b>	<b>240,491</b>
Cost of risk <sup>(1)</sup>	22	-4,418	3,680	-14,753
<b>Operating income</b>		<b>124,427</b>	<b>133,521</b>	<b>225,738</b>
Gains or losses on long-term investments	23	-48	-15,722	-4,032
<b>Income before tax</b>		<b>124,378</b>	<b>117,799</b>	<b>221,706</b>
Non-recurring income				
Income tax	24	-45,465	-43,149	-89,220
<b>NET INCOME</b>		<b>78,914</b>	<b>74,650</b>	<b>132,486</b>
Earnings per share <sup>(2)</sup> <i>(in euros)</i>		0.50	1.01	1.34
Diluted earnings per share <i>(in euros)</i>		0.50	1.01	1.34
(1) <i>Cost of risk excluding the impact of the HETA securities.</i>		-4,418	-8,521	-26,954

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

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

## Appendix to Compagnie de Financement Foncier's Financial Statements

### 1. GENERAL FRAMEWORK

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

It is a credit institution accredited as a specialized credit institution under the Act No. 2013-544 of June 27, 2013 on credit institutions and financing companies, in force starting from January 1, 2014, which transposes into French legislation the European Regulation CRR and directive CRD IV. As such, it must comply with the regulation 99-10 of the French Banking and Financial Regulation Committee (*Comité de la réglementation bancaire et financière* or CRBF) as amended, which specifically concerns *sociétés de crédit foncier* and notably:

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

Compagnie de Financement Foncier is affiliated with 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 in case of a Banque Populaire or a Caisse d'Épargne's default.

### 2. HIGHLIGHTS OF THE 1<sup>st</sup> HALF OF 2016

#### 2.1. COMMERCIAL ACTIVITY

During the 1<sup>st</sup> half of 2016, Compagnie de Financement Foncier acquired €4,097m in loans from Crédit Foncier, including related receivables, plus €2.6m in unreleased loans recognized under "Financing commitments given".

Under Article L. 211-38 of the French Monetary and Financial Code, which allows an institution to grant a loan to another financial institution, the repayment of which is secured by a cover pool of receivables, Compagnie de Financement Foncier has arranged for a number of years several credit lines with its parent company, Crédit Foncier, amounting to €10,172m at June 30, 2016, and

with certain Caisses d'Épargne or Banques Populaires banks, amounting to €210.8m at June 30, 2016. The same facility was also granted to BPCE SA, amounting to €8,920m at June 30, 2016 excluding related receivables. Total loans granted under L. 211-38 were collateralized for €19,464.9m.

Outstanding mortgage notes acquired from Crédit Foncier amounted to €6,249.5m at June 30, 2016 (collateralized for €6,420m).

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 €6,788.8m. 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 funding activities, Compagnie de Financement Foncier issued €3,736m in *obligations foncières* in the 1<sup>st</sup> half of 2016 (exchange rate value at date of issuance, for issuances in foreign currencies), as part of its annual issuance program. 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 ECB as collateral.

#### 2.2. MARKET DISPOSALS

In the framework of the continuation of its strategic plan, the Group continued to reduce its international exposure in the 1<sup>st</sup> half of 2016.

Disposals amounted to a total of \$124.7m. These sales together with the cancellation of the associated hedging swaps generated a near breakeven result, posted to the income statement under "Gains or losses on long-term investments".

#### 2.3. OFF-BALANCE SHEET OPTIMIZATION OPERATIONS

In order to meet the twofold objective of (i) reducing off-balance sheet commitments, in order to minimize the amount of capital allocated to derivatives, and (ii) limiting counterparty exposures, Compagnie de Financement Foncier has been performing interest rate derivative optimization transactions for several years.

During the 1<sup>st</sup> half of 2016, only one optimization operation was carried out, internally with Crédit Foncier. Several interest rate hedging swaps were cancelled, representing a notional amount of €2.08bn, and Compagnie de Financement Foncier received a balancing cash adjustment of €3.04m.

#### 2.4. EARLY REPAYMENTS

Given the context of low interest rates, the average rate of early repayment for loans to individuals remains high: 10.3% of outstanding loans in the 1<sup>st</sup> half of 2016, compared with 14.8% in 2015. The outflows of corresponding assets amounted to €1,623m.

This consisted primarily of the following effects on the net banking income:

- an accelerated amortization of acquisition premiums/discounts, of which the impact is estimated at -€60.5m over the half-year;
- the collection of early repayment penalties for a gain of just over €33m; as a reminder, according to the agreement on services rendered by Crédit Foncier, one third of these penalties are transferred to the latter, *i.e.* a total of -€10.3m at June 30, 2016;
- the accelerated amortization of previously deferred termination swap balances resulted in a loss of -€2.23m.

### 3. POST BALANCE SHEET EVENTS

No subsequent event liable to have a significant impact on the financial statements at June 30, 2016 occurred between the closing date and July 26, 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 condensed half-year financial statements of Compagnie de Financement Foncier are prepared and presented in accordance with the rules defined by BPCE, in compliance with the regulation No. 2014-07 of the French National Accounting Standards Authority (*Autorité des Normes Comptables* – ANC).

### 4.2. CHANGES IN ACCOUNTING METHODS

No changes were made to the accounting policies used to prepare the financial statements for the 1<sup>st</sup> half of 2016.

### 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 policies over time;
- independence of financial years;

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

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

## NOTES TO THE FINANCIAL STATEMENTS

<b>NOTE 1.</b>	Loans and receivables due from credit institutions	19	<b>NOTE 13.</b>	Changes in equity	31
<b>NOTE 1 A.</b>	Breakdown of outstanding term loans and receivables due from credit institutions	20	<b>NOTE 14.</b>	Commitments given	32
<b>NOTE 2.</b>	Loans and receivables due from customers	21	<b>NOTE 15.</b>	Commitments received	33
<b>NOTE 2 A 1.</b>	Impairment and provisions for credit risks	22	<b>NOTE 16.</b>	Commitments on forwards and options contracts	34
<b>NOTE 2 A 2.</b>	Premiums/discounts on acquired receivables	22	<b>NOTE 17.</b>	Interest and similar income and expenses	35
<b>NOTE 3.</b>	Securities available for sale and investment	23	<b>NOTE 18.</b>	Net fees and commissions	36
<b>NOTE 3 A.</b>	Sovereign risk	24	<b>NOTE 19.</b>	Gains/losses on trading portfolio transactions	36
<b>NOTE 3 B.</b>	Financial fixed assets	25	<b>NOTE 20.</b>	Other banking income and expenses	37
<b>NOTE 4.</b>	Other Assets	25	<b>NOTE 21.</b>	Operating expenses	38
<b>NOTE 5.</b>	Accrual accounts – Assets	26	<b>NOTE 22.</b>	Cost of risk	39
<b>NOTE 6.</b>	Due to credit institutions	27	<b>NOTE 23.</b>	Gains or losses on long-term investments	39
<b>NOTE 7.</b>	Amounts due to customers	28	<b>NOTE 24.</b>	Income tax	39
<b>NOTE 8.</b>	Debt securities	28	<b>NOTE 25.</b>	Transactions with related credit institutions	40
<b>NOTE 9.</b>	Other liabilities	28	<b>NOTE 26.</b>	Statement of foreign exchange positions	41
<b>NOTE 10.</b>	Accrual accounts – liabilities	29	<b>NOTE 27.</b>	Statement of liquidity position	42
<b>NOTE 11.</b>	Provisions	29	<b>NOTE 28.</b>	Cash flow statement	43
<b>NOTE 12.</b>	Subordinated debts	30			

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

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>Demand loans to credit institutions</b>	<b>188,843</b>	<b>252,101</b>	<b>478,256</b>
Current accounts with overdrafts	39,230	42,490	106,284
Overnight loans			
Unallocated items	149,613	209,610	371,972
Related receivables			
<b>Term loans to credit institutions</b>	<b>20,439,700</b>	<b>19,948,526</b>	<b>20,614,061</b>
Term accounts and loans	1,118,759	1,180,761	1,145,553
Loans guaranteed under L. 211-38 (for more information, see note 1A)	19,302,841	18,745,635	19,431,385
Securities bought under repurchase agreements			
Subordinated loans and participating loans			
Related receivables	18,100	22,129	37,123
<b>Doubtful loans</b>			
<b>GROSS AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>20,628,543</b>	<b>20,200,626</b>	<b>21,092,317</b>
Impairment of doubtful loans			
<b>Impairment of doubtful loans</b>			
<b>NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>20,628,543</b>	<b>20,200,626</b>	<b>21,092,317</b>
<b>BREAKDOWN OF TERM ACCOUNTS (GROUP/NON-GROUP)</b>			
Term accounts and loans			
• of which Group transactions		499	
• of which non-Group transactions	1,118,759	1,180,262	1,145,553
Loans guaranteed by securities received under repurchase agreements			
• of which Group transactions	19,302,841	18,745,635	19,431,385
• of which non-Group transactions			
Related receivables			
• of which Group transactions	13,652	18,668	14,401
• of which non-Group transactions	4,448	3,461	22,722
<b>Group loans</b>	<b>19,316,493</b>	<b>18,764,802</b>	<b>19,445,786</b>
<b>Non-Group loans</b>	<b>1,123,207</b>	<b>1,183,723</b>	<b>1,168,275</b>
<b>TOTAL</b>	<b>20,439,700</b>	<b>19,948,526</b>	<b>20,614,061</b>
<b>BREAKDOWN OF DEMAND ACCOUNTS (GROUP/NON-GROUP)</b>			
Demand accounts and loans			
• of which Group transactions	36,060	38,955	91,006
• of which non-Group transactions	3,170	3,536	15,278
Related receivables			
• of which Group transactions			
• of which non-Group transactions			
Unallocated items			
• of which Group transactions (at Crédit Foncier's scope)	149,561	209,566	369,019
• of which non-Group transactions	52	44	2,953
<b>Group loans</b>	<b>185,621</b>	<b>248,521</b>	<b>460,025</b>
<b>Non-Group loans</b>	<b>3,221</b>	<b>3,579</b>	<b>18,230</b>
<b>TOTAL</b>	<b>188,843</b>	<b>252,101</b>	<b>478,256</b>

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

	06/30/2016			06/30/2015	12/31/2015
	Gross amount	Impairment	Net amount	Net amount	Net amount
<i>(in thousands of euros)</i>					
<b>TERM LOANS</b>					
Refinancing of subsidized residential property				19	
Refinancing of unsubsidized residential property				182	
Public entities	1,123,207		1,123,207	1,183,523	1,168,275
Other loans to credit institutions *	19,316,493		19,316,493	18,764,802	19,445,786
Doubtful term loans					
<b>NET AMOUNT OF TERM LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>20,439,700</b>	<b>0</b>	<b>20,439,700</b>	<b>19,948,526</b>	<b>20,614,061</b>
* Of which:					
Replacement values pursuant to L. 211-38, with BPCE	6,600,000		6,600,000	6,600,000	6,600,000
Loans guaranteed by local authority receivables pursuant to L. 211-38, with Crédit Foncier	10,172,000		10,172,000	9,597,851	10,290,500
Loans guaranteed by local authority receivables pursuant to L. 211-38, with BPCE, Caisses d'Épargne and Banques Populaires	2,530,841		2,530,841	2,547,785	2,540,885
Related and other receivables	13,652		13,652	19,167	14,401
<b>TOTAL</b>	<b>19,316,493</b>	<b>0</b>	<b>19,316,493</b>	<b>18,764,802</b>	<b>19,445,786</b>

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

(in thousands of euros)	Performing loans and receivables			Doubtful loans			Impairment			Net amounts		
	06/30/2016	06/30/2015	12/31/2015	06/30/2016	06/30/2015	12/31/2015	06/30/2016	06/30/2015	12/31/2015	06/30/2016	06/30/2015	12/31/2015
<b>Current accounts with overdrafts</b>												
<b>Facilities granted to customers</b>	<b>42,722,838</b>	<b>42,794,582</b>	<b>41,796,656</b>	<b>1,402,322</b>	<b>1,273,083</b>	<b>1,318,127</b>	<b>97,125</b>	<b>66,372</b>	<b>88,502</b>	<b>44,028,035</b>	<b>44,001,293</b>	<b>43,026,282</b>
Loans to financial customers												
Export credits												
Short-term credit facilities <sup>(1)</sup>	1,212,096	1,385,633	1,381,042							1,212,096	1,385,633	1,381,042
Equipment loans <sup>(2)</sup>	7,307,271	8,061,659	7,624,600	41	12,746	41	534	211	534	7,306,779	8,074,195	7,624,107
Home loans	34,057,724	33,169,667	32,646,649	1,399,049	1,256,589	1,314,744	96,564	66,080	87,939	35,360,209	34,360,175	33,873,455
Other customer loans	4,529	17,451	4,586	37	226	39	28	82	28	4,539	17,595	4,598
Unallocated items	930	5,189	951							930	5,189	951
Related receivables	140,287	154,984	138,827	3,195	3,522	3,302				143,482	158,506	142,130
<b>GENERAL <sup>(3)</sup></b>	<b>42,722,838</b>	<b>42,794,582</b>	<b>41,796,656</b>	<b>1,402,322</b>	<b>1,273,083</b>	<b>1,318,127</b>	<b>97,125</b>	<b>66,372</b>	<b>88,502</b>	<b>44,028,035</b>	<b>44,001,293</b>	<b>43,026,282</b>

Restructured loans amounted to €461,7m at June 30, 2016, of which €126,1m 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 €1,208m at June 30, 2016, versus €1,305m at December 31, 2015.

(2) Equipment loans are loans to local authorities.

(3) Customer loans eligible for refinancing with the Central Bank amounted to €5.8bn at June 30, 2016 in outstanding capital. This amount represents €3.9bn after haircut and overcollateralization constraints.

## NOTE 2 A 1. IMPAIRMENT AND PROVISIONS FOR CREDIT RISKS

<i>(in thousands of euros)</i>	12/31/2014	Additions	Reversals	12/31/2015	Additions	Reversals	06/30/2016
<b>IMPAIRMENT OF ASSETS</b>							
Customer loans and due from credit institutions *	59,291	52,740	-23,529	88,501	28,625	-20,001	97,125
<b>PROVISIONS RECOGNIZED AS LIABILITIES</b>							
Customer loans and due from credit institutions and provisions on securities	15,674	1,026	-571	16,129	10	-12	16,127
<b>TOTAL</b>	<b>74,965</b>	<b>53,766</b>	<b>-24,100</b>	<b>104,630</b>	<b>28,635</b>	<b>-20,013</b>	<b>113,252</b>

\* Loan impairment is measured at discounted value in accordance with the regulation No. 2014-07 of the French Accounting Standards Authority.

## NOTE 2 A 2. PREMIUMS/DISCOUNTS ON ACQUIRED RECEIVABLES

<i>(in thousands of euros)</i>	12/31/2014	Reclassifi- cation	Additions	Amorti- zation	12/31/2015	Reclassifi- cation	Additions	Amorti- zation	06/30/2016
<b>DUE FROM CREDIT INSTITUTIONS</b>									
Premiums	58,081			-10,492	47,589			-5,198	42,391
Discounts									
<b>Net</b>	<b>58,081</b>			<b>-10,492</b>	<b>47,589</b>			<b>-5,198</b>	<b>42,391</b>
<b>CUSTOMER LOANS</b>									
<b>Performing loans and receivables</b>									
Premiums	1,193,623	-11,805	647,678	-389,895	1,439,601	-7,958	327,398	-150,066	1,608,975
Discounts	-1,063,509	8,690	-109,627	144,599	-1,019,847	4,973	-3,936	56,384	-962,426
<b>Doubtful loans and receivables</b>									
Premiums	22,094	11,758		-4,760	29,092	7,958		-4,694	32,356
Discounts	-25,632	-8,643		4,481	-29,794	-5,044		2,005	-32,833
<b>Net</b>	<b>126,576</b>		<b>538,051</b>	<b>-245,575</b>	<b>419,052</b>	<b>-71</b>	<b>323,462</b>	<b>-96,371</b>	<b>646,072</b>
<b>TOTAL</b>	<b>184,657</b>		<b>538,051</b>	<b>-256,067</b>	<b>466,641</b>	<b>-71</b>	<b>323,462</b>	<b>-101,569</b>	<b>688,463</b>

**NOTE 3. SECURITIES AVAILABLE FOR SALE AND INVESTMENT**

<i>(in thousands of euros)</i>	06/30/2016			06/30/2015			12/31/2015		
	Securities available for sale	Held-to-maturity securities	Total	Securities available for sale	Held-to-maturity securities	Total	Securities available for sale	Held-to-maturity securities	Total
Treasury bills and equivalent *		3,531,950	3,531,950		2,689,575	2,689,575		3,560,531	3,560,531
Related receivables		62,369	62,369		53,562	53,562		46,011	46,011
<b>Subtotal</b>		<b>3,594,319</b>	<b>3,594,319</b>		<b>2,743,137</b>	<b>2,743,137</b>		<b>3,606,541</b>	<b>3,606,541</b>
Bonds *		5,466,244	5,466,244		5,470,500	5,470,500		5,423,512	5,423,512
Interbank market instruments (mortgage notes) *	6,249,500		6,249,500	7,932,500		7,932,500	5,749,962		5,749,962
Negotiable debt securities									
Securitization units *									
Related receivables	2,955	66,277	69,231	5,917	68,758	74,675	5,252	67,887	73,139
<b>Subtotal</b>	<b>6,252,455</b>	<b>5,532,521</b>	<b>11,784,975</b>	<b>7,938,417</b>	<b>5,539,258</b>	<b>13,477,675</b>	<b>5,755,214</b>	<b>5,491,399</b>	<b>11,246,613</b>
Doubtful loans and securities including related receivables									
<b>GROSS AMOUNTS</b>	<b>6,252,455</b>	<b>9,126,840</b>	<b>15,379,294</b>	<b>7,938,417</b>	<b>8,282,395</b>	<b>16,220,812</b>	<b>5,755,214</b>	<b>9,097,940</b>	<b>14,853,154</b>
Impairment on fixed-income securities									
<b>NET AMOUNTS</b>	<b>6,252,455</b>	<b>9,126,840</b>	<b>15,379,294</b>	<b>7,938,417</b>	<b>8,282,395</b>	<b>16,220,812</b>	<b>5,755,214</b>	<b>9,097,940</b>	<b>14,853,154</b>

\* Of which:

	06/30/2016	06/30/2015	12/31/2015
Listed securities	8,524,735	7,644,093	8,507,563
Unlisted securities	6,722,954	8,448,482	6,226,430
<b>TOTAL</b>	<b>15,247,689</b>	<b>16,253,109</b>	<b>14,733,993</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.

Under the regulation No. 2014-07 of the French National Accounting Standards Authority, the aggregate fair value of the investment portfolio amounted to €10,873.2m at June 30, 2016, excluding related receivables.

Unrealized capital gains on held-to-maturity securities amounted to €2,103.3m at June 30, 2016, before swaps. At December 31,

2015, unrealized capital gains on held-to-maturity securities amounted to €1,462.3m, before swaps.

Unrealized capital losses on held-to-maturity securities amounted to €241.6m at June 30, 2016, before swaps. At December 31, 2015, unrealized capital losses on held-to-maturity securities amounted to €261.2m, before swaps.

The Company did not reclassify any securities to the "Held-to-maturity securities" portfolio either during the 2016 financial year or in previous years.

## NOTE 3 A. SOVEREIGN RISK

As of June 30, 2016 the net exposure of Compagnie de Financement Foncier to sovereign risk is as follows:

(in millions of euros) Investment securities	06/30/2016			06/30/2015			12/31/2015		
	Carrying amount	Market value	Value after swap *	Carrying amount	Market value	Value after swap *	Carrying amount	Market value	Value after swap *
Ireland				120.0	147.8	134.6			
Italy	2,310.9	2,876.4	1,743.0	1,605.9	1,979.8	1,542.2	2,327.9	2,794.4	1,956.9
Poland	404.2	476.0	255.7	336.5	353.9	245.1	351.7	381.9	252.3
Slovenia				148.3	166.3	144.0			
<b>TOTAL</b>	<b>2,715.1</b>	<b>3,352.4</b>	<b>1,998.7</b>	<b>2,210.7</b>	<b>2,647.8</b>	<b>2,065.9</b>	<b>2,679.6</b>	<b>3,176.3</b>	<b>2,209.2</b>

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

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

The maturity dates of net exposures in nominal value as of June 30, 2016 are presented below:

	Residual maturity				
	3 years	5 years	6 years	> 8 years and < 10 years	> 10 years
Italy	69.0			292.0	1,732.4
Poland					404.2
Slovenia					
<b>TOTAL</b>	<b>69.0</b>	<b>0</b>	<b>0</b>	<b>292.0</b>	<b>2,136.6</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 3 B. FINANCIAL FIXED ASSETS**

(in thousands of euros)	Gross 12/31/2014	Acquisi- tions	Disposals/ Redemp- tions *	Reclassi- fications	Current change	Currency diffe- rences	Gross 12/31/2015	Acquisi- tions	Disposals/ Redemp- tions *	Reclassi- fications	Current change	Currency diffe- rences	Gross 06/30/2016
Held-to-maturity securities	9,429,347	1,352,077	-2,286,213		-7,422	496,254	8,984,043		-111,081		-51,047	176,279	8,998,194
<b>TOTAL</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>		<b>-111,081</b>		<b>-51,047</b>	<b>176,279</b>	<b>8,998,194</b>
Related receivables	131,805				-17,908		113,897				14,749		128,646
<b>TOTAL</b>	<b>9,561,152</b>	<b>1,352,077</b>	<b>-2,286,213</b>	<b>0</b>	<b>-25,330</b>	<b>496,254</b>	<b>9,097,940</b>	<b>0</b>	<b>-111,081</b>	<b>0</b>	<b>-36,298</b>	<b>176,279</b>	<b>9,126,840</b>

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

**NOTE 4. OTHER ASSETS**

(in thousands of euros)	06/30/2016	06/30/2015	12/31/2015
<b>Options bought</b>		<b>42</b>	
<b>Securities settlement accounts</b>			
<b>Other debtors</b>	<b>7,452</b>	<b>64,826</b>	<b>59,306</b>
Deposits on collateralization transactions			
Other deposits and guarantees <sup>(1)</sup>	3,962	22	2,478
Tax consolidation receivables <sup>(2)</sup>		60,041	48,551
Other non-trade receivables	3,490	4,762	8,277
<b>Special bonus account</b>			
<b>TOTAL</b>	<b>7,452</b>	<b>64,868</b>	<b>59,306</b>

(1) As of June 30, 2016, this item includes mainly the guarantee deposits of €3,944k for 2015 and 2016 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, and is equal to the potential corporate tax saving, due to the negative fiscal result recorded, in accordance with the tax consolidation agreement binding Compagnie de Financement Foncier, BPCE and Crédit Foncier (Article 2). This receivable was settled during the 1<sup>st</sup> half of 2016.

## NOTE 5. ACCRUAL ACCOUNTS – ASSETS

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>Collection accounts</b>			
<b>Deferred expenses</b>	<b>233,355</b>	<b>259,799</b>	<b>244,236</b>
Issue and redemption premiums on fixed income securities	233,355	259,799	244,236
Other deferred expenses			
<b>Prepaid expenses</b>	<b>1,554,412</b>	<b>1,710,992</b>	<b>1,612,521</b>
Termination balances of paid swaps to be amortized	1,554,412	1,698,912	1,610,243
Other prepaid expenses		12,080	2,278
<b>Accrued income</b>	<b>509,867</b>	<b>638,216</b>	<b>669,351</b>
Accrued interest on swaps	509,841	636,623	668,509
Other accrued income	26	1,593	842
<b>Other accrual accounts – assets</b>	<b>544,916</b>	<b>1,164,192</b>	<b>661,055</b>
Cash in domiciliation		36,935	87,638
Deferred tax assets <sup>(1)</sup>	508,024	573,498	538,918
Currency adjustment accounts <sup>(2)</sup>		334,340	
Other accrued income <sup>(3)</sup>	36,892	219,419	34,499
<b>TOTAL</b>	<b>2,842,551</b>	<b>3,773,198</b>	<b>3,187,163</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:

Termination swap balance	469,156	554,556	508,564
Client provisions including credit risk provisions	16,306	11,927	15,535
Other temporary differences	22,562	7,016	14,819

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

(3) Of which borrowers (payments to be applied to loan accounts) and release of loan funds on behalf of Crédit Foncier: €30,062k at June 30, 2016 versus €28,774k at December 31, 2015.

**NOTE 6. DUE TO CREDIT INSTITUTIONS**

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>Due to credit institutions – on demand <sup>(1)</sup></b>	<b>2,396</b>		<b>12,176</b>
Current accounts of credit institutions	2,396		11,808
Demand loans from credit institutions			
Other amounts due to credit institutions			368
Related payables			
<b>Due to credit institutions – at maturity <sup>(2)</sup></b>	<b>8,221,579</b>	<b>4,994,212</b>	<b>9,840,321</b>
Term deposits and loans <sup>(3)</sup>	4,975,544	2,989,237	6,509,044
Values sold under repurchase agreements			
Securities sold under repurchase agreements	3,233,482	1,991,816	3,317,707
Related payables	12,554	13,159	13,570
<b>TOTAL</b>	<b>8,223,975</b>	<b>4,994,212</b>	<b>9,852,497</b>
<b>(1) Details on due to credit institutions – on demand (Group/non-Group)</b>	<b>2,396</b>		<b>12,176</b>
Of which Group	2,387		59
• Other amounts due to credit institutions	2,387		59
• Demand loans to credit institutions			
• Related payables			
Of which non-Group	9		12,117
• Other amounts due to credit institutions	9		12,117
<b>(2) Details on due to credit institutions – at maturity (Group/non-Group)</b>	<b>8,221,579</b>	<b>4,994,212</b>	<b>9,840,321</b>
Of which Group	8,221,579	4,994,212	9,838,514
• Term deposits and loans <sup>(3)</sup>	4,988,097	3,002,930	6,520,806
• Securities sold under repurchase agreements	3,233,482	1,991,282	3,317,707
Of which non-Group			1,808
• Term deposits and loans			1,037
• Banque de France refinancing (3G pool)			
• Other term loans			770
• Securities sold under repurchase agreements			
• Related payables			
<b>Sub-total due to Group credit institutions</b>	<b>8,223,966</b>	<b>4,994,212</b>	<b>9,838,573</b>
<b>Sub-total due to non-Group credit institutions</b>	<b>9</b>		<b>13,925</b>
<b>TOTAL</b>	<b>8,223,975</b>	<b>4,994,212</b>	<b>9,852,497</b>

(3) Following the repayment in 2015 of redeemable subordinated notes, Crédit Foncier 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 the 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 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 Article 1154 of the French Civil Code.

## NOTE 7. AMOUNTS DUE TO CUSTOMERS

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>Current accounts</b>			
<b>Other demand and term deposits</b>	<b>2</b>	<b>2,891</b>	<b>408</b>
Other amounts due	2	2,891	408
Other term loans to customers			
Term accounts in credit			
Related payables			
<b>TOTAL</b>	<b>2</b>	<b>2,891</b>	<b>408</b>

## NOTE 8. DEBT SECURITIES

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
Negotiable debt securities	150,000	150,000	150,000
Related payables	466	504	1,326
<b>Negotiable debt securities and related payables</b>	<b>150,466</b>	<b>150,504</b>	<b>151,326</b>
<i>Obligations foncières</i>	66,138,859	69,209,450	67,860,404
Related payables	830,539	986,752	1,111,847
<b>Obligations foncières and related payables</b>	<b>66,969,398</b>	<b>70,196,202</b>	<b>68,972,251</b>
<b>TOTAL</b>	<b>67,119,863</b>	<b>70,346,706</b>	<b>69,123,576</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 ("privilège" of obligations foncières).

## NOTE 9. OTHER LIABILITIES

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>Options sold</b>			
<b>Other payables</b>	<b>2,820,446</b>	<b>2,981,583</b>	<b>2,932,629</b>
Deposits on collateralization transactions	2,667,144	2,907,834	2,755,396
Margin calls on repurchase agreements			
Trade payables	37,443		
Tax consolidation liabilities <sup>(1)</sup>	14,571		
Other fiscal and social debts	6	162	11
Other payables accounts	39,499	73,586	119,663
Special bonus account	61,784		57,559
<b>Allocated public funds <sup>(2)</sup></b>	<b>44,948</b>	<b>64,500</b>	<b>48,825</b>
<b>TOTAL</b>	<b>2,865,394</b>	<b>3,046,083</b>	<b>2,981,454</b>

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

(2) Of which subsidized sector

14,571

33,236

51,054

34,250

## NOTE 10. ACCRUAL ACCOUNTS – LIABILITIES

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>Collection accounts</b>	<b>349</b>	<b>497</b>	<b>919</b>
<b>Unearned income</b>	<b>1,767,787</b>	<b>2,088,819</b>	<b>1,896,151</b>
Subsidies on loans for low-income households and former interest-free loans	65,646	89,668	76,350
Balances of swaps received to be amortized	1,611,824	1,868,352	1,711,211
Other unearned income	90,317	130,799	108,590
<b>Accrued expenses</b>	<b>248,421</b>	<b>290,891</b>	<b>244,708</b>
Accrued interest on derivatives (swaps)	243,964	274,989	224,976
Other accrued expenses	4,457	15,901	19,732
<b>Other accrual accounts</b>	<b>556,046</b>	<b>156,702</b>	<b>228,774</b>
Currency adjustment accounts *	419,184		127,273
Other items	136,862	156,702	101,501
<b>TOTAL</b>	<b>2,572,602</b>	<b>2,536,909</b>	<b>2,370,553</b>

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

## NOTE 11. PROVISIONS

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>Provisions for counterparty risks</b>	<b>16,127</b>	<b>15,110</b>	<b>16,129</b>
Provisions for counterparty risks on performing loans	16,127	15,110	16,129
Sectoral provisions			
<b>Provisions for litigation</b>			
Tax litigation			
Other litigation			
<b>Other provisions</b>	<b>2,226</b>		
Other provisions *	2,226		
<b>TOTAL</b>	<b>18,353</b>	<b>15,110</b>	<b>16,129</b>

\* A provision made during the 1<sup>st</sup> half of 2016 and related to an estimate of an accelerated amortization of several termination balances.

Changes in the period (in thousands of euros)	Changes in 2016					06/30/2016
	12/31/2015	Additions	Reversals		Other changes	
			Used	Not used		
<b>Provisions for counterparty risks</b>	<b>16,129</b>	<b>10</b>		<b>-12</b>		<b>16,127</b>
Provisions for counterparty risks on performing loans	16,129	10		-12		16,127
Sectoral provisions						
<b>Provisions for litigation</b>						
Tax litigation						
Other litigation						
<b>Other provisions</b>		<b>2,226</b>				<b>2,226</b>
Other provisions		2,226				2,226
<b>TOTAL</b>	<b>16,129</b>	<b>2,236</b>	<b>0</b>	<b>-12</b>	<b>0</b>	<b>18,353</b>

## NOTE 12. SUBORDINATED DEBTS

(in thousands of euros)	06/30/2016	06/30/2015	12/31/2015
Redeemable subordinated notes <sup>(1)</sup>		2,100,000	
Perpetual super-subordinated notes <sup>(2)</sup>		1,350,000	
Related payables		16,492	
<b>TOTAL</b>	<b>0</b>	<b>3,466,492</b>	<b>0</b>

(1) Compagnie de Financement Foncier issued redeemable subordinated notes: one note of €100m was issued on December 30, 2003; the other was issued on 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 the contracts governing these notes, Compagnie de Financement Foncier repaid €2,100m on September 15, 2015. In return, Crédit Foncier has simultaneously set up a current account advance with an equivalent amount.

(2) On December 30, 2011, Compagnie de Financement Foncier issued a perpetual 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 (ACPR), the Company 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.

## Additional information

(in thousands of euros)	Issuance currency	Issuance date	Maturity date	Interest rate
<b>SUBORDINATED DEBTS</b>				
Floating-rate subordinated debt				
• Redeemable subordinated notes "RSN"	EUR	12/30/2003	12/30/2043	Euribor 3M+0.5%
• Perpetual super-subordinated notes	EUR	12/30/2011		EONIA+2.5%

**NOTE 13. CHANGES IN EQUITY**

(in thousands of euros)	Opening balance at 01/01/15	Changes in capital and reserves			Balance at 12/31/15	Changes in capital and reserves			Balance at 06/30/16
		Allocation	Dividends paid in shares	Other		Allocation	Dividends paid in shares	Other	
Share capital *	1,187,460			1,350,000	2,537,460				2,537,460
Share premiums *	343,002				343,002				343,002
Reserves									
Legal reserve	48,109	4,217			52,326	6,625			58,951
General reserve	55,517				55,517				55,517
Regulated reserves									
of which:									
• Regulated reserves for revaluation									
• Special reserves for long-term capital gains									
Retained earnings	87,007	5,894			92,901	-1,011			91,889
<b>Net equity before net income for the year</b>	<b>1,721,095</b>				<b>3,081,207</b>				<b>3,086,820</b>
Net income for the year before distributions	84,328	-84,328			132,486	-132,486			78,914
<b>Equity after net income for the year</b>	<b>1,805,423</b>				<b>3,213,693</b>				<b>3,165,733</b>
Dividends paid		74,216				126,873			

(in thousands of euros)	Opening balance at 01/01/15	Allocation	Changes in provisions		Balance at 12/31/15	Allocation	Changes in provisions		Balance at 06/30/16
			Additions	Reversals			Additions	Reversals	
Special revaluation provision									
Other regulated provisions									
Regulated provisions									
<b>Equity before distributions</b>	<b>1,805,423</b>				<b>3,213,693</b>				<b>3,165,733</b>

(in thousands of euros)	Opening balance at 01/01/15	Allocation	Changes in the reserve for general banking risks (RGBR)		Balance at 12/31/15	Allocation	Changes in the reserve for general banking risks (RGBR)		Balance at 06/30/16
			Additions	Reversals			Additions	Reversals	
Fund for general banking risks	20,000				20,000				20,000
<b>TOTAL</b>	<b>1,825,423</b>				<b>3,233,693</b>				<b>3,185,733</b>

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

## NOTE 14. COMMITMENTS GIVEN

	06/30/2016		06/30/2015		12/31/2015	
	Loans authorized but not yet established	Amounts not drawn down on loans already partially established	Loans authorized but not yet established	Amounts not drawn down on loans already partially established	Loans authorized but not yet established	Amounts not drawn down on loans already partially established
<i>(in thousands of euros)</i>						
<b>Financing commitments</b>	<b>756,239</b>	<b>4,419</b>	<b>222,009</b>	<b>867,441</b>	<b>756,263</b>	<b>99,702</b>
<b>Commitments on subsidized sector</b>						
<b>Non-Group commitments</b>						
• Credit institutions						
• Customers						
<b>Unsubsidized sector</b>	<b>756,239</b>	<b>4,419</b>	<b>222,009</b>	<b>867,441</b>	<b>756,263</b>	<b>99,702</b>
<b>Non-Group commitments</b>	<b>756,239</b>	<b>4,419</b>	<b>222,009</b>	<b>867,441</b>	<b>756,263</b>	<b>99,702</b>
• Customers <sup>(1)</sup>	756,239	4,419	222,009	867,441	756,263	99,702
<b>Group commitments</b>						
• Credit institutions						
<b>Guarantee commitments</b>	<b>57,076</b>		<b>1,674,885</b>		<b>556,624</b>	
<b>Non-Group commitments</b>	<b>57,076</b>		<b>1,674,885</b>		<b>556,624</b>	
Other values used as collateral <sup>(2)</sup>	57,076		1,674,885		556,624	
<b>Commitments on securities</b>						
Other commitments given						
<b>TOTAL <sup>(3)</sup></b>	<b>817,733</b>		<b>2,764,334</b>		<b>1,412,588</b>	

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

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
Permanent credit lines (outstanding transferred from Ixis CIB)	656,239	766,874	756,263
State housing savings accounts (primes d'épargne logement)	100,000	100,000	100,000

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

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
Securities			
Receivables	57,076	1,674,885	556,624

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

(3) Of which:

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
Doubtful commitments	517	567	830

**NOTE 15. COMMITMENTS RECEIVED**

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>Financing commitments</b>	<b>29,141,174</b>	<b>31,420,503</b>	<b>29,096,967</b>
<b>Non-Group commitments</b>	<b>256,347</b>	<b>1,466,840</b>	<b>489,828</b>
Credit institutions <sup>(1)</sup>	256,347	1,466,840	489,828
<b>Group commitments</b>	<b>28,884,827</b>	<b>29,953,663</b>	<b>28,607,139</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>	25,884,827	26,953,663	25,607,139
<b>Guarantee commitments</b>	<b>39,109,876</b>	<b>40,018,404</b>	<b>39,558,343</b>
<b>Non-Group commitments</b>	<b>38,192,596</b>	<b>37,480,545</b>	<b>39,086,007</b>
Credit institutions and similar institutions <sup>(4)</sup>	4,836,528	2,727,329	5,393,523
Customers <sup>(5)</sup>	33,356,068	34,753,216	33,692,484
<b>Group commitments <sup>(6)</sup></b>	<b>917,281</b>	<b>2,537,860</b>	<b>472,335</b>
Credit institutions and similar items	917,281	2,535,948	472,335
Customers		1,911	
<b>Commitments on securities</b>	<b>46,964</b>	<b>53,624</b>	
Other securities to be received	46,964	53,624	
<b>TOTAL</b>	<b>68,298,014</b>	<b>71,492,532</b>	<b>68,655,309</b>

(1) Non-Group financing commitments include a commitment received from the Banque de France in relation to the collateral management mechanism, including an amount of €50.2m at June 30, 2016, compared with €489.8m at December 31, 2015.

(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 authorized pursuant to Article L. 211-38 and mortgage notes.

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
• Guarantees received from Crédit Foncier for loans to French local authorities (L. 211-38)	10,293,586	9,695,741	10,348,612
• Guarantees received from BPCE SA as replacement values (L. 211-38 Short-term guaranteed notes)	6,655,400	6,655,400	6,655,400
• Guarantees received from Caisses d'Épargne, Banques Populaires and BPCE for loans to French local authorities (L. 211-38)	2,515,879	2,582,811	2,555,844
• Guarantees received from Crédit Foncier for mortgage notes	6,419,963	8,019,711	6,047,283

(4) Mainly including:

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
• Guarantees received from Crédit Logement rated Aa3 (Moody's)	1,752,797	767,273	1,712,796
• Guarantees received from Créserfi	4,349	322,924	324,625
• Security enhancement guarantees received from insurance companies	2,017,772	1,637,132	1,671,073

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

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
• Government guarantees on loans, mainly to the subsidized sector	198,490	363,556	241,191
• Guarantees from the SGFGAS on FGAS-eligible loans and covered by the government	16,247,853	16,306,652	16,603,041
• Mortgage guarantees for mortgage loans that are only covered by this guarantee	13,270,887	14,925,824	13,642,321
• Guarantees given by local authorities and other organizations	2,881,940	1,995,280	2,213,582
• Security enhancement guarantees given by governments.	963,018	1,161,904	992,349

(6) At June 30, 2016, a guarantee received from BPCE on securities for €800m, as well as a guarantee received from Crédit Foncier on securities and loans for €56.3m.

## NOTE 16. COMMITMENTS ON FORWARDS AND OPTIONS CONTRACTS

	06/30/2016		06/30/2015		12/31/2015	
	Euros	Other currencies <sup>(2)</sup>	Euros	Other currencies <sup>(2)</sup>	Euros	Other currencies <sup>(2)</sup>
<i>(in thousands of euros)</i>						
<b>OVER-THE-COUNTER MARKETS</b>						
<b>Options (nominal amounts)</b>	<b>2,082,318</b>		<b>2,424,343</b>		<b>2,191,843</b>	
<b>Hedging transactions (purchases)</b>						
• Interest rate instruments	2,082,318		2,424,343		2,191,843	
• Foreign exchange instruments						
• Other instruments						
<b>Other options</b>						
<b>Options (fair value)</b>	<b>4,746</b>		<b>17,673</b>		<b>13,183</b>	
<b>Forward transactions (nominal amounts)</b>	<b>70,805,935</b>	<b>13,242,375</b>	<b>67,134,831</b>	<b>15,344,615</b>	<b>68,864,424</b>	<b>13,629,839</b>
<b>Hedging transactions</b>						
• Interest rate instruments	60,533,449	333,304	55,068,806	377,170	58,208,844	364,965
• Foreign exchange instruments <sup>(3)</sup>	10,272,486	12,909,071	12,066,025	14,967,445	10,655,581	13,264,874
• Other instruments						
<b>Other transactions</b>						
<b>Forward transactions (fair value) <sup>(1)</sup></b>	<b>1,422,337</b>	<b>-861,880</b>	<b>2,015,026</b>	<b>76,474</b>	<b>1,598,783</b>	<b>159,816</b>
<b>Forward and options transactions</b>	<b>72,888,253</b>	<b>13,242,375</b>	<b>69,559,174</b>	<b>15,344,615</b>	<b>71,056,267</b>	<b>13,629,839</b>
<b>TOTAL (NOMINAL AMOUNTS) <sup>(2)</sup></b>		<b>86,130,629</b>		<b>84,903,788</b>		<b>84,686,106</b>
<b>TOTAL (FAIR VALUE)</b>		<b>565,203</b>		<b>2,109,173</b>		<b>1,771,782</b>

Compagnie de Financement Foncier has no derivatives traded on the organized 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 a foreign exchange forward position; the inverse position, spot currency transactions, is included in the balance sheet assets (see note 26).

**NOTE 17. INTEREST AND SIMILAR INCOME AND EXPENSES**

<i>(in thousands of euros)</i>	06/30/2016			06/30/2015	12/31/2015
	Income	Expenses	Net	Net	Net
<b>Interbank transactions</b>	<b>98,424</b>	<b>-49,586</b>	<b>48,838</b>	<b>36,746</b>	<b>81,897</b>
Interest on Central Bank accounts		-4,599	-4,599	-1,291	-4,159
Interest on current accounts		-36	-36		1
Interest on term transactions	16,515	-41,013	-24,499	-6,137	-25,647
Interest on subordinated loans					
Interest on receivables guaranteed (replacement values)	79,095		79,095	57,198	124,282
Interest on securities received/sold under repurchase agreements	2,814		2,814	147	1,476
Financing and guarantee commitments					
Other interest income and expenses					
Hedging transactions (netting)		-3,937	-3,937	-13,171	-14,055
Hedged losses on receivables					
Non-hedged losses on receivables					
Net changes of provisions					
<b>Customer transactions</b>	<b>532,375</b>	<b>-49,153</b>	<b>483,222</b>	<b>569,821</b>	<b>1,171,279</b>
Interest on demand deposits, term deposits and regulated savings accounts					
Interest on loans to customers	501,940		501,940	604,023	1,096,671
Interest on subordinated loans					
Interest on doubtful loans	23,265		23,265	22,243	44,854
Amortization of additional loans fees (CRC Regulation 2009-03)	-304		-304	-304	-608
Interest on RMBS cash collateral					
Other interest income and expenses	7,474	-385	7,089	-8,203	-6,076
Income on financing and guarantee commitments				16	21
Hedging transactions (netting)		-47,245	-47,245	-47,357	39,251
Hedged losses on receivables		-64	-64	-591	-735
Non-hedged losses on receivables		-444	-444		-10
Net changes in provisions <sup>(2)</sup>		-1,014	-1,014	-6	-2,089
<b>Finance lease transactions</b>					
<b>Securities portfolio transactions</b>	<b>774,731</b>	<b>-1,022,175</b>	<b>-247,444</b>	<b>-321,470</b>	<b>-607,978</b>
Interest on investment securities	55,820		55,820	32,037	70,301
Spreading of discounts/premiums on investment securities					
Interest on held-to-maturity securities	183,849		183,849	190,788	376,410
Amortization of discounts/premiums on held-to-maturity securities	-18,102		-18,102	-1,432	-13,275
Interest on medium-term notes (BMTN) issued		-783	-783	-1,182	-2,003
Interest on certificates of deposits issued					
Interest on mortgage notes issued					
Interest and expenses on bond issuances		-1,021,392	-1,021,392	-1,245,263	-2,360,207
Interest on doubtful securities					
Hedging transactions (netting) <sup>(1)</sup>	553,163		553,163	695,425	1,312,639
Losses on non-recoverable receivables				-2,951	-2,951
Net changes of provisions <sup>(1)</sup>				11,108	11,108
<b>Subordinated debts</b>				<b>-22,075</b>	<b>-30,910</b>
Payables on subordinated term securities				-22,075	-30,910
Payables on subordinated debt – credit institutions					
Payables on subordinated debt – customers					
<b>Other interest and similar income and expenses</b>	<b>18,647</b>	<b>-146,479</b>	<b>-127,832</b>	<b>-116,836</b>	<b>-358,397</b>
Income on debt securities	18,647		18,647	18,320	42,317
Fees on credit derivatives					
Commitments received/given on securities		-3,722	-3,722	-2,117	-3,688
Other interest income and expenses					
Macro-hedging transactions (netting)		-140,531	-140,531	-133,040	-397,025
Net changes of provisions		-2,226	-2,226		
<b>TOTAL INTEREST AND SIMILAR INCOME AND EXPENSES</b>	<b>1,424,177</b>	<b>-1,267,392</b>	<b>156,785</b>	<b>146,185</b>	<b>255,891</b>

(1) In 2015, the netting of hedging transactions included a terminated swap amortization expense of €10.7m in respect of the HETA securities sold. This expense was covered by the reversal of a provision of the same amount booked at December 31, 2014.

(2) Net risk charge on customer interest under net interest margin

## NOTE 18. NET FEES AND COMMISSIONS

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>Commissions on interbank and cash transactions (net)</b>	<b>-4</b>	<b>-6</b>	<b>-10</b>
Income			
Expenses	-4	-6	-10
<b>Commissions on transactions with customers (net) *</b>	<b>33,182</b>	<b>38,298</b>	<b>109,659</b>
Income	33,182	38,298	109,659
Expenses			
<b>Commissions on securities transactions (net)</b>	<b>-719</b>	<b>-811</b>	<b>-1,550</b>
Income			
Expenses	-719	-811	-1,550
<b>Other commissions (net)</b>	<b>-308</b>	<b>1,213</b>	<b>-584</b>
Income	-5	1,535	52
Expenses	-303	-322	-636
<b>Income</b>	<b>33,177</b>	<b>39,833</b>	<b>109,711</b>
<b>Expenses</b>	<b>-1,026</b>	<b>-1,139</b>	<b>-2,195</b>
<b>NET FEES AND COMMISSIONS</b>	<b>32,151</b>	<b>38,694</b>	<b>107,515</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. GAINS/LOSSES ON TRADING PORTFOLIO TRANSACTIONS

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
Gains on currency and arbitrage transactions	-301	398	213
Losses on other financial instruments			
Gains on other financial instruments			
Charge to provisions for risks on financial forward instruments			
Reversals from provisions for risks on financial forward instruments			
<b>NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS</b>	<b>-301</b>	<b>398</b>	<b>213</b>

**NOTE 20. OTHER BANKING INCOME AND EXPENSES**

<i>(in thousands of euros)</i>	06/30/2016			06/30/2015	12/31/2015
	Income	Expenses	Net	Net	Net
<b>Transfers of expenses and income, reallocated expenses</b>					
Transfers of expenses					
• <i>Transfers of expenses</i>					
• <i>Other rebilled expenses or retrocessions</i>					
Transfers of income					
Reallocated expenses					
<b>Total other banking income and expenses</b>	<b>2</b>	<b>-1</b>	<b>1</b>	<b>-37</b>	<b>25</b>
Other operating income and expenses *	2	-1	1	-37	25
Additions to and reversals from provisions for other operating income and expenses *					
<b>TOTAL</b>	<b>2</b>	<b>-1</b>	<b>1</b>	<b>-37</b>	<b>25</b>
<b>* DETAILS</b>					
<b>Other operating income and expenses</b>	<b>2</b>	<b>-1</b>	<b>1</b>	<b>-37</b>	<b>25</b>
• <i>Transfers to exceptional gains</i>			1		
• <i>Other operating income</i>	2		2	27	77
• <i>Losses on deferred interests and variable rate loans</i>		-1	-1	-8	-10
• <i>Transfers to exceptional losses</i>					
• <i>Other operating expenses</i>				-56	-41

## NOTE 21. OPERATING EXPENSES

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>TOTAL PAYROLL COSTS</b>	<b>-16</b>	<b>-91</b>	<b>-217</b>
Wages and salaries	-10	-58	-167
Costs of defined-contribution plans	-2	-6	-9
Other social security costs and payroll-based taxes	-5	-27	-41
Additions/reversals of provisions for litigation			
<b>TOTAL OTHER ADMINISTRATIVE EXPENSES</b>	<b>-59,774</b>	<b>-55,308</b>	<b>-122,938</b>
<b>Taxes other than on income</b>	<b>-11,409</b>	<b>-9,572</b>	<b>-19,194</b>
CET (local business tax) and CVAE (tax on company value added)	-1,881	-1,082	-1,935
Social solidarity contribution	-2,263	-2,582	-5,185
Contribution to the supervision expenses of the French Prudential Supervision and Resolution Authority (ACPR)	-398	-396	-791
Systemic banking risk tax	-1,657	-1,972	-3,942
Contributions to Single Resolution Fund	-4,206	-3,040	-5,739
Control fees paid to ECB	-523	-223	-818
Taxes other than on income	-483	-278	-784
Additions/reversals of provisions for tax disputes			
<b>External services</b>	<b>-48,364</b>	<b>-45,736</b>	<b>-103,744</b>
Leasing			
External services provided by the Group	-46,708	-44,551	-100,203
Fees, subcontracting and services	-1,460	-778	-3,211
Advertising	-138	-171	-234
Remuneration of intermediaries			
Transport and travel			
Maintenance and repairs		-4	-4
Insurance premiums			
Other external services	-57	-232	-92
Additions/reversals from provisions for disputes relating to external services			
Additions/reversals from provisions for external services costs			
<b>Other expenses</b>			
<b>Transfers of expenses</b>			
<b>GENERAL OPERATING EXPENSES</b>	<b>-59,789</b>	<b>-55,399</b>	<b>-123,155</b>

Note: the total amount of remuneration received by governing bodies at June 30, 2016 amounted to €15k. Following the decision by the Board of Directors of Compagnie de Financement Foncier on February 9, 2016, no additional remuneration is paid to the executive bodies since February 1, 2016.

## NOTE 22. COST OF RISK

(in thousands of euros)	06/30/2016			06/30/2015	12/31/2015
	Expenses <sup>(2)</sup>	Income <sup>(2)</sup>	Net <sup>(2)</sup>	Net <sup>(2)</sup>	Net <sup>(2)</sup>
<b>Net additions/reversals on held-to-maturity securities</b>				<b>104,000</b>	<b>104,000</b>
Net additions/reversals on securities transactions <sup>(1)</sup>				104,000	104,000
<b>Net additions/reversals on customer transactions</b>	<b>-22,750</b>	<b>12</b>	<b>-22,738</b>	<b>-7,597</b>	<b>-42,221</b>
Impairment of customer transactions	-22,740		-22,740	-8,161	-41,767
Provisions for counterparty risks on performing loans	-10	12	2	564	-455
Sectoral provisions					
<b>Gains/losses on customer transactions</b>	<b>-4,647</b>	<b>22,966</b>	<b>18,319</b>	<b>-924</b>	<b>15,267</b>
Gains/losses on the covered irrecoverable loans and receivables		15,130	15,130	-9	12,797
Gains/losses on irrecoverable loans and receivables not covered by provisions	-4,647		-4,647	-3,308	-8,176
Recoveries of bad debts written off		7,836	7,836	2,392	10,647
<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>COST OF RISK</b>	<b>-27,397</b>	<b>22,978</b>	<b>-4,418</b>	<b>3,680</b>	<b>-14,753</b>

(1) Data corresponding to the capital loss recorded following the sale of HETA securities in 2015. This loss was covered by the €104m provision on held-to-maturity securities, recorded in 2014 and fully reversed in June 2015.

(2) Cost of risk neutralizing an impact from HETA securities

	-27,397	22,978	-4,418	-8,521	-26,954
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## NOTE 23. GAINS OR LOSSES ON LONG-TERM INVESTMENTS

(in thousands of euros)	06/30/2016	06/30/2015	12/31/2015
Capital gains or losses on disposals of held-to-maturity securities	-48	-15,722	-4,032
Provisions for impairment on held-to-maturity securities			
Reversals for impairment on held-to-maturity securities			
<b>GAINS OR LOSSES ON OTHER ASSETS</b>	<b>-48</b>	<b>-15,722</b>	<b>-4,032</b>

## NOTE 24. INCOME TAX

(in thousands of euros)	06/30/2016	06/30/2015	12/31/2015
<b>TAX EXPENSE COMPONENTS</b>			
Current tax expenses (income) *	-14,571	60,041	48,551
Deferred tax liabilities (income) *	-30,894	-103,191	-137,771
Provisions for deferred taxes			
Provisions for risks or for tax litigations			
<b>TOTAL</b>	<b>-45,465</b>	<b>-43,149</b>	<b>-89,220</b>

(in thousands of euros)	06/30/2016	06/30/2015	12/31/2015
<b>BREAKDOWN OF DEFERRED TAXES FOR THE PERIOD</b>			
Termination swap balance	-39,407	-71,730	-117,722
Client provisions including credit risk provisions	771	-336	3,272
Other temporary differences	7,742	-31,125	-23,321
<b>TOTAL</b>	<b>-30,894</b>	<b>-103,191</b>	<b>-137,771</b>

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

## NOTE 25. TRANSACTIONS WITH RELATED CREDIT INSTITUTIONS <sup>(1)</sup>

	06/30/2016	06/30/2015	12/31/2015	06/30/2016 Valuation of assets received as collateral <sup>(2)</sup>
<i>(in thousands of euros)</i>				
<b>BALANCE SHEET</b>				
<b>Assets items</b>				
<b>Receivables from credit institutions</b>				
Sight deposit	185,621	248,521	460,025	
Term		499		
Term deposits guaranteed by repo securities	19,316,493	18,764,304	19,445,786	19,407,790
• Loans guaranteed by French local authority loans (SPT) under L. 211-38	12,702,841	12,145,636	12,831,385	12,794,104
• at Crédit Foncier	10,172,000	9,597,851	10,290,500	10,278,225
• to BPCE	2,320,000	2,320,000	2,320,000	2,304,677
• to other group entities	210,841	227,785	220,885	211,202
• Loans registered as replacement values under L. 211-38	6,600,000	6,600,000	6,600,000	6,613,686
• to BPCE	6,600,000	6,600,000	6,600,000	6,613,686
• Related receivables	13,652	18,668	14,401	
<b>Customer transactions</b>				
Receivables				
<b>Securities transactions</b>				
Bonds and other fixed-income securities	6,317,599	8,014,927	5,831,170	6,374,871
• Mortgage notes	6,249,500	7,932,500	5,749,962	6,374,871
• at Crédit Foncier	6,249,500	2,339,167	5,749,962	6,374,871
• Other fixed income securities	63,863	75,018	72,457	
• Related receivables	4,236	7,409	8,750	
<b>Other assets <sup>(2)</sup></b>				
Other debtors		65,024	55,131	
<b>TOTAL ASSETS</b>	<b>25,819,713</b>	<b>27,093,275</b>	<b>25,792,112</b>	<b>25,782,661</b>
<b>Liabilities items</b>				
<b>Due to credit institutions</b>				
Sight deposit		2,387		59
Term		5,005,348	3,002,930	6,521,208
Securities sold under repurchase agreements		3,234,737	1,991,282	3,318,110
<b>Customer transactions</b>				
Sight deposit				
<b>Securities transactions</b>				
Debt securities				
Subordinated debts			3,466,492	
<b>Other liabilities</b>				
Other creditors		14,936	16,044	16,615
<b>TOTAL LIABILITIES</b>		<b>8,257,408</b>	<b>8,476,748</b>	<b>9,855,992</b>

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

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

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

## NOTE 26. STATEMENT OF FOREIGN EXCHANGE POSITIONS

### ■ At 30 june 2016

Heading (in thousands of euros)	Australian \$	Canadian \$	US \$	£ Sterling	Swiss Franc	Yen	Hungarian Forint	New Zealand \$	Norwegian Krone	Danish Krone	Total
<b>BALANCE SHEET</b>											
Financial assets	4,526	2,877	2,430,251	123,303	1,402,905	2,147,827	11	38	10,017	7	6,121,762
Financial liabilities	171,913	349,639	1,037,461	683,170	3,663,456	291,471			455,870		6,652,980
<b>Balance sheet differential (I)</b>	<b>-167,387</b>	<b>-346,762</b>	<b>1,392,790</b>	<b>-559,867</b>	<b>-2,260,551</b>	<b>1,856,356</b>	<b>11</b>	<b>38</b>	<b>-445,853</b>	<b>7</b>	<b>-531,218</b>
<b>OFF-BALANCE SHEET</b>											
<i>Commitments received</i>	167,425	346,772	1,247,808	663,970	3,577,957	271,335			445,853		6,721,120
<i>Commitments given</i>			2,640,567	104,062	1,315,671	2,127,652					6,187,952
<b>Off-balance sheet differential (II)</b>	<b>167,425</b>	<b>346,772</b>	<b>-1,392,759</b>	<b>559,908</b>	<b>2,262,286</b>	<b>-1,856,317</b>			<b>445,853</b>		<b>533,168</b>
<b>TOTAL DIFFERENTIAL (I) + (II)</b>											
	<b>38</b>	<b>10</b>	<b>31</b>	<b>41</b>	<b>1,735</b>	<b>39</b>	<b>11</b>	<b>38</b>	<b>0</b>	<b>7</b>	<b>1,950</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 30 June 2016

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>7,500,413</b>	<b>1,205,915</b>	<b>1,867,401</b>	<b>18,693,915</b>	<b>48,751,299</b>	<b>78,018,943</b>
Receivables from credit institutions	6,721,000	180,400	319,519	6,122,116	7,078,565	20,421,600
Receivables from customers	640,894	722,618	1,240,822	9,563,638	30,181,677	42,349,649
Bonds and other fixed-income securities	138,519	302,897	307,060	3,008,161	11,491,057	15,247,694
Subordinated term loans						
<b>Financial liabilities</b>	<b>4,845,911</b>	<b>2,022,012</b>	<b>5,669,533</b>	<b>27,697,564</b>	<b>34,262,865</b>	<b>74,497,885</b>
Due to credit institutions	4,324,110	1,366,109	1,211,993	246,478	1,060,336	8,209,026
Due to customers						
Debt securities:	521,801	655,903	4,457,540	27,451,086	33,202,529	66,288,859
• <i>Retails certificates of deposit</i>						
• <i>Interbank market securities</i>						
• <i>Negotiable debt securities</i>				150,000		150,000
• <i>Bonds</i>	521,801	655,903	4,457,540	27,301,086	33,202,529	66,138,859
• <i>Other debt securities</i>						
Subordinated term debt						
<b>Balance sheet differential (I)</b>	<b>2,654,502</b>	<b>-816,097</b>	<b>-3,802,132</b>	<b>-9,003,649</b>	<b>14,488,434</b>	<b>3,521,058</b>
<b>OFF-BALANCE SHEET</b>						
Commitments given			760,657			760,657
Commitments received	50,226		3,000,000			3,050,226
<b>Off-balance sheet differential (II)</b>	<b>50,226</b>		<b>2,239,343</b>			<b>2,289,569</b>
<b>TOTAL DIFFERENTIAL (I) + (II)</b>	<b>2,704,728</b>	<b>-816,097</b>	<b>-1,562,789</b>	<b>-9,003,649</b>	<b>14,488,434</b>	<b>5,810,627</b>
Conditional positions	1,524		3,024	27,196	2,050,574	2,082,318

(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 €30.4bn 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 €13.1bn after haircut and overcollateralization 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. CASH FLOW STATEMENT

### 1. Principles

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

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

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

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

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

Operating activities include:

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

Financing activities include:

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

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

## 2. Cash flow statement

<i>(in thousands of euros)</i>	06/30/2016	06/30/2015	12/31/2015
<b>OPERATING ACTIVITIES</b>			
Net income for the year	78,914	74,650	132,486
Restatement of earnings related to operating activities			
Tangible and intangible fixed assets, excluding goodwill			
Net provisions/customers and credit institutions	8,624	7,081	29,211
Net provisions/available-for-sale securities	-	-	-
Net provisions/held-to-maturity securities	-	-115,108	-115,108
Net provisions for risks/loans	2,224	-564	455
Net gain on sale of fixed assets			
Other transactions without cash payments	505,149	-548,762	-606,237
Cash flows on loans to credit institutions and customers	-631,329	1,316,216	1,439,818
Cash flows on short-term investment securities	-499,538	-614,955	1,567,579
Cash flows on long-term investment securities	-401,532	1,303,683	628,600
Cash flows on other assets	167,994	35,340	544,053
Cash flows on debts/credit institutions and customers	-1,627,912	-56,986	4,798,405
Net borrowing	-1,721,544	-218,453	-1,567,500
Cash flows on other liabilities	-81,271	-532,733	-651,939
<b>Net cash flows used for operating activities</b>	<b>-4,200,221</b>	<b>649,409</b>	<b>6,199,823</b>
<b>INVESTING ACTIVITIES</b>			
Cash flows related to the sale of:			
Financial assets			
Property, plant and equipment and intangible assets			
Disbursements for the acquisition of:			
Financial assets			
Property, plant and equipment and intangible assets			
Net cash flows from other investment activities			
<b>Net cash flows used for investment activities</b>			
<b>FINANCING ACTIVITIES</b>			
Cash flows from share issuances			
Dividends paid	-126,873	-74,216	-74,216
Net issuances of subordinated debt			
Other			
<b>Net cash flows from financing activities</b>	<b>-126,873</b>	<b>-74,216</b>	<b>-74,216</b>
<b>NET CHANGE IN CASH POSITION</b>	<b>-4,327,094</b>	<b>575,193</b>	<b>6,125,607</b>
Opening cash and cash equivalents	5,466,367	1,440,760	1,440,760
Closing cash position	1,139,273	2,015,953	5,466,367
<b>Net</b>	<b>-4,327,094</b>	<b>575,193</b>	<b>4,025,607</b>
Cash: deposits at Banque de France	1,100,043	1,973,463	5,360,083
Due to credit institutions on demand *	39,230	42,490	106,284
<b>TOTAL</b>	<b>1,139,273</b>	<b>2,015,953</b>	<b>5,466,367</b>
* <i>Of which:</i>			
BPCE	35,549	37,826	90,442

# Statutory Auditors' Report on the interim financial statements

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

## **Compagnie de Financement Foncier – S.A.**

Registered office: 19, rue des Capucines – 75001 Paris

Share capital: €.2 537 459 936

For the six-month period ended 30 June 2016

To the Shareholders,

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

- the review of the accompanying condensed interim financial statements of Compagnie de Financement Foncier – S.A. for the six-months period ended 30 June 2016,
- the verification of the information contained in the interim management report.

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

## **I. CONCLUSION ON THE FINANCIAL STATEMENTS**

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

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

## **II. SPECIFIC VERIFICATION**

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

Paris La Défense, on 24 August 2016

**KPMG Audit**

*Département de KPMG S.A.*

Xavier de Coninck

*Partner*

Neuilly-sur-Seine, on 24 August 2016

**PricewaterhouseCoopers Audit**

Anik Chaumartin

*Partner*

# Statement from the person who assumes responsibility

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

I certify, to my knowledge, that the condensed financial statements for the previous half-year have been established in compliance with the applicable accounting standards and accurately represent the Company's assets, financial situation and its earnings and that the enclosed half-year activity management report is an accurate representation of the important events that occurred in the first six months of the financial year, of their impact on the financial

statements as well as a description of the primary risks and uncertainties in the remaining six months of the year.

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

Signed in Charenton-le-Pont, on August 24, 2016

Chief Executive Officer of Compagnie de Financement Foncier

Thierry DUFOUR





# Risk control and monitoring report

<b>FOREWORD</b>	<b>49</b>	<b>7. FINANCIAL RISK ANALYSIS</b>	<b>65</b>
<b>1. MAIN RISKS OF COMPAGNIE DE FINANCEMENT FONCIER</b>	<b>49</b>	7.1. Methodology used for assessing liquidity, interest rate and exchange rate risks	65
1.1. Main risks	49	7.2. Liquidity risk monitoring	65
1.2. Risk factors	49	7.3. Monitoring of overall interest rate risk	66
<b>2. GOVERNANCE AND RISK MANAGEMENT SYSTEM</b>	<b>50</b>	7.4. Monitoring foreign exchange risk	67
2.1. Organization of the risk, compliance and permanent control coordination divisions	50	7.5. Monitoring settlement risk	67
2.2. Assets selection process	50	<b>8. OPERATING RISKS</b>	<b>68</b>
<b>3. CHANGES IN ASSETS</b>	<b>53</b>	8.1. General management	68
<b>4. CHANGES IN LIABILITIES</b>	<b>54</b>	8.2. Governance	68
<b>5. PRUDENTIAL RATIOS</b>	<b>56</b>	8.3. Management environment	68
5.1. Management of specific ratios	56	8.4. Organization of the Contingency and Business Continuity Plan	68
5.2. Management of capital	57	8.5. Information technology risk	68
<b>6. ANALYSIS OF CREDIT AND COUNTERPARTY RISK</b>	<b>58</b>	8.6. Insurance	68
6.1. Breakdown of Compagnie de Financement Foncier's commitments	58	8.7. Legal risks	68
6.2. Delinquencies	63	<b>9. NON-COMPLIANCE RISK</b>	<b>69</b>
6.3. Risk mitigation techniques	64	9.1. Risk monitoring and measurement systems	69
		9.2. Risk identification and monitoring	69
		9.3. Risk management	69
		9.4. Monitoring of dysfunctions	70
		9.5. Approval of new products or services	70
		9.6. Ethics – Market abuse – Conflicts of interest	70
		9.7. Combating money laundering and financing of terrorism	70
		9.8. Outsourced services	71

# Foreword

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

## 1. Main risks of Compagnie de Financement Foncier

Compagnie de Financement Foncier's business model is, by its very nature, highly 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.

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### 1.1. Main risks

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The main risks remained unchanged with respect to the situation described in Compagnie de Financement Foncier's 2015 Registration document (p. 125).

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### 1.2. Risk factors

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The risk factors did not undergo a significant change with respect to the situation described in Compagnie de Financement Foncier's 2015 Registration document (p. 126-127).

## 2. Governance and risk management system

### 2.1. Organization of the risk, compliance and permanent control coordination divisions

The organization of Compagnie de Financement Foncier's Risk department did not undergo a significant change with respect to the situation described in Compagnie de Financement Foncier's 2015 Registration document (p. 128-130).

### 2.2. Assets 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 individuals;
- a system of fixed limits governing main corporate exposures, in order to manage concentration risks;
- a 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 organized 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 involving it in:

- the level of the business line committees in the retail sector with a presence in the committees of the Risk department, as a full member with an advisory vote and a right of appeal;
- the level of the National Committee on Commitments where a representative of the Risk department expresses an opinion supported by his counteranalysis. He has no say in the decision;
- for amounts above a specified limit, the Group Risk department is asked to give its opinion on the execution of the transaction in the context of a subsidiary committee.

In all three cases, loans are subject to a first analysis by the business lines (commercial team and commitments department), followed by a counteranalysis performed by a special independent unit and within the competence of the Risk department.

## 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 International Public Sector Portfolio (IPS) is rated internally. These outstandings are annually re-rated in the fourth quarter.

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

### 2.2.3. ELIGIBILITY CRITERIA FOR SOCIÉTÉ DE CRÉDIT FONCIER AND PURCHASING OR MOBILIZATION FILTER

The asset acquisition process applied 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 operating method 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 June 30, 2016.

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 2016 Compagnie de Financement Foncier re-examined the criteria of the purchases filter that it applies for all retail home loan purchases from Crédit Foncier: these eligibility criteria were widened without taking any additional risks thanks to the implementation of an automatic termination clause. If a loan benefitting from this criteria widening becomes doubtful in the first four years following an acquisition, the disposal of this loan will be cancelled and it will

be then transferred back to Crédit Foncier at par. After the loan becomes performing again, it won't be possible for Compagnie de Financement Foncier to re-purchase it within two years. It should be noted that the disposal of loans, that could have been disposed of before 2016 in accordance with the purchases filter, does not benefit from the termination clause.

■ For all Crédit Foncier (excluding the Belgian branch)

Filter conditions								Disposal before 2016	Disposal since 2016	Existence of a resolution clause
Doubtful (CX, DX, RX) or performing having been doubtful during the last 2 years								x	x	
Performing and not doubtful during the last 2 years	Segment or sub-segment identified	Segment or sub-segment not eligible						x	x	
		Age of the loan ≤ 4 years	Outstanding rating	1 to 7	Rating at origination	0 to 5	✓	✓		
				8,9,10, Not rated		6 to 9, not rated	x	✓	✓	
		Age of the loan > 4 years	Outstanding rating	1 to 7	Rating at origination	0 to 5	✓	✓		
				8,9,10, Not rated		6 to 9, not rated	x	✓	✓	
		Segment or sub-segment unidentified	Reconstituted* segment and sub-segment eligible	Age of the loan ≤ 4 years	Outstanding rating	1 to 7	Rating at origination	0 to 5	✓	✓
	8,9,10, Not rated					6 to 9, not rated		x	✓	✓
	Age of the loan > 4 years			Outstanding rating	1 to 7	Rating at origination	0 to 5	✓	✓	
					8,9,10, Not rated		6 to 9, not rated	x	✓	✓

\* Through the standard rule based on the product type, the ZIP code, etc.

This purchasing filter does not concern loans from the Belgian branch, whose purchases are only carried out through assignment.

#### 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.

#### International public sector

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

Credit limits did not change during the 1<sup>st</sup> half of 2016 with respect to the situation described in Compagnie de Financement Foncier's 2015 Registration document (p. 133).

#### 2.2.5. RISK MONITORING

Risk monitoring did not change during the 1<sup>st</sup> half of 2016 with respect to the situation described in Compagnie de Financement Foncier's 2015 Registration document (p. 133-134).

## 3. Changes in assets

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

- secured loans, as defined under Articles L. 513-3 and L. 513-6 of the French Monetary and Financial Code, backed by a first-rank mortgage (or equivalent real estate security or, to a lesser extent, a surety);

- exposures to public entities, as defined under Article L. 513-4;
- 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

	06/30/2016		12/31/2015	
	€m	% balance sheet	€m	% balance sheet
<b>Secured loans</b>	<b>40,228</b>	<b>47.9%</b>	<b>37,953</b>	<b>43.3%</b>
mortgage loans secured by the FGAS	17,131	20.4%	16,594	18.9%
other mortgage loans	14,214	16.9%	13,754	15.7%
mortgage notes	6,252	7.4%	5,755	6.6%
guaranteed loans	2,630	3.1%	1,850	2.1%
<b>Exposures on public entities</b>	<b>34,120</b>	<b>40.6%</b>	<b>39,304</b>	<b>44.9%</b>
public sector loans	11,176	13.3%	12,000	13.7%
public loans mobilized under L. 211-38	12,716	15.1%	12,846	14.7%
public entity securities	9,127	10.9%	9,098	10.4%
deposits at Banque de France	1,100	1.3%	5,360	6.1%
<b>Other assets (interests on IFAT, adjustment accounts, etc.)</b>	<b>2,850</b>	<b>3.4%</b>	<b>3,246</b>	<b>3.7%</b>
<b>Replacement values</b>	<b>6,789</b>	<b>8.1%</b>	<b>7,075</b>	<b>8.1%</b>
<b>TOTAL ASSETS</b>	<b>83,986</b>	<b>100.0%</b>	<b>87,578</b>	<b>100.0%</b>

During the 1<sup>st</sup> half of the year, Compagnie de Financement Foncier's balance sheet was down €3.6bn, which was reflected at the asset level primarily by a drop in cash deposits to Banque de France, cash that helped ensure the repayment of privileged and unsecured liabilities maturing during the period.

Moreover, the cash flows generated by contractual or early repayments recorded on assets were used to refinance loans originated by Crédit Foncier, mainly mortgages and to a lesser extent guaranteed.

Thus the portfolio of loans secured as defined by regulations increased by €2.3bn and its share in total assets by almost five percentage points.

Direct purchases of real estate loans represented a volume of €4.1bn during the period, whereas outstandings were down due to the effect of amortization, in particular because of the still high levels of early repayments of loans to private individuals, amounting to €1.6bn and representing an average rate of more than 10%.

At the same time, outstanding mortgage notes guaranteed by assets of the same nature as those held directly increased by €0.5bn.

The long-term public exposures portfolio, excluding deposits at Banque de France, remained relatively stable during the half year, and international sales were limited to €0.1bn.

Moreover, the breakdown by region remained almost unchanged during the half year: 87% of the assets on the balance sheet still had an underlying located in France.

At June 30, 2016, international assets, mainly from the public sector, amounted to €10.7bn, broken down in three categories:

- four countries with the highest exposures, namely Italy (€3.6bn), the United States (€1.8bn), Japan (€1.8bn) and Switzerland (€1.2bn);
- four countries with moderate exposure, namely Belgium (€0.7bn), Spain (€0.6bn), Canada (€0.5bn) and Poland (€0.4bn);
- and three other countries with outstanding amounts under €0.1bn: Portugal, the 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

	06/30/2016		12/31/2015	
	€m	% balance sheet	€m	% balance sheet
<b>Privileged liabilities</b>	<b>66,151</b>	<b>78.8%</b>	<b>68,034</b>	<b>77.7%</b>
Obligations foncières at the reporting date	66,969	79.7%	68,972	78.8%
Foreign exchange difference on <i>obligations foncières</i>	-1,048	-1.2%	-1,173	-1.3%
Other privileged resources	229	0.3%	235	0.3%
<b>Translation difference associated with hedging balance sheet items *</b>	<b>1,634</b>	<b>1.9%</b>	<b>1,459</b>	<b>1.7%</b>
<b>Non-privileged resources</b>	<b>16,201</b>	<b>19.3%</b>	<b>18,085</b>	<b>20.7%</b>
Unsecured debt	10,769	12.8%	12,589	14.4%
Subordinated debt and similar debt	2,228	2.7%	2,246	2.6%
• of which subordinated notes		0%		0%
• of which associate current account	2,100	2.5%	2,100	2.4%
Shareholders' equity, provisions and FRBG	3,204	3.8%	3,250	3.7%
<b>TOTAL LIABILITIES</b>	<b>83,986</b>	<b>100.0%</b>	<b>87,578</b>	<b>100.0%</b>
Regulatory capital according to CRR/CRD IV:	3,051	3.6%	3,068	3.5%
• of which Common Equity Tier-1 capital	3,051	3.6%	3,068	3.5%
• of which Additional Tier-1 capital		0%		0%
• of which Tier-2 capital		0%		0%

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

During the half year, privileged resources went from €68.0bn to €66.2bn, new issuances of *obligations foncières* for €3.7bn remaining below contractual debt repayments.

Unsecured liabilities were also down by almost €2bn, primarily as a result of repayments of short-term loans granted by Crédit Foncier.

The sum total of subordinated debt and equity remained unchanged at more than €5.4bn; at June 30, 2016, it represented 6.5% of Compagnie de Financement Foncier's total balance sheet.

## 5. Prudential ratios

### 5.1. Management of specific ratios

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, the restatements concerned a) the mortgage loans held directly or through mobilization 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 the end of June 2016, overruns of the LTV threshold (among the loans purchased by Compagnie de Financement Foncier or used to guarantee mortgage notes) were estimated at €0.6bn, at the same level as what was observed at the start of the year and still significantly lower than non-privileged liabilities, standing at €16.2bn at that date.

In addition, assets used to secure other transactions are deducted from the assets recognized on the balance sheet. Thus the outstanding amount of securities sold to Crédit Foncier under repurchase agreements, representing €2.7bn at June 30, 2016 (€2.9bn at December 31, 2015), was not included for the purposes of calculating the ratio.

In 2016 as in 2015, the implementation of the new intragroup exposure threshold established by the Order of May 26, 2014 did not entail any restatements, as Compagnie de Financement Foncier's exposure to Groupe BPCE is mostly collateralized.

As a result, the overcollateralization ratio was estimated at nearly 120% at the end of June 2016; the final result, still being finalized at the publication date of the report, will be certified by the Specific Controller no later than September.

At December 31, 2015, this ratio was slightly higher, equal to 122.1%, due to a slightly lower relative weight of privileged debt.

Regardless of the minimum ratio required by law, Compagnie de Financement Foncier already committed to maintain at any time a level of non-privileged liabilities in excess of 5% of privileged liabilities (both considered after currency swaps). At June 30, 2016, this ratio was 19.7%, close to the 21.7% level reached six months earlier.

#### 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 mobilization 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 the Risk control and monitoring report in section 6.3.2 of Compagnie de Financement Foncier's 2015 Registration document.

Taking into account all outstanding mortgage loans, both directly-held and used to guarantee mortgage notes, the average LTV at the end of June 2016 came to 74.5% for a total outstanding amount of €39.8bn, breaking down as follows:

- 82.5% on loans guaranteed by FGAS amounting to €19.4bn;
- 67.8% on other mortgage loans to individuals, with €19.9bn outstanding;
- 34.1% on mortgage loans to corporates amounting to €0.6bn.

For only loans to private individuals, which make up the heart of Compagnie de Financement Foncier's activity, the average LTV remained stable over the half year, dropping from 75.5% to 75.0%.

#### OTHER LIMITS

Compliance with the various holding limits applicable to certain assets is also verified. Notably, at June 30, 2016:

- guaranteed loans amounted to 4.1% of total assets, still well below the legal limit of 35%; this calculation includes directly-held guaranteed loans (3.1%) as well as loans used to guarantee mortgage notes (0.9%);
- mortgage notes, which may not exceed more than 10% of the balance sheet, represent 7.4% of the latter;
- replacement values have an outstanding amount equal to 6.3% of the nominal amount of privileged resources, below the mandatory limit of 15%;
- the hedging of cash requirements, taking into account cash flow forecasts, is secured over a period of 180 days.

#### SOLVENCY AND LIQUIDITY RATIOS

As a credit institution, Compagnie de Financement Foncier monitors its liquidity ratios, which remain well above the minimum requirements set by banking regulations. In addition, Compagnie de Financement Foncier has in excess of €37bn of eligible assets

in the Eurosystem (excluding securities sold under repurchase agreements) that would provide it with an estimated additional €13bn in cash resources on the basis of the ECB's current rules, while keeping its coverage ratio above the legal minimum of 105%.

The other prudential ratios applicable to credit institutions are monitored by Crédit Foncier at the consolidated level. However, Compagnie de Financement Foncier determines solvency ratios within its own scope only. Since January 1, 2014, it has been doing so in accordance with the CRD IV directive and the CRR

Regulation and reports them to the French Prudential Supervision and Resolution Authority (ACPR).

Consequently, at the end of June 2016, according to the standard Basel III method, its Common Equity Tier One (CET1) ratio was 18.6%, equal to its Tier-1 ratio and its solvency ratio (versus 18.7% at December 31, 2015). Total risk exposures (RWA) amounted to €16.4bn, corresponding to an average risk weighting of 18% of outstanding assets subject to credit risk.

## 5.2. Management of capital

The management of Compagnie de Financement Foncier's capital is supervised directly by its Executive Management. Its oversight ensures constant compliance with regulatory ratios and is aimed at optimizing the allocation of capital and safeguarding the overcollateralization ratio. It therefore contributes directly to its AAA/Aaa ratings at June 30, 2016.

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

### COMPOSITION OF CAPITAL

Capital is determined in accordance with the CRD IV directive and the 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 June 30, 2016. 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.

<i>(in millions of euros)</i> Exposure categories	06/30/2016		12/31/2015	
	Capital requirements	RWA	Capital requirements	RWA
Central governments	75	939	74	930
Institutions	16	206	30	380
Regional governments	413	5,167	461	5,759
Corporations	14	173	26	329
Retail customers	133	1,663	89	1,113
Mortgage-backed exposure	531	6,634	503	6,284
Exposure at default	39	485	39	482
Other assets	4	44	3	41
<b>Requirements for credit risk (A)</b>	<b>1,225</b>	<b>15,312</b>	<b>1,225</b>	<b>15,317</b>
<b>Requirements for market risk (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Requirements for operational risk (C)</b>	<b>46</b>	<b>576</b>	<b>46</b>	<b>576</b>
<b>Credit value adjustment (D)</b>	<b>38</b>	<b>476</b>	<b>41</b>	<b>507</b>
<b>CAPITAL REQUIREMENTS (A) + (B) + (C) + (D)</b>	<b>1,309</b>	<b>16,364</b>	<b>1,312</b>	<b>16,400</b>

## SOLVENCY RATIOS

Compagnie de Financement Foncier's solvency ratio at June 30, 2016 is determined using the standard approach.

	06/30/2016	12/31/2015
Global solvency ratio	18.6%	18.7%
CET1 Ratio	18.6%	18.7%
Tier One Ratio	18.6%	18.7%

Source: COREP (Common solvency ratio Reporting) at June 30, 2016

# 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 mobilized 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.

Subsidized loans benefiting 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 June 30, 2016 was very low, at €0.21bn;

- 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 analyzed by transparency: the analysis covers the underlyings guaranteeing, on the one hand, mortgage notes and, on the other hand, public sector exposures in application of Article L. 211-38.

Replacement values, on the other hand, are analyzed by counterparty: loans granted to BPCE, essentially in the form of

loans under L.211-38-RV, collateralized, are considered as an exposure to BPCE.

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

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

<i>(in millions of euros)</i>	06/30/2016	12/31/2015
<b>Risk exposures</b>	<b>Balance sheet</b>	<b>Balance sheet</b>
<b>A – Individuals Mortgage Loans</b>	<b>39,708</b>	<b>37,479</b>
French mortgage loans <sup>(1)</sup>	33,456	31,724
French and Belgian mortgage notes <sup>(2)</sup>	6,252	5,755
<b>B – Public sector</b>	<b>33,806</b>	<b>38,935</b>
French public sector	23,893	29,033
<i>Social housing</i>	1,662	1,860
<i>French Local Authorities (FLA)</i>	7,368	7,872
<i>FLA L. 211-38 <sup>(3)</sup></i>	12,020	11,825
<i>Sovereign France</i>	2,843	7,477
Public Private Partnership (PPP)	644	648
International public sector	9,269	9,254
<i>International Public Financing</i>	6,076	6,056
<i>International Sovereign</i>	2,760	2,712
<i>Public sector large corporations</i>	433	487
<b>C – Commercial mortgages exposures <sup>(6)</sup></b>	<b>169</b>	<b>116</b>
<b>D – Banking sector exposures</b>	<b>7,584</b>	<b>7,854</b>
Banks with sovereign guarantees or similar	695	700
Other banks	289	554
L.211-38-RV <sup>(4)</sup>	6,600	6,600
<b>Total risk exposure (A + B + C + D)</b>	<b>81,267</b>	<b>84,384</b>
Miscellaneous adjustments and other assets <sup>(5)</sup>	2,719	3,194
<b>TOTAL</b>	<b>83,986</b>	<b>87,578</b>

(1) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€60m at June 30, 2016 and €63m at December 31, 2015).

(2) Of which BH Belgium for €705m as of June 30, 2016 (nominal accounting).

(3) Of which €87m L. 211-38 with Caisses d'Epargne and €125m with Banques Populaires as of June 30, 2016.

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

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

(6) Of which €70m benefit from the State guarantee as of June 30, 2016.

At June 30, 2016, the total risk exposure was down €3.6bn to €84bn. This decrease was mainly due to the Sovereign France outstandings, which corresponded to the decrease in available cash at Banque de France (-€4.3bn).

This decrease was offset in particular by the €2.2bn increase in individuals mortgage loans, up due to the purchases of the the first half of the year (€3.8bn of outstanding capital), related to a €0.5bn increase in mortgage notes.

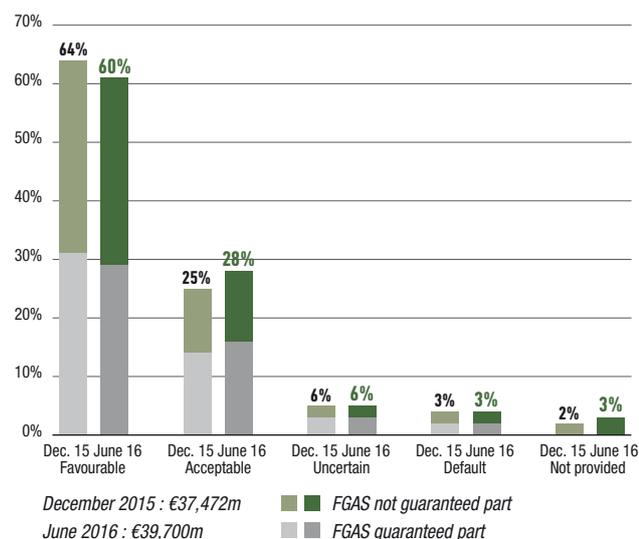
## Geographical breakdown of exposures

	06/30/2016		12/31/2015
	Balance sheet (in €m)		%
		%	%
France	73,219	87	88
Other countries in the European Economic Area	5,429	6	6
• of which Italy	3,561	4	4
• of which Belgium	742	n.s	n.s
• of which Spain	559	n.s	n.s
• of which Poland	404	n.s	n.s
• of which Portugal	88	n.s	n.s
• of which Netherlands	60	n.s	n.s
• of which Iceland	15	n.s	n.s
Switzerland	1,246	2	1
North America (USA & Canada)	2,312	3	3
Japan	1,780	2	2
<b>TOTAL</b>	<b>83,986</b>	<b>100</b>	<b>100</b>
<b>REMINDER OF TOTAL EXPOSURE AT DECEMBER 31, 2015 (IN €M)</b>			<b>87,578</b>

## 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.

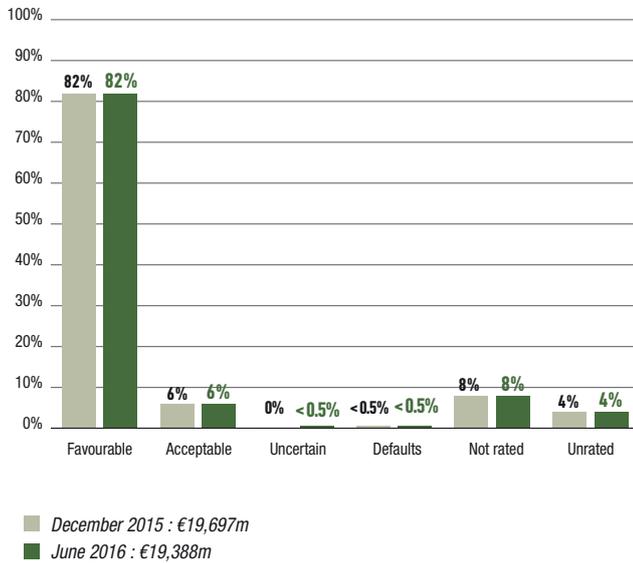
### FRENCH PUBLIC SECTOR PORTFOLIO

Crédit Foncier's exposure to the French public sector amounted to €24.5bn (€29.7bn at the end of 2015, a decrease of more than 17%). These included:

- exposures to the French local authorities and social housing: €21.1bn, remaining stable;
- French sovereign exposures (category which includes deposits held at Banque de France): €2.8bn (-62%). The significant change from one reporting date to another is explained by the fact that, at the end of 2015, significant cash resources had been deposited at Banque de France in anticipation of the repayments of *obligations foncières* in the 1<sup>st</sup> half of 2016;
- outstandings from Public Private Partnerships (PPP): €0.6bn.

**French local authorities**

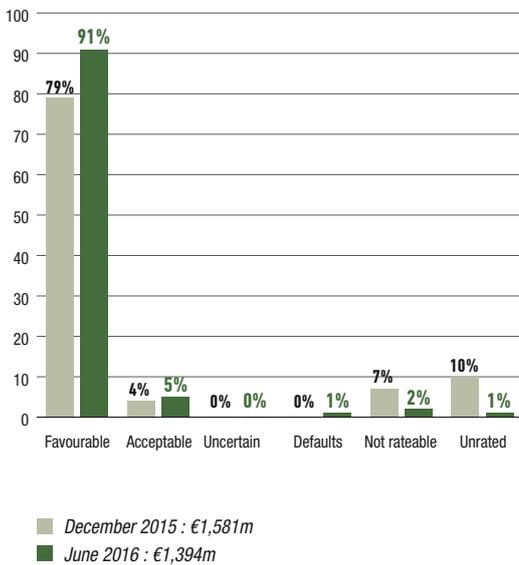
**Portfolio of French local authorities – Breakdown by Basel II rating**



The quality of French local authorities outstandings held by Compagnie de Financement Foncier continues to be very high.

**Social housing**

**Social housing - Breakdown by Basel II rating**



*NB: excluding associations.*

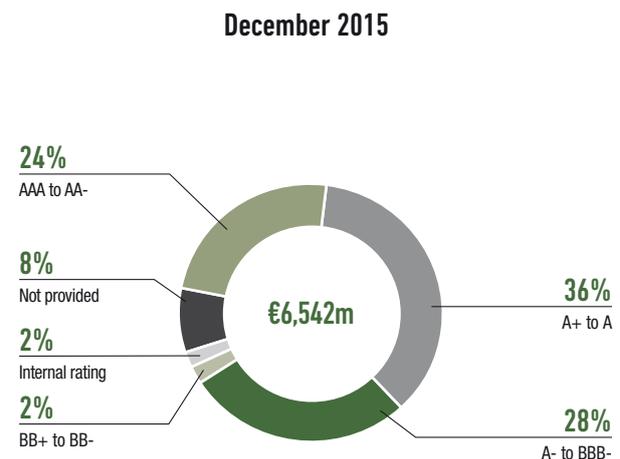
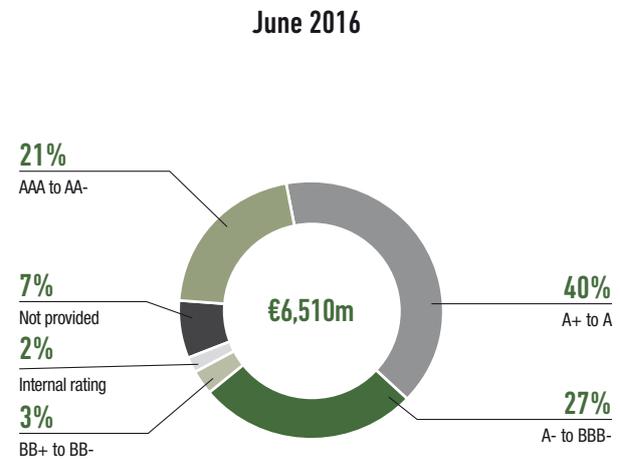
The quality of social housing outstandings held by Compagnie de Financement Foncier continues to be very high.

**INTERNATIONAL PUBLIC SECTOR PORTFOLIO**

**International Public Sector (excluding Sovereigns) and Large Corporates of the public sector**

International Public Financing portfolio outstandings remained stable at €6.5bn: the increased weight of Japanese outstandings (carrying amount before swaps) due to the appreciation of the yen against the euro was roughly offset by the reduction in exposure to North American counterparties (in the context of the run-off of these outstandings, securities disposals were made during the half year).

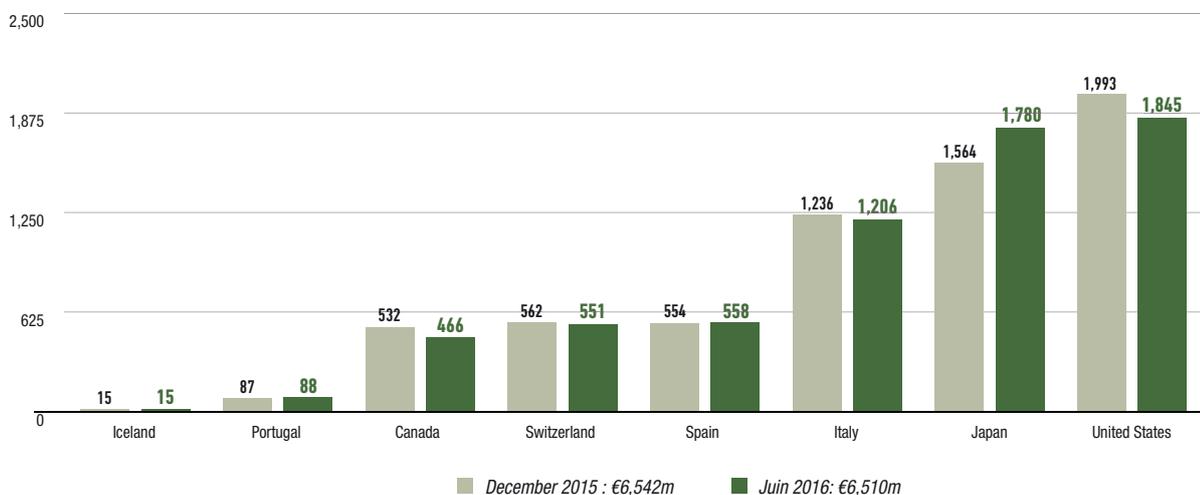
**Breakdown of exposures by internal rating on International Public Financing and Large corporations**



The share of outstandings in the “Investments” category remained high and stable, at 88%. The shift of the outstandings from category [AAA; AA-] to category [A+; A] is attributable to both asset disposals made during the period and the effects of the annual campaign to re-rate outstandings.

### Breakdown of direct exposures to International Public Sector and Large Corporates of the Public Sector

(net carrying amount before swaps)



Compagnie de Financement Foncier is not directly exposed to monoline insurers but does have credit enhancements acquired from them for certain assets in the portfolio (€1.7bn). In particular, it has dealings with Assured Guaranty Municipal Corp. (formerly FSA), rated AA by S&P and A2 by Moody's, and with National Public Finance Guarantee Corp. (formerly MBIA), rated AA- by S&P and A3 by Moody's.

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).

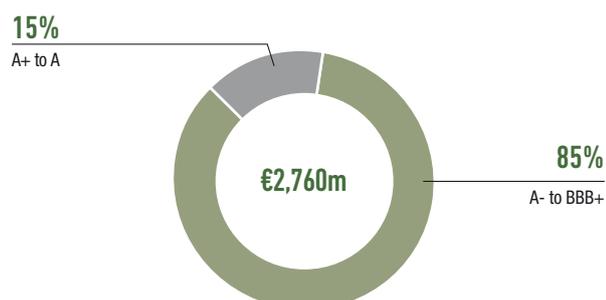
#### International Sovereign

Exposures to foreign sovereigns have been in run-off management since late 2011: no more purchases were made. Following the disposals carried out and the natural amortization of outstandings, Compagnie de Financement Foncier is now only exposed to Italian and Polish sovereigns.

Some of these exposures are denominated in foreign currencies, which explains the fluctuations during this half year.

### Breakdown of exposures by internal rating of Sovereigns excluding France

June 2016

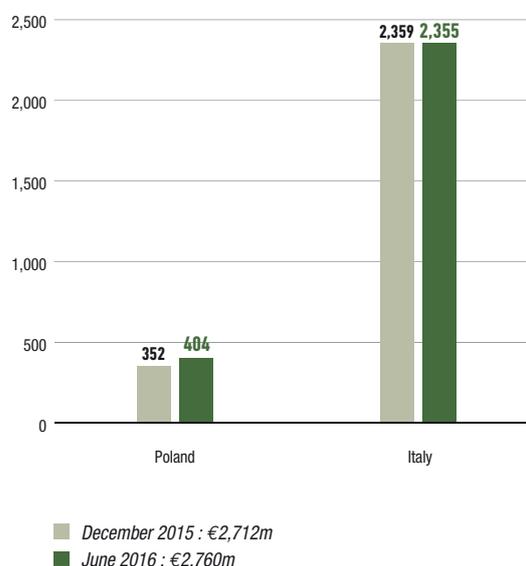


December 2015



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



The increase in exposures in Poland is due to currency fluctuations; part of the Polish securities are denominated in yen and converted to their currency exchange value in euro before swaps.

### BANKING SECTOR PORTFOLIO

Banking sector exposures were down slightly this half year, to €7.6bn.

In addition to short-term transactions with BPCE (€6.6bn) and hedging transactions, Compagnie de Financement Foncier was exposed to Swiss cantonal banks and financial institutions benefiting from public authority guarantees.

## 6.2. Delinquencies

### 6.2.1. COMPAGNIE DE FINANCEMENT FONCIER'S RISK HEDGING

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

(in millions of euros) Risk exposures	Exposures at 06/30/2016			Exposures at 12/31/2015		
	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidized sector)	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidized sector)
<b>A – Individuals Mortgage Loans</b>	<b>39,708</b>	<b>3.3%</b>	<b>3.3%</b>	<b>37,479</b>	<b>3.3%</b>	<b>3.2%</b>
French mortgage loans <sup>(1)</sup>	33,456	3.9%	3.9%	31,724	3.9%	3.8%
French and Belgian mortgage notes <sup>(2)</sup>	6,252	-	-	5,755	-	-
<b>B – Public sector</b>	<b>33,806</b>	<b>&lt; 0.5%</b>	<b>&lt; 0.5%</b>	<b>38,935</b>	<b>&lt; 0.5%</b>	<b>&lt; 0.5%</b>
French public sector	23,893	< 0.5%	< 0.5%	29,033	< 0.5%	< 0.5%
Social housing	1,662	0.8%	< 0.5%	1,860	0.8%	< 0.5%
French Local Authorities (FLA)	7,368	< 0.5%	< 0.5%	7,872	< 0.5%	< 0.5%
FLA L. 211-38 <sup>(3)</sup>	12,020	-	-	11,825	-	-
Sovereign France	2,843	-	-	7,477	-	-
Public Private Partnership (PPP)	644	-	-	648	-	-
International public sector	9,269	-	-	9,254	-	-
International Public Financing	6,076	-	-	6,056	-	-
International Sovereign	2,760	-	-	2,712	-	-
Public sector large corporations	433	-	-	487	-	-
<b>C – Commercial mortgages exposures <sup>(6)</sup></b>	<b>169</b>	<b>40.6%</b>	<b>3.5%</b>	<b>116</b>	<b>63.0%</b>	<b>8.3%</b>
<b>D – Banking sector exposures</b>	<b>7,584</b>	<b>-</b>	<b>-</b>	<b>7,854</b>	<b>-</b>	<b>-</b>
Banks with sovereign guarantees or similar	695	-	-	700	-	-
Other banks	289	-	-	554	-	-
L.211-38-RV <sup>(4)</sup>	6,600	-	-	6,600	-	-
<b>Total risk exposure (A + B + C + D)</b>	<b>81,267</b>	<b>1.7%</b>	<b>1.6%</b>	<b>84,384</b>	<b>1.6%</b>	<b>1.4%</b>
Miscellaneous adjustments and other assets <sup>(5)</sup>	2,719	-	-	3,194	-	-
<b>TOTAL</b>	<b>83,986</b>	<b>1.7%</b>	<b>1.6%</b>	<b>87,578</b>	<b>1.5%</b>	<b>1.4%</b>

(1) The "French mortgage loans" line item includes a limited amount of outstanding Dutch loans (€60m at June 30, 2016 and €63m at December 31, 2015).

(2) Of which BH Belgium for €705m as of June 30, 2016 (nominal accounting).

(3) Of which €87m L. 211.38 with Caisses d'Epargne and €125m with Banques Populaires as of June 30, 2016.

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

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

(6) Of which €70m benefit from the State guarantee and represent a rate of doubtful loans of 92% as of June 30, 2016.

The global doubtful loan rate is low at 1.6% (excluding subsidized loans).

With regards to direct mortgage loans and underlyings of mortgage notes, the doubtful rate (excluding subsidized loans) was 3.3%, versus 3.2% at the end of December 2015.

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	06/30/2016
Individual cost of risk (A)	-14.3	-4.4
Collective provisions (B)	-0.5	
<b>Cost of risk (A + B)</b>	<b>-14.8</b>	<b>-4.4</b>
Risk charge, net banking income (C)	-5.3	-1.5
<b>Net (A + B + C)</b>	<b>-20.1</b>	<b>-5.9</b>
<b>Net as % of the balance sheet total</b>	<b>-0.02%</b>	<b>-0.01%</b>

At June 30, 2016, the cost of risk of Compagnie de Financement Foncier was -€4.4m. On an individual basis, the cost of risk was -€4.4m and on a collective basis, nil.

The risk charge recorded in net banking income was -€1.5m.

## 6.3. Risk mitigation techniques

### 6.3.1. RISK MITIGATION FACTORS

Compagnie de Financement Foncier's portfolio is very secure as it consists mainly of either risks secured by mortgages or 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 the regulations of 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.

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.

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 other 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

The valuation methods and review procedures are detailed in the 2015 Registration document (p. 145 to 154).

## 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

The methodology remained unchanged in the 1<sup>st</sup> half of 2016.

For more information, see Compagnie de Financement Foncier's 2015 Registration document (p. 154).

### 7.2. Liquidity risk monitoring

#### 7.2.1. ORGANIZATION OF COMPAGNIE DE FINANCEMENT FONCIER'S FUNDING

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

In the 1<sup>st</sup> half of 2016, Compagnie de Financement Foncier issued €3.7bn of *obligations foncières*.

Furthermore, Compagnie de Financement Foncier has a very large volume of assets that are eligible for the ECB's refinancing operations. At June 30, 2016, outstandings amounted to €39.5bn in nominal value, divided into:

- €5.8bn in public sector loans;
- €3.5bn in securities;
- €30.4bn in mortgage loans to private 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 of refinancing operations by the Eurosystem.

€2.1bn (gross) of these securities have currently been sold under repurchase agreements. Taking into account the available eligible outstandings of €37.4bn, and after applying a cautious haircut calculation, the additional financing that could be provided by the ECB can be estimated at €13bn, while keeping the overcollateralization ratio above its regulatory limit of 105%.

In 2016 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 honor its short-term liquidity requirements.

As stated above, cash requirements are analyzed using a combination of static and dynamic approaches. With the static approach, liquidity monitoring ensures that medium-term liquidity management does not concentrate liquidity requirements excessively over certain periods. The main indicator used is the static liquidity gap, depending on whether or not account is taken of Compagnie de Financement Foncier's capacity to raise liquidity over the next 20 years.

The very prudent liquidity management policy was continued in 2016. 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 June 30, 2016, Compagnie de Financement Foncier had available cash of €1.1bn on current accounts with the Banque de France.

It also had €6.8bn 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 guaranteed by an asset portfolio.

### 7.2.3. COMPLIANCE WITH LIMITS

#### LCR (LIQUIDITY COVERAGE RATIO) RATIO

Applicable since January 1, 2016, Compagnie de Financement Foncier's LCR ratio was much higher than 110% at June 30, 2016, and consequently well above the regulatory minimum of 70%.

#### 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 the 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%.

During the 1<sup>st</sup> half of 2016, 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 overcollateralization ratio, may not exceed the average maturity of outstanding privileged liabilities by more than 18 months. The calculation is submitted quarterly for very close scrutiny to the Specific Controller and then to the ACPR.

At June 30, 2016, without restricting eligible assets within the requirements of the regulatory overcollateralization 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. At June 30, 2016, 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 that shall be applied in case it may no longer issue privileged liabilities. According to the order of May 26, 2014, the plan is submitted to the Specific Controller for certification, then to the ACPR every quarter.

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

- assets used to cover privileged 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

The management procedures remained unchanged in the 1<sup>st</sup> half of 2016.

For more information, see Compagnie de Financement Foncier's 2015 Registration document (p. 156).

### 7.3.2. INTEREST RATE RISK MONITORING

The interest rate risk monitoring remained unchanged in the 1<sup>st</sup> half of 2016.

For more information, see Compagnie de Financement Foncier's 2015 Registration document (p. 157).

### 7.3.3. COMPLIANCE WITH LIMITS

#### LIMIT RELATED TO THE STATIC RATE GAP

Compagnie de Financement Foncier is committed to maintaining the level of its interest rate mismatches or gaps within the very narrow range defined by periods of observation. According to the rules applicable to Compagnie de Financement Foncier, these gaps measure the difference between the utilizations and fixed rates sources over time assuming no new asset acquisitions or new issuances and excluding adjustable indices for which the periodicity of the reference rate is less than one year.

The current limits for interest rate gaps are:

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

During the 1<sup>st</sup> half of 2016 these limits were respected.

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

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

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

During the 1<sup>st</sup> half of 2016, 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 recognized on the balance sheet. This hedging can be achieved using exchange rate swaps, term loans or currency swaps. Residual differences arising from the adjustment of balance sheet positions, particularly those created by cashing in margins, are hedged monthly.

They are monitored by Crédit Foncier's Risk department, which centralizes month-end foreign exchange positions, by currency and by total amounts of foreign currencies.

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

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.

At June 30, 2016, this limit was respected.

## 7.5. Monitoring settlement risk

The settlement risk monitoring remained unchanged in the 1<sup>st</sup> half of 2016.

For more information, see Compagnie de Financement Foncier's 2015 Registration document (p. 158).

## 8. Operating risks

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### 8.1. General management

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General management is detailed in Compagnie de Financement Foncier's 2015 Registration document (p. 158).

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### 8.2. Governance

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Governance is detailed in Compagnie de Financement Foncier's 2015 Registration document (p. 158).

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### 8.3. Management environment

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For more information, see Compagnie de Financement Foncier's 2015 Registration document (p. 158).

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### 8.4. Organization of the Contingency and Business Continuity Plan

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For more information, see Compagnie de Financement Foncier's 2015 Registration document (p. 159).

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### 8.5. Information technology risk

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For more information, see Compagnie de Financement Foncier's 2015 Registration document (p. 159).

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### 8.6. Insurance

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For more information, see Compagnie de Financement Foncier's 2015 Registration document (p. 160).

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### 8.7. Legal risks

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Among the highlights of the 1<sup>st</sup> half of 2016, the following point should be noted.

Regarding French local authorities, given the fact that some interest rates, being at first subsidized 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. This proceeding is closed. A compromise was reached, involving the Support Fund created by the 2014 Finance Act.

For the other cases, see Compagnie de Financement Foncier's 2015 Registration document (p. 160).

## 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.

### 9.1. Risk monitoring and measurement systems

Non-compliance risk monitoring and control is based on the methods used by BPCE and covers all of Crédit Foncier's business lines including, in particular, activities carried out on behalf of Compagnie de Financement Foncier. It is supplemented by a risk management system that covers all business lines and the major risks to which they are exposed, factoring in specific elements of Compagnie de Financement Foncier's range of activities.

Specific aims and targets imposed by the European regulation EMIR were dealt with.

In the context of the application of the Volcker Rule, the Compliance Division drafted the Senior Management report (SMR), based on

BPCE SA's report. As a reminder, this SMR is a summary of the enhanced compliance program implemented within groupe Crédit Foncier. It has also centralized the sub-certifications necessary to complete the annual certification signed by its Chief Executive Officer. This final certification by the Chief Executive Officer, accompanied by the Senior Management report, was sent to BPCE SA in March in the context of Groupe BPCE's certification.

Finally, together with the Financial Risks department, it also started the set-up within Crédit Foncier of the Groupe's control plan.

### 9.2. Risk identification and monitoring

Non-compliance risks are identified using a dual approach:

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

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

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

### 9.3. Risk management

The control of non-compliance risks is divided between:

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

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

Since January 1, 2016, Crédit Foncier must, as a financial institution, meet the annual disclosure requirements regarding reportable accounts of people whose tax residences are located in partner countries. During the 1<sup>st</sup> half of 2016, the Compliance Division was involved in Crédit Foncier's work to implement the

procedure for the Automatic Exchange of Information (AEOI), which aims to establish a multilateral exchange of information between several countries in order to identify assets that tax residents hold outside their reference jurisdiction.

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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.

During the 1<sup>st</sup> half of 2016, the Compliance Division updated the procedure on the organization of the process for the study,

creation, approval and monitoring of products, activities and services in order to take account of developments in the "Business practices and customer protection" questionnaire of the French Prudential Supervisory and Resolution Authority, introduce the changes related to new regulations (Volcker, AEOI, and FATCA in particular), and formalize the final validation of the Compliance Division prior to implementation.

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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.

In the 1<sup>st</sup> half of 2016, the Compliance Division issued a reminder on the reporting obligation of elected positions held by Crédit Foncier employees.

On another level, the Compliance department launched a training campaign on banking secrecy and the prevention of conflicts of interest in the 1<sup>st</sup> half of 2016.

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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 programs for staff.

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

## 9.8. Outsourced services

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



# Legal information

## 1. CORPORATE GOVERNANCE

Executive management  
Board of Directors

73

73

73

## 2. RESOLUTIONS SUBMITTED TO THE GENERAL MEETING

74

## 3. GENERAL INFORMATION

Outlook for Compagnie de Financement Foncier  
Additional information

75

75

75

## AMF CROSS-REFERENCE TABLE

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

76

76

Material changes to legal information in the 1<sup>st</sup> half of 2016 are outlined below. The other legal information contained in the Registration document at December 31, 2015 (filed under registration number D. 16-0278) is unchanged.

# 1. Corporate governance

## Executive management

Composition of the Executive Management at June 30, 2016:

- **Mr Thierry DUFOUR**, Chief Executive Officer
- **Mr Olivier AVIS**, Deputy Chief Executive Officer

### Changes within the Board of Directors in the 1<sup>st</sup> half of 2016

Ms Sandrine GUERIN resigned as Deputy Chief Executive Officer on February 8, 2016.

On February 9, 2016, the Board of Directors, on the recommendation of the Chief Executive Officer, decided to appoint Mr Olivier AVIS as Deputy Chief Executive Officer of Compagnie de Financement Foncier, starting from this day.

### Executive management remuneration

Compagnie de Financement Foncier Executive management remuneration is fully ensured by Crédit Foncier's governing bodies since the 1<sup>st</sup> February 2016. Consequently, the Remuneration Committee became irrelevant.

## Board of Directors

Members of the Board of Directors at June 30, 2016 and professional addresses of its members:

### Mr Bruno DELETRÉ

Chairman of the Board of Directors since December 18, 2013

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

### Mr Thierry DUFOUR

Director since December 18, 1998

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 until  
December 18, 2013

Chief Executive Officer since December 14, 2007

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

### Mr Benoît CATEL

Director since February 9, 2016

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

### Mr Pascal CHABOT

Director since March 25, 2014

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

### Mr Jean CHEVAL

Director since March 25, 2014

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

### Mr Francis DELACRE

Director since March 25, 2014

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

### Ms Christine FABRESSE

Director since March 25, 2014

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

## LEGAL INFORMATION

Resolutions submitted to the General Meeting

### Mr Dominique GARNIER

Director since March 25, 2014

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

### Mr Cédric MIGNON

Director since March 25, 2014

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

### BPCE S.A. represented by Mr Olivier IRISSON

Director since March 28, 2011

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

### Crédit Foncier de France SA represented by Mr Éric FILLIAT

Director since December 28, 1998

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

### Changes within the Board of Directors in the 1<sup>st</sup> half of 2016

On February 9, 2016, the Board of Directors confirmed Ms Sandrine GUÉRIN's resignation as Deputy Chief Executive Officer and her directorship on 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 cooptation was ratified by the General Meeting on May 2, 2016.

At June 30, 2016, 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 June 30, 2016, 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.

At June 30, 2016, the Appointments Committee had the following members:

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

## 2. Resolutions submitted to the General Meeting

During the Annual General Shareholders' Meeting, which was held on May 25, 2016, the proposed resolutions were approved.

## 3. General information

### Outlook for Compagnie de Financement Foncier

#### RECENT EVENTS

The Company has not recorded any recent events that significantly impact the evaluation of its solvency. The issuances carried out by Compagnie de Financement Foncier during the 1<sup>st</sup> half of 2016 amounted to €3.7bn, in line with the funding needs of the year.

#### TRENDS

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

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

#### CONTROL

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

#### MATERIAL EVENTS

No significant changes in the financial or commercial situation have occurred between July 26, 2016, the date at which the Board of Directors closed the accounts, and the date on which this update to the Registration document was filed.

### Additional information

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

At June 30, 2016, there were no exceptional events or legal disputes (government, legal or arbitration procedures) likely to have

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

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

# AMF Cross-reference Table

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

	Heading	Information provided in the present update to the Registration document of Compagnie de Financement Foncier on page:	Information provided in the 2015 Registration Document of Compagnie de Financement Foncier filed with the AMF on April 5, 2016 under the number D. 16-0278 on page:
<b>1.</b>	<b>Persons responsible</b>		
1.1.	Persons responsible for the information	46	195
1.2.	Declaration by those persons responsible for the Registration document	46	195
<b>2.</b>	<b>Statutory Auditors</b>		
2.1.	Names and addresses of the issuer's auditors		192
2.2.	Auditors during the period covered by past financial information		192
<b>3.</b>	<b>Selected financial information</b>		
3.1.	Financial information		10 to 12
3.2.	Financial information for interim periods	4-5	n.a.
<b>4.</b>	<b>Risk factors</b>	<b>11-12; 49 to 71</b>	<b>48 to 50; 125 to 127</b>
<b>5.</b>	<b>Information about the issuer</b>		
5.1.	History and development of the issuer		
5.1.1.	• Legal and commercial name of the issuer		179; 187
5.1.2.	• Place and registration number of the issuer		182
5.1.3.	• Date of incorporation and length of life of the issuer		181; 187
5.1.4.	• Domicile and legal form of the issuer		179; 180; 186-187
5.1.5.	• Recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency	75	191
5.2.	Investments	n.a.	n.a.
<b>6.</b>	<b>Business overview</b>		
6.1.	Principal activities		
6.1.1.	• Main categories of services performed	3	5; 37 to 39
6.1.2.	• New products and/or activities	n.a.	n.a.
6.2.	Principal markets	3; 7 to 10	27 to 33; 37 to 39
6.3.	Competitive position	5	5; 13
<b>7.</b>	<b>Organizational structure</b>		
7.1.	Description of the Group and issuer's position within it	3-4	13; 193-194
7.2.	Dependence upon other entities within the Group	3-4	183; 193-194
<b>8.</b>	<b>Trend information</b>		
8.1.	Statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements	75	191
8.2.	Events that are reasonably likely to have a material effect on the issuer's prospects	75	50; 191

Heading	Information provided in the present update to the Registration document of Compagnie de Financement Foncier on page:	Information provided in the 2015 Registration Document of Compagnie de Financement Foncier filed with the AMF on April 5, 2016 under the number D. 16-0278 on page:
<b>9. Profit forecasts or estimates</b>	n.a.	n.a.
<b>10. Administrative, management, and supervisory bodies</b>		
10.1. Names, business addresses and functions of the administrative, and management bodies and principal activities performed by them outside the issuer	73-74	51 to 68; 174; 177-178
10.2. Statement that there are no conflicts of interests	75	191
<b>11. Management and executive bodies</b>		
11.1. Details relating to the issuer's Audit Committee		
11.1.1. • Names of committee members and terms of reference under which the committee operates	73-74	174
11.2. Corporate governance	73-74	164 to 174
<b>12. Major shareholders</b>		
12.1. Ownership, control	3; 4	183
12.2. Arrangements which may result in a change in control of the issuer	75	191
<b>13. Financial information concerning the issuer's assets and liabilities, financial position and profits and losses</b>		
13.1. Past financial information		
13.1.1. • Balance sheet	13	70
13.1.2. • Off-balance sheet	14	71
13.1.3. • Income statement	15	72
13.1.4. • Cash flow statement	43-44	111-112
13.1.5. • Accounting policies and explanatory notes	16-17	73 to 110
13.1.6. • Statutory Auditors' report	45	114-115
13.1.7. • Past financial information		
13.1.7.1. • Financial statements		70 to 113
13.1.7.2. • Certification of Statutory Auditors of the financial statements	45	114-115
13.2. Consolidated financial statements	n.a.	n.a.
13.3. Auditing of past annual financial information		
13.3.1. • Certification of Statutory Auditors of the financial statements	n.a.	69; 114-115; 175
13.3.2. • Other information in the Registration document which has been audited by the auditors	n.a.	43 to 68; 165 to 174
13.3.3. • Financial data in the Registration document not extracted from audited financial statements	n.a.	n.a.
13.4. • Date of latest financial information		
13.4.1. • The last year of audited financial information	2015 Registration document *	2014 Registration Document
13.5. Interim and other financial information		
13.5.1. • Quarterly or half yearly financial information published since the last audited financial statements	n.a.	n.a.
13.5.2. • Interim financial information since the end of the last audited financial year	n.a.	n.a.
13.6. Legal and arbitration proceedings	68	160
13.7. Significant change in the issuer's financial or trading position		
13.7.1. • Statement	75	191

\* In application of Article 28 of regulation no. 809-2004 on prospectuses, the corporate financial statements for the accounting period ended December 31, 2015 and the Statutory Auditors' report on the corporate financial statements, included in the Registration document no. D.16-0278 filed with the Autorité des Marchés Financiers (AMF – French Financial Markets Authority) on April 5, 2016, are incorporated by reference in this document. The sections of Registration document no. D.16-0278 not referred to above are either of no consequence to investors or covered by another section of this Registration document.

Heading	Information provided in the present update to the Registration document of Compagnie de Financement Foncier on page:	Information provided in the 2015 Registration Document of Compagnie de Financement Foncier filed with the AMF on April 5, 2016 under the number D. 16-0278 on page:
<b>14. Additional information</b>		
14.1. Share capital		
14.1.1. • Amount of the issued capital	31	183; 187
14.2. Memorandum and bylaws		
14.2.1. • Register and corporate purpose		181-182; 186-187
<b>15. Material contracts</b>		
15.1. Regulated agreements		180
<b>16. Third party information and statement by experts and declarations of any interest</b>		
16.1. Report attributed to a person as an expert		145-146
16.2. Certification		145-146
<b>17. Documents on public display</b>		
17.1. Place where the documents on display may be inspected, by physical or electronic means	Second cover	182; 201

Information required in the half-year financial report	Pages
<b>Statement from the person who assumes responsibility</b>	<b>46</b>
<b>Activity report</b>	<b>7 to 12</b>
• Financial statements	13 to 44
• Statutory Auditors' report	45

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Investor relations:  
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The annual reports, half-year reports, quarterly reports relating to the quality of the financed assets and ECBC label reportings of Compagnie de Financement Foncier can be downloaded at [www.foncier.fr](http://www.foncier.fr)

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