

2013



# Half-year report

Update at 30 June 2013 of the 2012 Registration document including a half-year financial report



**COMPAGNIE DE  
FINANCEMENT  
FONCIER**

CREDIT FONCIER GROUP

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*This is a free translation into English of Compagnie de Financement Foncier 2013 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 Reference document as of June 30, 2013, has been submitted to the AMF. It is therefore the only version that is binding in law.*

*The original document was filed with the Autorité des marchés financiers (French Financial Market's Authority) on August 29, 2013 in accordance with Article 212-13 of its general regulation and registered under the number D.13-0299-A01. It completes the French Registration document of the Compagnie de Financement Foncier registered with the AMF on April 5, 2013, and registered under the number D.13-0299.*

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

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

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# Activity report



## Profile

The Compagnie de Financement Foncier is a credit institution licensed as a financial sector company and *société de crédit foncier*.

As a wholly-owned subsidiary of Crédit Foncier (A-/A2/A), it is affiliated with BPCE (A(neg. out.)/A2/A). Its purpose is to finance mortgage and public-sector lending for its parent company as well as the Group as a whole by issuing AAA/Aaa/AAA<sup>(1)</sup>-rated *obligations foncières*.

The covered bonds of the Compagnie de Financement Foncier are covered bonds governed under French law and in compliance with European directives UCITS 52-4 and CRR.

## Environment

The first half of 2013 was marked by a decline in GDP in the euro zone, where activity fell by 0.3% during the first quarter of 2013 (sixth consecutive quarter), but GDP growth became positive again in the second quarter of 2013 (+0.1%), according to the INSEE. At the global level, the IMF anticipates 3.3% growth, boosted by emerging countries (+5.5% on average) and other rebounding economies, such as the United States or Canada (+2% on average).

Uncertainties remain on fiscal policies and risks of default of several member states, such as Cyprus, Portugal or Spain.

The central banks continued their accommodating policies, notably in Japan and in the euro zone, with historically low refinancing rates (ECB main refinancing rate: 0.75% in July 2013). However, the upcoming termination of the Quantitative Easing of the Federal Reserve Bank is raising concerns of rate increases.

The credit market has seen significant regulatory changes, in particular with the publication of the CRD IV and CRR, and the consultations launched by the European Banking Authority.

During the first half of the year, the covered bonds sector was marked by a 19% decrease in benchmark issues (€54.4 billion *versus* €71.5 billion during the first half of 2012). If the deleveraging and Long-Term Refinancing Operation (LTRO) transactions of the European Central Bank (ECB) led to the market falling by 42% during the first quarter of 2013 (compared to the first quarter of 2012), the volume of benchmark issues increased by 41.7% in the second quarter thanks to the energy of the French, German, and Nordic issuers, in a context where the proportion of AAA/Aaa/AAA issues declined (62% at the end of 2012 *versus* 93% in 2006).

## Activity

In this environment, the Compagnie de Financement Foncier was able to offer products that responded to investors' needs and thus achieved part of its annual refinancing programme during the first half of the year, reaching €4.5 billion as of the end of June 2013: €3 billion was issued during the first half of the year and €1.5 billion in pre-funding at the end of 2012.

<sup>(1)</sup> On 18 July 2013, Compagnie de Financement Foncier was placed on negative credit watch following the downgrading of France by Fitch Ratings.

# Key figures

## Characteristics of the issuer

*Issuer:* Compagnie de Financement Foncier, belonging to the Groupe BPCE

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

*Type of bonds issued:* obligations foncières

*Issuance programmes:* EMTN, AMTN & USMTS

*Sole provider:* Crédit Foncier (A-/A2/A)<sup>(1)(2)</sup> subsidiary of BPCE (A(neg.out.)/A2/A)<sup>(1)(2)</sup>

<sup>(1)</sup> Standard & Poor's/Moody's/Fitch Ratings

Ratings of covered bonds <sup>(*)</sup>	Long-term rating	
Standard & Poor's	AAA	Stable outlook
Moody's	Aaa	Stable outlook
Fitch Ratings	AAA	Negative watch

<sup>(\*)</sup> Ratings updated on 07/18/13.

## Simplified economic balance sheet at 30 June 2013 and 31 December 2012

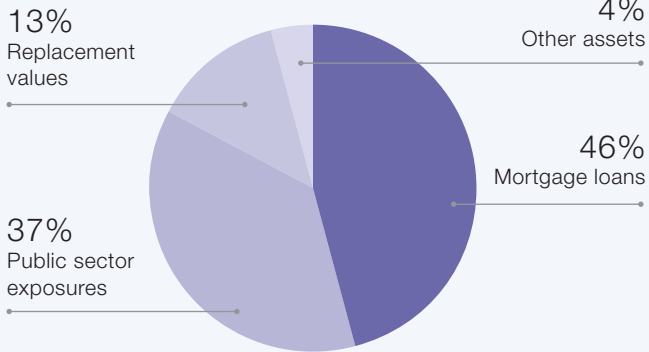
(from the regulatory report on the calculation components of the coverage ratio)

ASSETS (by type of exposure)	At 30 June 2013		At 31 December 2012	
	€bn	%	€bn	%
<b>Mortgage loans</b>	<b>41.9</b>	<b>45.5%</b>	<b>43.3</b>	<b>43.0%</b>
Mortgage loans and related items	37.5	40.7%	38.0	37.7%
European senior residential mortgage-backed securities	4.4	4.8%	5.3	5.2%
<b>Public sector exposure</b>	<b>34.5</b>	<b>37.5%</b>	<b>40.1</b>	<b>39.8%</b>
Loans to the Public sector in France	16.0	17.4%	19.4	19.2%
Securities from the Public sector abroad	13.3	14.4%	14.2	14.1%
Senior residential securitisation units with public guarantees	5.2	5.6%	6.5	6.5%
<b>Replacement values and other assets</b>	<b>15.7</b>	<b>17.0%</b>	<b>17.4</b>	<b>17.2%</b>
Replacement values	12.3	13.3%	13.3	13.2%
Other assets	3.4	3.7%	4.1	4.0%
<b>TOTAL ASSETS</b>	<b>92.0</b>	<b>100.0%</b>	<b>100.8</b>	<b>100.0%</b>

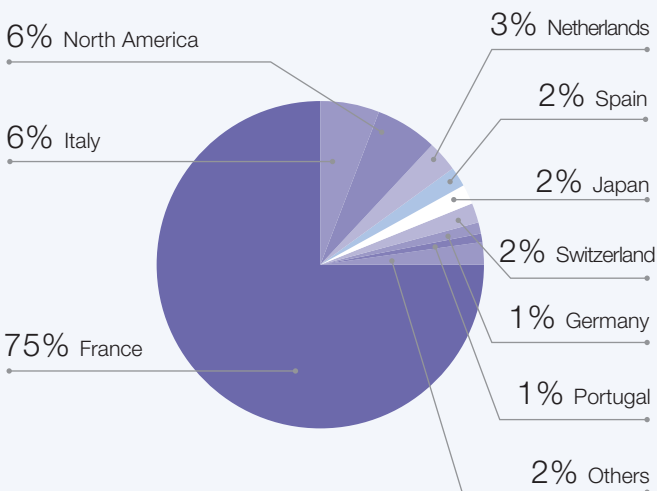
EQUITY AND LIABILITIES	At 30 June 2013		At 31 December 2012	
	€bn	%	€bn	%
<b>Privileged resources</b>	<b>77.2</b>	<b>83.8%</b>	<b>85.2</b>	<b>84.5%</b>
Obligations foncières at reporting date	77.2	83.9%	84.4	83.8%
Translation difference on obligations foncières	-0.8	-0.9%	-1.2	-1.2%
Other privileged resources	0.7	0.8%	2.0	2.0%
Currency translation difference associated with hedging balance sheet items	0.8	1.0%	0.1	0.1%
<b>Non-privileged resources</b>	<b>14.0</b>	<b>15.2%</b>	<b>15.5</b>	<b>15.4%</b>
Unsecured debt	8.4	9.1%	9.9	9.8%
Subordinated debt and related items	3.8	4.1%	3.8	3.8%
- of which redeemable subordinated notes / bonds	2.1	2.3%	2.1	2.1%
- of which deeply subordinated notes	1.4	1.5%	1.4	1.3%
Equity, provisions and reserve for general banking risks	1.8	2.0%	1.9	1.9%
(Capital)	(4.4)	(4.8%)	(4.4)	(4.4%)
<b>TOTAL ASSETS</b>	<b>92.0</b>	<b>100.0%</b>	<b>100.8</b>	<b>100.0%</b>

### Breakdown of assets: €92 billion

By type of assets



By geographic area



### Performance indicators

**€3 billion**

Obligations foncières issued in 2013

**€61.6 million**

Net income

**113.4%**

Regulatory overcollateralisation ratio

**16.1%**

Non-privileged resources / privileged resources ratio (excluding BCE funding and pension)

**69.3%**

Average LTV of mortgage loans

### Outstanding privileged liabilities at 30 June 2013

€77.2 billion in obligations foncières

### Positioning

One of the leaders in the covered bonds segment in Europe

### Due dates of outstanding assets and privileged liabilities



# Financial report

## Management report





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In a persistently difficult environment, impacted by the global economic slowdown and levels of debt that remain very high in certain countries, particularly in Europe, Compagnie de Financement Foncier issued €3 billion in covered bonds in the first half of 2013. The capital raised was used to acquire or mobilise mortgage and public-sector loans from Crédit Foncier.

Compagnie de Financement Foncier continued to carry out transactions aimed at trimming the international investments in its balance sheet and to restructure its portfolio of derivatives, which it initiated in 2011.

In the first half of 2013, the three main ratings agencies confirmed their AAA/Aaa/AAA<sup>(1)</sup> ratings for all Compagnie de Financement Foncier's senior debt, recognising the security afforded by the *société de crédit foncier* status and the additional commitments made by Compagnie de Financement Foncier in the areas of financial management and risk control.

At 30 June 2013, Compagnie de Financement Foncier had €92 billion on its balance sheet, down by almost €9 billion over the six months; mid-year net income stood at €62 million, compared with €133 million for the whole of fiscal year 2012.

## 1. Transactions carried out over the period

### Investments and related financing

Over the period, Compagnie de Financement Foncier acquired from its parent company, almost in equal parts, mortgage loans granted to individuals and loans granted to French local authorities.

Investments in mortgage debt totalling €1.4 billion consist of:

- €1.8 billion in direct acquisitions, split into €1.1 billion benefiting from the French State guarantee via FGAS (government fund promoting access to home ownership), €0.5 billion in other home ownership loans and €0.3 billion in rental loans;
- €0.4 billion in the redemption of mortgage notes issued by Crédit Foncier and guaranteed by securities with the same characteristics as those held directly.

€1.3 billion in loans to local authorities granted by Crédit Foncier were mobilised with Compagnie de Financement Foncier in accordance with Article L. 211-38 of the French Monetary and Financial Code.

These investments were financed by the issuance of €3 billion in covered bonds, all originally denominated in euros:

- €1.3 billion in public issues with an average maturity of nine years, increasing the total existing lines and creating a new benchmark of €0.75 billion maturing in November 2022; the launch of this new line was approved by the Specific controller, who, as for all transactions above €0.5 billion, is required to check compliance with the prudential regulations;
- €1.7 billion in private placements with an average maturity of 17 years (or 14 years if all early exit options are exercised as of their next exercise date).

### Reduction of the balance sheet

In accordance with the Crédit Foncier group's decision to reduce its balance sheet to comply with future Basel III requirements and to limit its international exposure, Compagnie de Financement Foncier continued to divest €2.3 billion in assets over the period.

<sup>(1)</sup> On 18 July 2013, Compagnie de Financement Foncier was placed under credit watch negative by Fitch Ratings, after France was downgraded by the rating agency.

These divestments mainly concerned securitisation units (€2.0 billion). Compagnie de Financement Foncier thus sold €1.6 billion in RMBS on the market, where the underlying mortgages are located in the Netherlands (€1.3 billion) and Italy (€0.3 billion); it also sold Spanish mortgage securitisation units for €0.2 billion to Crédit Foncier under the agreement allowing the transfer of some RMBS units once their rating falls below the second rating level. Finally, it sold €0.2 billion in securitisation units of student loans guaranteed by the US federal government.

Compagnie de Financement Foncier has continued to reduce its other international exposures for the amount of €0.4 billion. These include securities issued by local authorities in the US (€0.25 billion) and in Belgium (€0.05 billion), plus European sovereign debt issued by the Slovenian, Slovakian and Czech governments (€0.08 billion).

Correspondingly, and to preserve a balance of assets and liabilities on one hand and limit the impact on the income statement on the other, Compagnie de Financement Foncier redeemed €0.7 billion in covered bonds that it had previously issued and cancelled these.

## Cash management

The cash assets of Compagnie de Financement Foncier are invested in replacement values and placed or deposited with Banque de France. At end-2012, mainly in anticipation of significant redemptions of covered bonds in early 2013, these cash assets amounted to €17 billion; they totalled €12.3 billion at 30 June 2013 due to the €1.4 billion reduction in collateral received for foreign exchange and interest rate hedging transactions.

## Restructuring of the derivatives portfolio

Since 2011, Compagnie de Financement Foncier has been working on reconfiguring and reducing its swaps portfolio, without compromising the quality of its interest rate and foreign exchange risk management.

During the first half, five transactions representing a notional amount of €0.9 billion were thus cancelled, giving rise to a termination payment of €35 million. These transactions have a neutral impact on Compagnie de Financement Foncier's net income, since the termination payments are spread over the remaining term of the balance sheet items that were hedged by these derivatives.

## 2. Changes in assets

### Breakdown of assets by type of collateral

	06/30/13		12/31/12	
	€m	% balance sheet	€m	% balance sheet
<b>SECURED LOANS -Articles L.515-14 and 16</b>	<b>41,887</b>	<b>45.5%</b>	<b>43,265</b>	<b>42.9%</b>
State-subsidised mortgage loans	312	0.3%	369	0.4%
Mortgage loans guaranteed by the FGAS	11,639	12.6%	11,214	11.1%
Other mortgage loans	16,497	17.9%	16,967	16.8%
Securitisation units of mortgage debt	4,390	4.8%	5,248	5.2%
Other loans with real estate guarantee	173	0.2%	191	0.2%
Mortgage loans	8,876	9.6%	9,275	9.2%
<b>EXPOSURES ON PUBLIC ENTITIES -Articles L.515-15 and 16</b>	<b>34,496</b>	<b>37.5%</b>	<b>40,157</b>	<b>39.8%</b>
State-subsidised public loans	161	0.2%	172	0.2%
Other public loans	17,698	19.2%	21,115	21.0%
Public entity securities	11,471	12.5%	12,326	12.2%
Securitisation units of public debt <sup>(1)</sup>	5,165	5.6%	6,544	6.5%
Other assets (interests on FFI <sup>(2)</sup> , adjustment accounts, goodwill, etc.)	3,392	3.7%	4,071	4.0%
<b>REPLACEMENT VALUES -Article L.515-17</b>	<b>12,272</b>	<b>13.3%</b>	<b>13,290</b>	<b>13.2%</b>
<b>TOTAL ASSETS</b>	<b>92,046</b>	<b>100.0%</b>	<b>100,782</b>	<b>100.0%</b>

<sup>(1)</sup> Posillipo and Adriatica with €0.4 billion outstanding are recorded as a collective investment undertaking for prudential purposes.

<sup>(2)</sup> Forward financial instruments.

Transactions for the period led to a fall in the balance sheet of almost €9 billion. The main changes in assets are:

- the stability of outstanding mortgage loans, at almost €38 billion, with a slight increase in loans guaranteed by the French State through FGAS;
- the stability of outstanding loans to the public sector in France, at almost €16 billion (the fall recorded under the item “other public loans” effectively corresponds to the €3.7 billion reduction in deposits with Banque de France recorded under this item);
- a sharp drop of more than €3 billion in international exposures, with a €2.2 billion reduction in the portfolio of public-sector and mortgage securitisation units and €0.9 billion in securities issued or guaranteed by public entities;
- maintenance of replacement values for over 13% of the balance sheet.

In terms of geographical diversification, the changes in breakdown by country introduced in 2011 continued: the discontinuation of international activity and the sale of certain positions outside of France led to a one-point increase in the share of assets invested in France to €69 billion, i.e. 75% of balance sheet assets at the end of June 2013.

Outside France, the main reductions were noted in the Netherlands and to a lesser extent in the United States, Italy and Spain, mainly due to sales over the period of units of securitisation of mortgage loans.

As of 30 June 2013, the international assets could be split into three categories made up of:

- three countries comprising a substantial 3%-6% of the balance sheet, i.e. Italy with €5.5 billion, the United States with €4.8 billion and the Netherlands with €2.9 billion;
- seven countries comprising 0.5 to 2% of the balance sheet, i.e. Spain (€1.8 billion), Japan (€1.6 billion), Switzerland (€1.5 billion), Germany (€1.2 billion), Portugal (€0.9 billion), Canada (€0.6 billion) and Belgium (€0.5 billion);
- nine countries with less than 0.5% of the balance sheet, corresponding to sovereign exposure to continental European countries for a total of €1.5 billion.

### 3. Changes in liabilities

#### Breakdown of liabilities by guarantee rank

	06/30/13		12/31/12	
	€m	% balance sheet	€m	% balance sheet
<b>PRIVILEGED RESOURCES</b>	<b>77,171</b>	<b>83.8%</b>	<b>85,185</b>	<b>84.5%</b>
<i>Obligations foncières</i> at closing date	77,228	83.9%	84,441	83.8%
Translation difference on <i>obligations foncières</i>	-798	-0.9%	-1,241	-1.2%
Other privileged resources	741	0.8%	1,985	2.0%
<b>TRANSLATION DIFFERENCE RELATED TO HEDGING OF PRIVILEGED RESOURCES IN ASSETS <sup>(1)</sup></b>	<b>886</b>	<b>1.0%</b>	<b>56</b>	<b>0.1%</b>
<b>NON-PRIVILEGED RESOURCES</b>	<b>13,989</b>	<b>15.2%</b>	<b>15,541</b>	<b>15.4%</b>
Unsecured debt	8,394	9.1%	9,861	9.8%
Subordinated debt and similar debt	3,779	4.1%	3,800	3.8%
- of which redeemable subordinated notes	2,100	2.3%	2,100	2.1%
- of which deeply subordinated notes	1,367	1.5%	1,350	1.3%
Equity, provisions and reserve for general banking risks	1,817	2.0%	1,880	1.9%
<b>TOTAL LIABILITIES</b>	<b>92,046</b>	<b>100.0%</b>	<b>100,782</b>	<b>100.0%</b>
<i>Capital:</i>	4,432	4.8%	4,426	4.4%
- of which core capital (Tier-1)	2,680	2.9%	2,674	2.7%
- of which supplementary capital (Tier-2)	1,752	1.9%	1,751	1.7%

<sup>(1)</sup> See section 4 related to prudential ratios for more information.

During the semester, Compagnie de Financement Foncier revised its methodology of the translation differences related to balance sheet items for the calculation of the coverage ratio. From this closing date, assets and liabilities are valued at their historic cost; thus, after taking into consideration the original foreign exchange hedge; before, translation differences were netted irrespective to the nature of the underlying hedge.

These changes concerning exclusively prudential ratio items required adjustments within the structure of liabilities, which are presented above, and explain the changes of balance sheet items change: "translation difference related to hedging of privileged resources in assets" and "other resources". Furthermore, data at 31 December 2012 have not been revaluated under the new methodology.

Total senior liabilities fell by €8 billion over the period, due to:

- issuance of €3.0 billion in covered bonds;
- contractual amortisation recorded on the portfolio for €8.7 billion;
- €0.7 billion in cancelled Compagnie de Financement Foncier debt;
- and for the remainder, the impact of changes in exchange rates.

At the same time, non-privileged resources fell by €1.6 billion, mainly due to deposits received from swap counterparties, down by €1.4 billion.

Equity and subordinated debt remained stable over the period. Totalling €5.6 billion, or 6.1% of the balance sheet, at 30 June 2013, they represent significant last-resort security for the entire term of the covered bonds issued by Compagnie de Financement Foncier.

### 4. Prudential ratios

Regulations applicable to *sociétés de crédit foncier* require that specific prudential ratios, that are to be complied with at all times, be monitored.

First, Compagnie de Financement Foncier measures the coverage ratio that corresponds to the ratio between weighted assets and senior debts, which must remain above 102% at all times.

The weighting limits the value of some assets that carry a higher risk. In the case of Compagnie de Financement Foncier, the ratio's numerator corresponds to total assets held directly or mobilised by mortgage notes or by L. 211-38, consisting of public-sector loans, minus:

- securitisation units whose weighting is reduced to 0% or 50% depending on their rating;
- the amount of securities or loans mobilised with the ECB or sold under repurchase agreements to credit institutions, and;
- the portion of loans where the LTV exceeds the regulatory threshold, which makes them ineligible for financing with senior debt.

Together these represented €3.6 billion at end-June 2013, compared with €3.9 billion at 31 December 2012.

In addition, the revision of methodology of the translation differences during the first half-year of 2013 led Compagnie de Financement Foncier to a €0.9 billion reduction in accounting assets.

The overcollateralisation ratio thus stood at 113.4% at 30 June 2013, equivalent to the level observed six months earlier (113.7%). This result will be given final approval by the Specific controller in September 2013.

Apart from this legal minimum, Compagnie de Financement Foncier has undertaken to maintain a level of non-privileged liabilities above 5% of the privileged liabilities at all times, thereby creating a security reserve to guarantee full payment on time of the maturities of its *obligations foncières*. Non-senior liabilities are adjusted for repurchase transactions (€1.6 billion) and the balancing entry linked to the impact of changes in exchange rates added to the ratio calculation (€0.9 billion).

At 30 June 2013, this ratio was 16.1%, much higher than the minimum the company has set itself, and equivalent to the 16.4% observed at end-2012.

As part of its own risk supervision and management rules, Compagnie de Financement Foncier sets the average LTV of mortgage loans that it holds directly or through mobilisation by mortgage notes. This value, equal to the ratio between the discounted value of the asset posted as collateral and the outstanding capital on the debt, was 69.3% at 30 June 2013 on total outstandings of €37.5 billion.

The vast majority of mortgage loans financed by Compagnie de Financement Foncier have an LTV below the regulatory limit (100% for loans with an FGAS guarantee, 80% for housing loans granted to individuals and 60% for other mortgage loans). The total excess LTV, where the excess debt is ineligible for refinancing by covered bonds, remains very low: €228 million at 30 June 2013, *versus* €348 million at 31 December 2012.

Compliance with the various holding limits applicable to certain assets is also verified. Notably, at 30 June 2013:

- the amount of guaranteed loans was 1.9%, still significantly lower than the legal maximum of 35% of the balance sheet; this calculation includes guaranteed loans held directly (0.2%) and those posted as collateral for mortgage notes (1.7%);
- mortgage notes, which may not exceed more than 10% of the balance sheet, represent 9.6% of this;
- replacement values have an outstanding amount equal to 12.3% of the nominal amount of privileged resources, below the limit of 15%;
- cash flow requirements, taking into account provisional flows, are covered for a period of 180 days.

Furthermore, as a credit institution, Compagnie de Financement Foncier keeps its liquidity ratios well above the minimum requirements set by banking regulations due to its commitment to maintain enough available treasury to cover a period of one year.

The other prudential ratios applicable to credit institutions are monitored by Crédit Foncier at the consolidated level. Compagnie de Financement Foncier only determines the solvency ratios within its scope, and sends these to the French Prudential Supervisory Authority (ACP) for information.

Using the standard method, the solvency ratio and the Tier-1 ratio were 25.0% and 15.1% at 30 June 2013, up slightly from their levels of 23.8% and 14.4%, respectively, at end-December 2012. This change mainly reflects the decrease in capital requirements linked to sales of securitisation units.

## 5. Analysis of net income

### Net banking income

Net banking income totalled €174 million at end-June 2013, compared with €296 million in the first half of 2012 and €475 million for the whole of 2012.

The considerable variation over the last three semesters was mainly due to the capital gains realised on buybacks of *obligations foncières*, which were then cancelled by Compagnie de Financement Foncier. The proceeds of these transactions, which include the capital gains on the securities and the termination balances of the swaps that hedged these liabilities, totalled €15 million in the first half of 2013, compared to €124 million in the first half of 2012 and compared to €157 million for the whole of 2012.

As these buybacks had disposals of investment portfolio securities as counterparties, the proceeds were largely offset by losses on fixed assets of €22 million in the first half of 2013, €144 million in the first half of 2012 and €140 million for the whole of 2012.

Stripping out this non-recurring income, the net interest margin fell, in line with the significant reduction of the balance sheet: €140 million for the first half of 2013, compared with €161 million for the first half of 2012 and €293 million for the whole of 2012.

The other components of net banking income that were subject to significant change were:

- early repayment penalties, which increased compared to the previous year, with the average early repayment rate on loans to individuals rising to 7.3% in the first half of 2013, compared with 4.6% in 2012;
- income from transactions relating to the available-for-sale portfolio, which was zero in the first half of 2013, compared with a loss of €3 million in the first half of 2012 and income of €1 million for the whole of 2012. The securities requiring additions to or reversals of provisions owing to the market valuation were sold in December 2012.

### Gross operating income

There was no significant change in operating expenses in the first half of 2013. These expenses totalled €49 million for the period, and mostly related to the fees paid to Crédit Foncier for its provision of services to Compagnie de Financement Foncier.

Gross operating income was €124 million in the first half of 2013, compared with €244 million in the first six months of 2012 and €371 million for the whole of 2012.

### Cost of risk

The cost of risk for the period was €5.7 million, reflecting the volume of outstandings. This was comparable to the level posted for the whole of 2012 (€10.7 million) and relates to outstandings consisting mainly of loans to customers in France, which were broadly unchanged over the period, as the transactions aimed at reducing the balance sheet concerned international securities, for which no cost of risk is recognised.

A breakdown of the total cost of risk, however, shows:

- an increase in individual risk in the first half of 2013 compared with the previous year, with doubtful loans on the rise and the value of guarantees falling;
- a marked fall in net additions to collective provisions, as 2012 was impacted by the adjustment to Groupe BPCE standards.

The total cost of risk includes both the share of capital entered under cost of risk and the share of interest entered under net banking income. The total cost of risk was €5.5 million for the first half of 2013, compared with €6.2 million in the first half of 2012 and €10.6 million for the whole of 2012.

These risk factors are analysed by asset type in this management report in the chapter on credit risk.

## Net income

Losses posted on sales of assets are normally deducted from operating income. Transfers of international securities reduced income by €22 million in the first half of 2013, although this was partly offset by income generated on the buyback and cancellation of covered bonds.

After deducting income tax, which reflects the decision adopted in 2010 to recognise deferred taxes, net income for the first half of 2013 was €62 million, compared with €57 million for the first half of 2012 and €133 million for the whole of 2012.

## 6. Credit risk analysis

In relation to credit risk, three major asset categories can be identified, which require different approaches to the measuring and monitoring of the quality of the related investments:

- loans in the subsidised or competitive sector granted to natural persons or professionals, mostly in the public sector. This category also contains mortgage notes and guaranteed loans in accordance with Article L. 211-38, because their underlyings have the same risk characteristics as mortgage or public loans held directly;
- public sector securities and securitisation units, which are rated externally by accredited agencies; by law, at least 90% of the fund's assets must consist of loans or exposures that meet the eligibility criteria to be held by a *société de crédit foncier*;
- replacement values comprising investments with credit institutions that have a top-tier external rating. For Compagnie de Financement Foncier, this category mainly comprises loans of less than two months to Groupe BPCE entities, of which at least 80% are secured by a portfolio of assets provided as collateral.

Credit risk analysis is also covered in the risk management report in this document, which includes customer segmentation and a breakdown by Basel-type rating.



## Overall analysis

In summary, the main credit risk indicators for Compagnie de Financement Foncier's core business portfolio, comprising loans to the competitive sector and the securities and securitisation units portfolio, deteriorated slightly in the first half of 2013 but remained at very low levels in absolute terms.

### Overall analysis of the competitive sector

	06/30/13				12/31/12			
	Outstandings in €m	Doubtful loans in €m	Doubtful loans %	Cost of risk in basis points	Outstandings in €m	Doubtful loans in €m	Doubtful loans %	Cost of risk in basis points
Loans to individuals and similar items	40,865	805	2.0%	1.2	41,976	711	1.7%	2.5
- o/w mortgage notes and securitisation units	13,266				14,523			
Exposure to public institutions	33,061				38,824	1		
- o/w securities and securitisation units	16,636				18,870			
Social housing loans	1,987	13	0.7%	3.4	2,098	4	0.2%	-0.4
Commercial real estate loans (run-off)	8	4	55.9%	105.7	7	4	51.4%	138.1
<b>TOTAL</b>	<b>75,922</b>	<b>824</b>	<b>1.1%</b>	<b>0.7</b>	<b>82,905</b>	<b>720</b>	<b>0.9%</b>	<b>1.3</b>

NB: by convention, the cost of risk is positive when it represents a cost, and negative when it constitutes income.

Doubtful loans and the cost of risk remain concentrated in the loans to individuals sector, while the risks in the other sectors remaining very low. The percentages posted in the commercial loans sector are not significant as this portfolio is in run-off and the amounts concerned are small.

The increase in doubtful loans in the loans to individuals portfolio led to a rise in the doubtful loans rate from 0.9% at the start of the year to 1.1% at end-June 2013; however, these percentages represent low levels of risk.

The cost of risk that includes the share of interest and capital, which remains very low, is comparable to that of the previous year: 0.7 basis points at 30 June 2013, compared with 1.3 basis points for the whole of 2012.

These results are broken down in each of the main business sectors according to their nature: a portfolio of loans and similar items located in France and a portfolio of international receivables.

## Loans and similar items

All loans granted in France combined, which are Crédit Foncier products, represent more than half of Compagnie de Financement Foncier's balance sheet, and their relative portion of total assets has increased owing to the refocusing of the Group's business in exposures in France.

Restated for very short-term investments with the Banque de France of €3.7 billion at 31 December 2012, which were recognised under "loans to public sector", the outstandings in this portfolio remained broadly flat at close to €55 billion.

The tables below provide further information on the core business portfolio and the analysis of subsidised sector loans.

#### Risk indicators on loan outstandings and similar items

At 06/30/13	Outstandings in €m	Breakdown of outstandings	o/w doubtful loans	% doubtful loans	o/w irrecoverable doubtful loans	% irrecoverable doubtful loans	Provisions in €m
<b>SUBSIDISED SECTOR (run-off)</b>	<b>474.1</b>	<b>0.9%</b>	<b>105.2</b>	<b>22.2%</b>			<b>0.1</b>
<b>UNSUBSIDISED SECTOR</b>	<b>54,895.6</b>	<b>99.1%</b>	<b>823.7</b>	<b>1.5%</b>	<b>160.4</b>	<b>0.3%</b>	<b>44.1</b>
Loans to individuals and mortgage notes	36,475.2	65.9%	805.5	2.2%	157.6	0.4%	42.0
- o/w mortgage notes	8,875.9	16.0%					
- o/w loans guaranteed by FGAS	11,638.6	21.0%	372.5	3.2%			
- o/w other mortgage loans	15,960.7	28.8%	433.0	2.7%	157.6	1.0%	42.0
Loans to public institutions	16,425.3	29.7%	0.5				
Social housing loans	1,987.2	3.6%	13.3	0.7%	0.6		0.6
Commercial real estate loans (run-off)	7.9		4.4	55.9%	2.1	26.3%	1.5
<b>TOTAL</b>	<b>55,369.7</b>	<b>100.0%</b>	<b>929.0</b>	<b>1.7%</b>	<b>160.4</b>	<b>0.3%</b>	<b>44.2</b>

At 12/31/12	Outstandings in €m	Breakdown of outstandings	o/w doubtful loans	% doubtful loans	o/w irrecoverable doubtful loans	% irrecoverable doubtful loans	Provisions in €m
<b>SUBSIDISED SECTOR (run-off)</b>	<b>540.9</b>	<b>0.9%</b>	<b>113.8</b>	<b>21.0%</b>			<b>0.1</b>
<b>UNSUBSIDISED SECTOR</b>	<b>58,787.2</b>	<b>99.1%</b>	<b>720.1</b>	<b>1.2%</b>	<b>118.1</b>	<b>0.2%</b>	<b>39.2</b>
Loans to individuals and mortgage notes	36,727.6	61.9%	711.4	1.9%	115.4	0.3%	37.8
- o/w mortgage notes	9,275.5	15.6%					
- o/w loans guaranteed by FGAS	11,214.4	18.9%	327.9	2.9%			
- o/w other mortgage loans	16,237.8	27.4%	383.5	2.4%	115.4	0.7%	37.8
Loans to public institutions	19,954.8	33.6%	1.2				
Social housing loans	2,097.5	3.5%	3.8	0.2%	0.8		0.4
Commercial real estate loans (run-off)	7.3		3.8	51.4%	1.9	26.7%	1.0
<b>TOTAL</b>	<b>59,328.1</b>	<b>100.0%</b>	<b>834.0</b>	<b>1.4%</b>	<b>118.1</b>	<b>0.2%</b>	<b>39.3</b>

The sectors that may appear riskiest because they have a high level of doubtful loans, i.e. the subsidised and commercial sectors, in fact have a negligible impact. First, these sectors are in run-off, which automatically increases their proportion of doubtful loans over time. Second, the risk of ultimate loss in the subsidised sector is assumed by the French government. Lastly, the amount of outstandings in the commercial portfolio has become relatively minor.

Moreover, the most sensitive portfolio comprises mortgage loans to individuals that are not covered by an additional guarantee from the government (i.e. excluding subsidised loans and loans guaranteed by FGAS), which represented outstandings of €16 billion at 30 June 2013, and for which there was an increase in risk, with 2.7% of doubtful loans, compared with 2.4% six months earlier.

The amount of provisions was adjusted accordingly, and accounted for almost 10% of doubtful loans in this category at end-June 2013, which was broadly unchanged from the level at 31 December 2012.

### Analysis of the cost of risk

	H1 2013			FY 2012		
	Outstandings in €m	Cost of risk in €m	Cost of risk in basis points	Outstandings in €m	Cost of risk in €m	Cost of risk in basis points
<b>SUBSIDISED SECTOR (run-off)</b>	<b>474.1</b>	<b>0.04</b>	<b>0.9</b>	<b>540.9</b>	<b>-0.05</b>	<b>-1.0</b>
<b>UNSUBSIDISED SECTOR</b>	<b>54,895.6</b>	<b>5.50</b>	<b>1.0</b>	<b>58,787.2</b>	<b>10.67</b>	<b>1.8</b>
Loans to individuals and mortgage notes	36,475.2	4.76	1.3	36,727.6	10.67	2.9
Loans to public institutions	16,425.3	-0.02		19,954.8	-0.02	
Social housing loans	1,987.2	0.67	3.4	2,097.5	-0.08	-0.4
Commercial real estate loans (run-off)	7.9	0.08	105.7	7.3	0.10	138.1
<b>TOTAL</b>	<b>55,369.7</b>	<b>5.54</b>	<b>1.0</b>	<b>59,328.1</b>	<b>10.62</b>	<b>1.8</b>

NB: by convention, the cost of risk is positive when it represents a cost, and negative when it constitutes income.

In view of the volume of loans, the cost of risk remains very low: €5.5 million at 30 June 2013 (equivalent to 1.0 basis point of total outstandings, *versus* 1.8 basis point for the whole of 2012). For loans to individuals, in particular, the cost of risk improved: by 1.3 basis point at 30 June 2013, compared with 2.9 basis points for 2012.

The cost of risk for the first six months of 2013 mainly comprised net allocations to provisions and impairment (€5.1 million); non-hedged losses (€1.4 million) were largely offset by the recovery of loans written off (€1.0 million).

## Securities and securitisation units

This category consists of:

- two different types of senior securitisation units with underlying assets: RMBS, for outstandings of €4.4 billion at end-June 2013, and debt securitisation funds benefitting from public guarantees, for €5.2 billion at the same date;
- securities issued or guaranteed by public entities, mainly abroad, with outstandings of €11.5 billion at 30 June 2013.

At 30 June 2013, as in previous accounting periods, no asset in this category were classified as doubtful, and no provisions have been made in respect of this investment portfolio.

Disposals during the period solely concerned this asset category, which mainly includes all of Compagnie de Financement Foncier's international exposure; its outstandings thus increased from €24 billion at 31 December 2012 to €21 billion at 30 June 2013.

The RMBS portfolio totalled €4.4 billion at 30 June 2013, compared with €5.2 billion at 31 December 2012; five European countries are represented (Italy, Spain, Portugal, the Netherlands and Germany), with Italy accounting for the largest proportion, at €2.0 billion.

The ratings for these financial products are the same as those of the sovereign issuer, irrespective of the intrinsic quality of the assets of funds, and the ratings of European securitisations have changed significantly in recent years. At 30 June 2013, the RMBS portfolio included units in the top tier of credit quality (above AA-), for €2.4 billion, including €0.6 billion in units rated AAA by two agencies, and €2 billion in units in the next tier (A+, A or A-).

Moreover, Crédit Foncier has undertaken by an agreement to offset the consequences for its *société de crédit foncier* of any ratings falling below the second tier of credit quality (below A-) on a portion of the mortgage securitisation portfolio; at 30 June 2013, €1.2 billion in outstandings had this additional protection.

The other securitisation units (outstandings of €5.2 billion at 30 June 2013, *versus* €6.5 billion at 31 December 2012) benefit from government guarantees. These include:

- securitisations of US student loans 98%-guaranteed by the federal government, with outstandings of €2.5 billion, mostly rated AAA;
- residential mortgage-backed securities in the Netherlands guaranteed by NHG (a body equivalent to FGAS in France), for €2.2 billion, mainly in the top tier of credit quality;
- securitisations of Italian healthcare receivables, for €0.4 billion, for which the risk is also guaranteed either by the Italian government or an Italian regional authority. For prudential reasons, the securities were reclassified as mutual funds at the end of 2012.

The securities of public entities, for an amount of €11.5 billion at 30 June 2013, compared with €12.3 billion at 31 December 2012, include securities issued by foreign local authorities and sovereign debt, with only €0.4 billion of this sum invested in France.

The most significant investments are located in Italy (€2.5 billion), the United States (€2.3 billion), Japan (€1.6 billion), Germany (€1.0 billion) and Spain (€1.0 billion).

The ratings of this portfolio have changed in line with those of the related governments; at 30 June 2013, 38% of the outstandings were rated in the top tier of credit quality, 26% in the second tier and 29% in the third tier, with the remainder having been attributed lower ratings.

## 7. Financial risk analysis

### Interest rate and foreign exchange risk

During the first half of 2013, acquisition and issue activities of Compagnie de Financement Foncier were subject to interest rate and exchange rate hedge transactions, in accordance with its management rules.

In addition, Compagnie de Financement Foncier carried out a number of macro hedging transactions to maintain its interest rate position over the remaining term of outstanding loans within the narrow limits it has undertaken to respect.

However, transactions aimed at restructuring the derivatives portfolio significantly reduced the related outstandings in 2012 and 2013.

Lastly, at 30 June 2013, outstandings in micro and macro hedging instruments consisted of €84 billion in interest rate swaps and €35 billion in currency swaps; this compared with €102 billion and €47 billion at 30 June 2012 and €89 billion and €41 billion at end-2012.

### Liquidity risk

The extremely prudent liquidity management policy was continued in the first half of 2013, with Compagnie de Financement Foncier remaining committed to maintaining available cash flow to deal with the contractual maturities on all of its senior debt, for one year, with no new financing.

At 30 June 2013, Compagnie de Financement Foncier had available cash of €12.3 billion in replacement values, mainly invested (€10.1 billion) in loans with a term of less than two months granted to BPCE and guaranteed by an asset portfolio of €8.2 billion.

Furthermore, Compagnie de Financement Foncier has a very large volume of assets that are eligible for the ECB's financing operations. At 30 June 2013, outstandings eligible for these operations totalled €43 billion in nominal terms, broken down as:

- €7 billion in public sector loans;
- €10 billion in securities;
- €26 billion in mortgage loans to individuals that meet the criteria set out by the Banque de France after the ECB's decision on 9 February 2012 to expand, on a temporary and national basis, the conditions under which receivables may be accepted as collateral for financing operations in the Eurosystem.

At 30 June 2013, only €1.2 billion of this amount had been used in this way, to raise liquidity of €1 billion. In view of this volume of eligible assets, and after applying a cautious haircut calculation, the additional financing that may be provided by the ECB can be estimated at €16 billion, while keeping the overcollateralisation ratio above its regulatory limit of 102%.

Compagnie de Financement Foncier ensures that its balance sheet is comfortably backed by liquidity at all times; this is demonstrated by the narrow gap between the duration of assets and liabilities; at 30 June 2013, this stood at 6.7 years and 7.3 years, very close to the figures at end-2012, which were 6.6 and 7.0 years.

# Financial report

## Interim Financial Statements



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## Balance sheet

(in thousands of euros)

As per notes	ASSETS	06/30/13	06/30/12	12/31/12
	Cash and amounts due from central banks	18,672	19,333	3,705,503
1	Loans and receivables due from credit institutions	18,469,367	23,219,400	18,244,086
	- <i>On demand</i>	1,826,220	2,317,429	216,953
	- <i>At maturity</i>	16,643,147	20,901,971	18,027,133
2	Customer transactions	40,238,427	40,483,224	41,343,429
	- <i>Other facilities granted to customers</i>	40,238,427	40,483,224	41,343,429
3	Bonds and other fixed-income securities	29,927,723	40,346,211	33,418,447
	Intangible assets and property, plant and equipment			
4	Other assets	153,427	68,992	5,603
5	Asset adjusting account	3,238,638	2,964,241	4,065,221
	<b>TOTAL ASSETS</b>	<b>92,046,254</b>	<b>107,101,402</b>	<b>100,782,289</b>

As per notes	LIABILITIES	06/30/13	06/30/12	12/31/12
	Central banks			
6	Due to credit institutions	3,781,847	5,925,202	3,853,303
	- <i>On demand</i>		61,214	22,141
	- <i>At maturity</i>	3,781,847	5,863,988	3,831,162
7	Customer transactions	15,595	6,689	19,805
	- <i>On demand</i>	15,595	6,689	19,805
8	Debt securities	77,379,032	89,181,493	84,594,979
	- <i>Interbank securities and negotiable debt securities</i>	151,084	151,533	153,932
	- <i>Bond issues (obligations foncières)</i>	77,227,949	89,029,960	84,441,047
9	Other liabilities	3,174,903	4,285,012	4,641,898
10	Liabilities adjusting account	2,410,695	2,433,943	2,342,426
11	Provisions	16,151	10,636	15,384
12	Subordinated debt	3,467,478	3,469,535	3,450,137
	Reserve for general banking risks	20,000	20,000	20,000
13	Equity excl. Reserve for general banking risks	1,780,552	1,768,891	1,844,356
	- <i>Share capital</i>	1,187,460	1,187,460	1,187,460
	- <i>Additional paid-in capital</i>	343,002	343,002	343,002
	- <i>Reserves</i>	101,997	95,367	95,367
	- <i>Regulated provisions and investment grants</i>			
	- <i>Retained earnings</i>	86,472	85,946	85,946
	- <i>Net income to be allocated</i>			
	- <i>Net income for the period</i>	61,622	57,116	132,581
	<b>TOTAL LIABILITIES</b>	<b>92,046,254</b>	<b>107,101,402</b>	<b>100,782,289</b>



## Off-balance sheet

(in thousands of euros)

As per notes	06/30/13	06/30/12	12/31/12
<b>14</b>	<b>COMMITMENTS GIVEN</b>		
	Financing commitments		
		3,000,000	
			1,808,158
	2,466,216	2,956,962	
	1,522,474	4,954,439	1,585,009
	Guarantee commitments		
		130,000	
<b>15</b>	<b>COMMITMENTS RECEIVED</b>		
	Financing commitments		
	3,330,028	6,924,377	4,106,460
	21,781,590	24,941,691	23,126,518
	Guarantee commitments		
	6,944,487	10,056,690	7,216,584
	34,003,240	33,727,526	34,322,018
	35,257		
	<b>RECIPROCAL COMMITMENTS</b>		
16	35,071,500	46,521,261	40,678,758
17	87,130,263	105,024,816	92,252,489

## Income statement

(in thousands of euros)

As per notes	06/30/13	06/30/12	12/31/12
18	2,057,299	2,557,588	5,099,457
18	-1,902,039	-2,272,180	-4,649,350
	155,260	285,407	450,107
19	20,551	15,966	29,581
19	-1,840	-3,242	-5,124
20	-44	864	-577
21		-2,898	1,087
22	99	316	399
22	-488	-374	-350
	173,539	296,039	475,123
23	-100	-102	-191
23	-7,856	-10,413	-19,928
23	-41,529	-41,536	-84,145
	-49,485	-52,051	-104,263
	124,054	243,988	370,860
24	-5,657	-5,424	-10,699
	118,397	238,564	360,161
25	-22,170	-143,608	-140,371
	96,227	94,956	219,790
26	-34,605	-37,840	-87,209
	<b>61,622</b>	<b>57,116</b>	<b>132,581</b>
	0.83	0.77	1.79
	0.83	0.77	1.79

<sup>(1)</sup> Earnings per share are calculated by dividing net income by the average number of shares outstanding in 2013. The notes on the following pages are part of the half-year individual financial statements.

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

## 1. General framework

Compagnie de Financement Foncier is authorised to operate as a *société de crédit foncier* under the law of 25 June 1999 on savings and financial security. As such, it is subject to Articles L. 515-13 to L. 515-33 of the French Monetary and financial code.

It is a credit institution licensed to operate as a financial company by decision of the Committee for credit institutions and investment companies (*Comité des établissements de crédit et des entreprises d'investissement*) on 23 July 1999. Accordingly, it applies CRBF Regulation 99-10, as subsequently amended, which is specific to *sociétés de crédit foncier*. This mainly concerns:

- the valuation of property financed by loans eligible as an asset for *sociétés de crédit foncier*;
- the valuation of the assets and liabilities of these companies;
- and their specific management standards.

Compagnie de Financement Foncier is affiliated with BPCE. As such, it benefits from the BPCE Group guarantee and liquidity mechanism. As an affiliated subsidiary, Compagnie de Financement Foncier does not contribute to the network's solidarity mechanism and will not be called upon in the event that a Banque Populaire or Caisse d'Épargne fails.

## 2. Highlights during the first half

### 2.1. Core business activity

In the first half of 2013, Compagnie de Financement Foncier acquired receivables from Crédit Foncier totalling €1,614.7 million, including related receivables, in addition to €226.8 million in loans not yet released and recognised under "Financing commitments given". It also acquired a Treasury receivable of €48.6 million (€951.4 million in unreleased capital).

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 the collateralisation of receivables, Compagnie de Financement Foncier has arranged several credit lines with its parent company, Crédit Foncier, totalling €4,550 million at 30 June 2013, and with certain Caisses d'Épargne banks, totalling €107.8 million at 30 June 2013. The same facility was also granted to BPCE SA, amounting to €10,100 million at 30 June 2013 excluding related receivables. These loans were 80% collateralised.

The replacement values of Compagnie de Financement Foncier, defined according to Decree No. 2007-745 of 9 May 2007 on the solvency of credit institutions and investment companies and on *sociétés de crédit foncier*, and amending the French Monetary and financial code, total €12,271.8 million.

In terms of refinancing, Compagnie de Financement Foncier issued €2,965 million in covered bonds in the first half of 2013 as part of the annual issuance programme. It also arranged refinancing with Banque de France *via* the collateral management mechanism (3G pool). The amount outstanding on this loan at 30 June 2013 was €1,000 million, the same as at 31 December 2012.

## 2.2. International exposures

As part of its strategic plan unveiled in 2011, the Crédit Foncier Group has continued to reduce its international exposures by halting new origination in this sector and proceeding with the sale of several holdings, accompanied, where applicable, by the repurchase and cancellation of covered bonds, assets and liabilities which for the most part are carried on the balance sheet of Compagnie de Financement Foncier.

The sales of securities involved €2,121.5 million in outstandings and concerned international public sector securities, as well as securitisation fund units.

These sales and the cancellation of the associated hedging swaps generated capital losses of a net amount before tax of €22.2 million in the first half of 2013, *versus* €143.6 million in the first half of 2012, posted to the income statement under "Net gains/losses on fixed assets".

In parallel with the reduction in assets, Compagnie de Financement Foncier continued to repurchase some of its covered bonds on the market. These securities, repurchased on the secondary market, with a value of €721.9 million on the repurchase date, were cancelled, thus reducing bond debt by the same amount. The premiums/discounts realised on these repurchases were recognised directly in the income statement, under "Interest and similar income" or "Interest and similar expense", in accordance with the regulations. Gains or losses on the termination of hedges associated with cancelled issues were recognised directly in the income statement under the same headings ("Interest and similar income" or "Interest and similar expense").

The net impact on income before tax of these repurchases in the first half of 2013 was a gain of €15.3 million *versus* a gain of €124.4 million in the first half of 2012.

With the capital losses arising from the sales, net income from deleveraging operations in the first half thus stood at -€6.9 million.

## 2.3. Sale of securitisation units

In 2008, Compagnie de Financement Foncier entered into an agreement with its parent company to offset the impact of a fall in weighting, within the meaning of Article 9 of CRBF Regulation 99-10 on *sociétés de crédit foncier*, of a portfolio of securitisation units in the event of these being downgraded below a certain level.

Under this agreement, Compagnie de Financement Foncier has sold several lines of securitisation units originally classified as "held-to-maturity securities" to its parent company at their carrying amount, equivalent to €216.9 million.

## 2.4. Off-balance sheet restructuring

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

Thus, several interest rate hedging swaps were cancelled with external counterparties, representing a total amount of €933 million. Compagnie de Financement Foncier thus received a net termination payment of €34.9 million.

All of these net termination payments, as well as the unamortised balance at the termination date of the initial termination payments, were deferred and reported on the income statement according to the maturity of the underlyings under “Interest and similar income” or “Interest and similar expense”.

## 3. Post balance sheet events

No subsequent event liable to have a significant impact on the financial statements at 30 June 2013 occurred between the reporting date and 28 August 2013, the date on which the Board of Directors approved the half-year accounts.

## 4. Accounting principles and methods

### 4.1 Measurement and presentation methods applied

The condensed half-year financial statements of Compagnie de Financement Foncier are prepared and presented in accordance with the rules defined by BPCE, in keeping with France’s national accounting standards authority (*Autorité des Normes Comptables* - ANC). In accordance with CRBF Regulation No. 91-01, amended by ANC Regulation Nos. 2010-08 and 2001-02 of the CRC, and Recommendation No. 2001-R.02, the condensed financial statements are presented according to the format envisaged for financial institutions.

### 4.2 Changes to accounting methods

No changes were made to the accounting methods used to prepare the financial statements for the first half of 2013.

### 4.3 Accounting principles and valuation methods

The financial statements for the period are presented in the same way as in the previous period. General accounting conventions have been applied in accordance with the conservatism principle, based on the following core assumptions:

- business continuity;
- permanence of accounting methods;
- periodicity;

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. Specifically, income and expenses for the period were recognised on an accrual basis.

## Note 1: loans and receivables due from credit institutions

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Due from credit institutions – repayable on demand	1,826,220	2,317,429	216,953
Current accounts	1,354,606	70,365	216,950
Overnight deposits and loans	300,000	2,247,000	
Unallocated amounts (payable on demand)	171,611	33	3
Related receivables	3	31	
Due from credit institutions – repayable at maturity	16,643,147	20,901,971	18,027,133
Term accounts and loans	1,870,679	3,438,288	1,675,749
Receivables guaranteed by repo securities <sup>(2)</sup>	14,757,800	17,456,856	16,323,118
Securities bought under repurchase agreements			
Subordinated and participating loans			
Related receivables	14,668	6,827	28,266
Doubtful loans			
<b>Gross amount of loans and receivables</b>	<b>18,469,367</b>	<b>23,219,400</b>	<b>18,244,086</b>
Impairment of doubtful loans			
Impairment of doubtful loans			
<b>NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS <sup>(1)</sup></b>	<b>18,469,367</b>	<b>23,219,400</b>	<b>18,244,086</b>
<sup>(1)</sup> of which subsidised sector	218	396	284

BREAKDOWN OF TERM ACCOUNTS (GROUP/NON-GROUP)			
Term accounts and loans			
- of which group transactions	335,498	48,162	48,413
- of which non-group transactions	1,535,181	3,390,126	1,627,336
Receivables guaranteed by repo securities			
- of which group transactions <sup>(2)</sup>	14,757,800	17,456,856	16,323,118
- of which non-group transactions			
Related receivables			
- of which group transactions			
- of which non-group transactions	14,668	6,827	28,266
<b>Group receivables</b>	<b>15,093,298</b>	<b>17,505,018</b>	<b>16,371,531</b>
<b>Non-group receivables</b>	<b>1,549,848</b>	<b>3,396,953</b>	<b>1,655,602</b>
<b>TOTAL</b>	<b>16,643,147</b>	<b>20,901,971</b>	<b>18,027,133</b>

BREAKDOWN OF DEMAND ACCOUNTS (GROUP/NON-GROUP)			
Demand deposits and loans			
- of which group transactions	1,245,051	51,273	213,253
- of which non-group transactions	409,555	2,266,091	3,697
Related receivables			
- of which group transactions			
- of which non-group transactions	3	31	
Unallocated amounts			
- of which group transactions (Crédit Foncier level)			
- of which non-group transactions	171,611	33	3
<b>Group receivables</b>	<b>1,245,051</b>	<b>51,273</b>	<b>213,253</b>
<b>Non-group receivables</b>	<b>581,169</b>	<b>2,266,155</b>	<b>3,700</b>
<b>TOTAL</b>	<b>1,826,220</b>	<b>2,317,429</b>	<b>216,953</b>

<sup>(2)</sup> Guaranteed short-term paper issued by Groupe BPCE companies, in respect of replacement values, and local authority receivables used as collateral pursuant to L. 211-38.

## Note 1a: breakdown of outstanding receivables due at maturity from credit institutions

(in thousands of euros)

	06/30/13		06/30/12	12/31/12
	Gross value	Impairment	Net value	Net value
<b>TERM RECEIVABLES</b>				
Refinancing of subsidised residential property	218		218	396
Refinancing of unsubsidised residential property	605		605	730
Public entities	1,540,183		1,540,183	3,395,702
Structured finance				
Other loans to credit institutions <sup>(1)</sup>	15,102,140		15,102,140	17,505,018
Doubtful term receivables				
<b>NET AMOUNT OF LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS</b>	<b>16,643,147</b>		<b>16,643,147</b>	<b>20,901,971</b>
<i><sup>(1)</sup> of which: Guaranteed short-term paper pursuant to L. 211-38, in respect of replacement values, with BPCE</i>			10,100,000	14,000,000
<i>Loans guaranteed by local authority receivables pursuant to L. 211-38, with Crédit Foncier</i>			4,550,000	3,330,000
<i>Loans guaranteed by local authority receivables pursuant to L. 211-38, with Caisses d'Épargne</i>			107,800	114,400
<i>Dedicated funds</i>			335,166	47,937
<i>Accrued interest and other receivables</i>			9,174	12,681

## Note 2: loans and receivables due from customers

(in thousands of euros)

	Performing loans			Doubtful loans			Impairment			Net amounts		
	06/30/13	06/30/12	12/31/12	06/30/13	06/30/12	12/31/12	06/30/13	06/30/12	12/31/12	06/30/13	06/30/12	12/31/12
<b>CURRENT ACCOUNTS WITH OVERDRAFTS</b>												
<b>OTHER FACILITIES GRANTED TO CUSTOMERS <sup>(1)</sup></b>												
Loans to financial customers												
Export loans												
Short-term credit facilities <sup>(2)</sup>	1,355,666	1,588,134	2,067,140							1,355,666	1,588,134	2,067,140
Equipment loans <sup>(3)</sup>	8,055,047	8,703,510	8,351,579	780	746	751	282	243	280	8,055,545	8,704,014	8,352,050
Home loans	29,733,639	29,199,676	29,890,953	925,312	760,163	829,429	27,828	25,809	23,700	30,631,123	29,934,030	30,696,681
Other customer loans	6,255	45,837	41,998	226	1,453	1,489	1,168	1,079	1,125	5,313	46,210	42,362
Unallocated amounts												
Subordinated loans												
Related receivables	188,139	208,606	182,876	2,640	2,230	2,319				190,780	210,836	185,195
<b>TOTAL <sup>(1)(4)</sup></b>	<b>39,338,746</b>	<b>39,745,763</b>	<b>40,534,546</b>	<b>928,958</b>	<b>764,592</b>	<b>833,988</b>	<b>29,278</b>	<b>27,131</b>	<b>25,105</b>	<b>40,238,427</b>	<b>40,483,224</b>	<b>41,343,429</b>
<i><sup>(1)</sup> of which subsidised sector</i>	<i>368,633</i>	<i>488,591</i>	<i>426,776</i>	<i>105,216</i>	<i>126,075</i>	<i>113,840</i>	<i>82</i>	<i>89</i>	<i>80</i>	<i>473,766</i>	<i>614,577</i>	<i>540,535</i>
<i>of which unsubsidised sector</i>	<i>38,970,114</i>	<i>39,257,172</i>	<i>40,107,770</i>	<i>823,742</i>	<i>638,517</i>	<i>720,148</i>	<i>29,196</i>	<i>27,042</i>	<i>25,025</i>	<i>39,764,660</i>	<i>39,868,647</i>	<i>40,802,893</i>

Restructured loans amounted to €196.5 million at 30 June 2013.

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

<sup>(2)</sup> In 2007, the company acquired the public-sector receivables of Ixis CIB, now Natixis, which include permanent credit facilities of €1,356 million at 30 June 2013, versus €2,021 million at 31 December 2012 and €1,588 million at 30 June 2012.

<sup>(3)</sup> Equipment loans are loans to local authorities.

<sup>(4)</sup> The principal outstanding on customer loans eligible for central bank refinancing stood at €6,813 million at 30 June 2013.

## Note 2a1: impairment and provisions for credit risk

(in thousands of euros)

	12/31/11	Allocations	Reversals	12/31/12	Allocations	Reversals	Misc. transactions	06/30/13
<b>IMPAIRMENT DEDUCTED FROM ASSETS</b>								
Customer loans and due from credit institutions <sup>(1)</sup>	24,001	11,766	-10,662	25,105	15,510	-11,337		29,278
<b>PROVISIONS RECOGNISED IN LIABILITIES</b>								
Customer loans and due from credit institutions and on securities	6,572	7,662	-53	14,181	1,766	-1,000		14,947
<b>TOTAL</b>	<b>30,573</b>	<b>19,428</b>	<b>-10,715</b>	<b>39,286</b>	<b>17,276</b>	<b>-12,337</b>		<b>44,225</b>

<sup>(1)</sup> Loan impairment is measured at discounted value in accordance with CRC 2002-03.

## Note 2a2: premiums/discounts on acquired receivables

(in thousands of euros)

	12/31/11	New entries	Amortisation	12/31/12	New entries	Amortisation	06/30/13
<b>DUE FROM CREDIT INSTITUTIONS</b>							
Premiums	89,434		-10,359	79,075		-5,130	73,945
Discounts							
Net	89,434		-10,359	79,075		-5,130	73,945
<b>CUSTOMER LOANS</b>							
Premiums	486,253	192,018	-79,228	599,043	108,813	-45,141	662,715
Discounts	-888,864	-99,592	145,623	-842,833	-1,014	32,806	-811,041
Net	-402,611	92,426	66,395	-243,790	107,799	-12,335	-148,326
<b>TOTAL</b>	<b>-313,177</b>	<b>92,426</b>	<b>56,036</b>	<b>-164,715</b>	<b>107,799</b>	<b>-17,465</b>	<b>-74,381</b>

## Note 2b: breakdown of customer loans

(in thousands of euros)

	06/30/13		06/30/12	12/31/12
	GROSS	IMPAIRMENT	NET	
Individuals	25,532,065		25,532,065	25,542,632
- Subsidised sector	139,870		139,870	181,519
- Unsubsidised sector	25,391,787		25,391,787	25,360,688
- Other	408		408	425
Small-business owners	1,410,360		1,410,360	1,390,443
- Subsidised sector	8,703		8,703	10,788
- Unsubsidised sector	1,401,657		1,401,657	1,379,655
- Other				
Local and central government	9,261,386		9,261,386	10,306,014
- Subsidised sector	63,844		63,844	68,154
- Unsubsidised sector	309,334		309,334	322,712
- Other	8,888,208		8,888,208	9,915,148
Providers of social housing	2,450,365		2,450,365	2,599,866
- Subsidised sector	145,090		145,090	157,162
- Unsubsidised sector	2,239,155		2,239,155	2,373,428
- Other	66,120		66,120	69,276
Property investors	5,434		5,434	5,536
- Subsidised sector	1,931		1,931	1,980
- Unsubsidised sector	3,503		3,503	3,432
- Other				124
Structured finance	679,108		679,108	689,013
- Subsidised sector	9,189		9,189	6,888
- Transport				
- Major projects	660,002		660,002	663,923
- Other	9,917		9,917	18,202
Other	28		28	1,042
- Subsidised sector	5		5	285
- Unsubsidised sector	23		23	27
- Other				730
<b>Subtotal customer loans</b>	<b>39,338,746</b>		<b>39,338,746</b>	<b>39,745,763</b>
DOUBTFUL LOANS	928,958	29,278	899,680	808,883
of which subsidised sector	105,216	82	105,134	113,760
of which unsubsidised sector	823,742	29,196	794,546	695,123
<b>TOTAL CUSTOMER LOANS <sup>(1)</sup></b>	<b>40,267,704</b>	<b>29,278</b>	<b>40,238,426</b>	<b>40,483,224</b>
<sup>(1)</sup> of which subsidised sector	473,848	82	473,766	540,536
of which unsubsidised sector	39,793,856	29,196	39,764,660	40,802,893



## Note 2c: breakdown of doubtful loans

(in thousands of euros)

At 06/30/13	Total doubtful loans			Of which irrecoverable doubtful loans		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
Individuals	786,962	25,307	761,655	146,853	20,218	126,635
- Subsidised residential property	17,584	43	17,541			
- Unsubsidised residential property	769,233	25,143	744,090	146,733	20,098	126,635
- Other	145	121	24	120	120	
Small-business owners	41,162	2,509	38,653	10,794	2,085	8,709
- Subsidised residential property	5,046		5,046			
- Unsubsidised residential property	36,084	2,502	33,582	10,786	2,083	8,703
- Other	32	7	25	8	2	6
Local and central government	941	1	940			
- Subsidised residential property	450		450			
- Unsubsidised residential property						
- Other	491	1	490			
Providers of social housing	11,854	327	11,527	88	47	41
- Subsidised residential property						
- Unsubsidised residential property	11,151	312	10,839	88	47	41
- Other	703	15	688			
Property investors	85,143	871	84,272	2,090	804	1,286
- Subsidised residential property	80,697	39	80,658			
- Unsubsidised residential property	3,942	710	3,232	1,590	682	908
- Other	504	122	382	500	122	378
Structured finance	2,896	263	2,633	561	244	317
- Subsidised residential property	1,439		1,439			
- Unsubsidised residential property						
- Other	1,457	263	1,194	561	244	317
Other						
<b>TOTAL <sup>(1)</sup></b>	<b>928,958</b>	<b>29,278</b>	<b>899,680</b>	<b>160,386</b>	<b>23,398</b>	<b>136,988</b>
<sup>(1)</sup> of which subsidised sector	105,216	82	105,134			
of which unsubsidised sector <sup>(2)</sup>	823,742	29,196	794,546	160,386	23,398	136,988

<sup>(2)</sup> Doubtful loans outstanding in the unsubsidised sector includes €372.5 million in loans guaranteed by SGFGAS.

In accordance with CRC Regulation 2005-03, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with an FGAS guarantee.

(in thousands of euros)

At 06/30/12	Total doubtful loans			Of which irrecoverable doubtful loans		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
Individuals	632,926	23,140	609,786	66,192	16,659	49,533
- Subsidised residential property	35,098	43	35,055			
- Unsubsidised residential property	596,256	21,936	574,320	64,645	15,498	49,147
- Other	1,572	1,161	411	1,547	1,161	386
Small-business owners	37,256	2,241	35,015	6,592	1,858	4,734
- Subsidised residential property	6,032		6,032			
- Unsubsidised residential property	31,209	2,238	28,971	6,583	1,856	4,727
- Other	15	3	12	9	2	7
Local and central government	1,659	10	1,649			
- Subsidised residential property	524		524			
- Unsubsidised residential property						
- Other	1,135	10	1,125			
Providers of social housing	4,443	98	4,345	84	48	36
- Subsidised residential property	433		433			
- Unsubsidised residential property	3,716	88	3,628	84	48	36
- Other	294	10	284			
Property investors	85,029	765	84,264	1,391	581	810
- Subsidised residential property	83,052	46	83,006			
- Unsubsidised residential property	1,473	597	876	1,387	581	806
- Other	504	122	382	4		4
Structured finance	3,279	877	2,402	639	217	422
- Subsidised residential property	936		936			
- Unsubsidised residential property						
- Other	2,343	877	1,466	639	217	422
Other						
<b>TOTAL <sup>(1)</sup></b>	<b>764,592</b>	<b>27,131</b>	<b>737,461</b>	<b>74,898</b>	<b>19,363</b>	<b>55,535</b>
<sup>(1)</sup> of which subsidised sector	126,075	89	125,986			
of which unsubsidised sector <sup>(2)</sup>	638,517	27,042	611,475	74,898	19,363	55,535

<sup>(2)</sup> Doubtful loans outstanding in the unsubsidised sector includes €294.6 million in loans guaranteed by SGFGAS.

In accordance with CRC Regulation 2005-03, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with an FGAS guarantee.

(in thousands of euros)

At 12/31/12	Total doubtful loans			Of which irrecoverable doubtful loans		
	GROSS	IMPAIRMENT	NET	GROSS	IMPAIRMENT	NET
Individuals	704,876	21,631	683,245	107,147	20,144	87,003
- Subsidised residential property	25,242	42	25,200			
- Unsubsidised residential property	678,026	20,347	657,679	105,563	18,902	86,661
- Other	1,608	1,242	366	1,584	1,242	342
Small-business owners	37,021	2,258	34,763	8,208	1,946	6,262
- Subsidised residential property	5,293		5,293			
- Unsubsidised residential property	31,713	2,256	29,457	8,199	1,944	6,255
- Other	15	2	13	9	2	7
Local and central government	1,583	16	1,567			
- Subsidised residential property	385		385			
- Unsubsidised residential property						
- Other	1,198	16	1,182			
Providers of social housing	2,250	119	2,131	86	50	36
- Subsidised residential property						
- Unsubsidised residential property	2,054	117	1,937	86	50	36
- Other	196	2	194			
Property investors	85,137	798	84,339	1,949	746	1,203
- Subsidised residential property	81,379	38	81,341			
- Unsubsidised residential property	3,254	638	2,616	1,445	624	821
- Other	504	122	382	504	122	382
Structured finance	3,121	283	2,838	751	251	500
- Subsidised residential property	1,541		1,541			
- Unsubsidised residential property						
- Other	1,580	283	1,297	751	251	500
Other						
<b>TOTAL <sup>(1)</sup></b>	<b>833,988</b>	<b>25,105</b>	<b>808,883</b>	<b>118,141</b>	<b>23,137</b>	<b>95,004</b>
<sup>(1)</sup> of which subsidised sector	113,840	80	113,760			
of which unsubsidised sector <sup>(2)</sup>	720,148	25,025	695,123	118,141	23,137	95,004

<sup>(2)</sup> Doubtful loans outstanding in the unsubsidised sector includes €327.9 million in loans guaranteed by SGFGAS.

In accordance with CRC Regulation 2005-03, irrecoverable doubtful loans do not include loans with a guarantee covering nearly all of the risks. These are mainly subsidised sector loans and loans with an FGAS guarantee.

## Note 3: available-for-sale and held-to-maturity securities

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Available-for-sale securities <sup>(1)</sup>	8,902,069	10,159,977	9,301,157
Bonds <sup>(4)</sup>	25,341	75,805	25,462
Interbank market securities (mortgage notes) <sup>(4)</sup>	8,865,000	10,061,500	9,263,000
Negotiable debt securities			
Related receivables	11,728	22,672	12,695
Gross amounts	8,902,069	10,159,977	9,301,157
Impairment of fixed-income securities		-22,660	
<b>AVAILABLE-FOR-SALE SECURITIES NET AMOUNTS</b>	<b>8,902,069</b>	<b>10,137,317</b>	<b>9,301,157</b>
<b>HELD-TO-MATURITY SECURITIES <sup>(2)</sup></b>	<b>21,025,654</b>	<b>30,208,894</b>	<b>24,117,290</b>
Bonds <sup>(4)</sup>	11,305,757	13,719,484	12,157,135
Securitisation units <sup>(4) (5)</sup>	9,550,418	16,300,165	11,786,278
Impairment of held-to-maturity securities		-25,000	
Related receivables	169,479	214,245	173,877
<b>TOTAL AVAILABLE-FOR-SALE AND HELD-TO-MATURITY SECURITIES <sup>(3)</sup></b>	<b>29,927,723</b>	<b>40,346,211</b>	<b>33,418,447</b>

<sup>(1)</sup> At 30 June 2013, the fair value of listed available-for-sale debt securities was €25,341,000, of which €386,000 was in unrealised capital gains (before swaps).

<sup>(2)</sup> No unrealised capital loss was recognised at 30 June 2013 for held-to-maturity securities (data published in accordance with CRC Regulation 2004-16 of 23 November 2004 on information required since the transposition of the EU Fair Value Directive and Modernisation Directive).

<sup>(3)</sup> There are no doubtful loans in the securities portfolio.

<sup>(4)</sup> of which:

	06/30/13	06/30/12	12/31/12
Listed securities	16,798,753	23,995,271	19,629,728
Unlisted securities	12,947,763	16,139,023	13,602,147
<b>TOTAL</b>	<b>29,746,516</b>	<b>40,134,294</b>	<b>33,231,875</b>

<sup>(5)</sup> of which €418.7 million in Italian mutual fund units not considered as securitisation units in the prudential sense.

In accordance with CB Instruction 94-07, the total fair value of the held-to-maturity securities portfolio is €20,686 million, excluding related receivables.

In the first half of 2013, no reclassification in held-to-maturity securities was made.

At 30 June 2013, exposures to sovereigns subject to the European Union bailout plan (Greece, Ireland, Portugal, Cyprus) were as follows:

(in thousands of euros)

Country	Nominal	Carrying amount excluding accrued interest not yet due	Fair value excluding accrued interest not yet due
Ireland	135	135	146.7
Cyprus	50	50	32.3

The sovereign risk exposure of Compagnie de Financement Foncier in other countries is covered in the risk management report.

## Note 3a: premiums/discounts

(in thousands of euros)

At 06/30/13	Gross value	Redemption value	Difference +/-
<b>AVAILABLE-FOR-SALE SECURITIES</b>			
Bonds	25,341	25,341	
Other fixed-income securities	8,865,000	8,865,000	
<b>HELD-TO-MATURITY SECURITIES</b>			
Bonds	11,305,757	11,282,860	-22,897
Other fixed-income securities	9,550,418	9,565,656	15,238

## Note 3b: financial fixed assets

(in thousands of euros)

	Gross amount at 12/31/11	Acquisitions	Sales/Redemptions <sup>(1)</sup>	Reclassifications	Premium/discount variation	Change in exchange rates	Gross amount at 12/31/12	Acquisitions	Sales/Redemptions <sup>(1)</sup>	Reclassifications	Premium/discount variation	Change in exchange rates	Gross amount at 06/30/13
Held-to-maturity securities	31,666,236	31,061	-7,412,026		10,951	-352,809	23,943,413		-2,833,707		-2,022	-251,509	20,856,175
<b>TOTAL</b>	<b>31,666,236</b>	<b>31,061</b>	<b>-7,412,026</b>		<b>10,951</b>	<b>-352,809</b>	<b>23,943,413</b>		<b>-2,833,707</b>		<b>-2,022</b>	<b>-251,509</b>	<b>20,856,175</b>
Related receivables	240,970						173,877				-4,454	56	169,479
<b>GRAND TOTAL</b>	<b>31,907,206</b>	<b>31,061</b>	<b>-7,412,026</b>		<b>10,951</b>	<b>-352,809</b>	<b>24,117,290</b>		<b>-2,833,707</b>		<b>-6,476</b>	<b>-251,453</b>	<b>21,025,654</b>

<sup>(1)</sup> Sales took place where this was legally possible (CRBF 90-01), mainly following the downgrading of an issuer or due to regulatory constraints.

## Note 4: other assets

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Conditional instruments purchased	1,058	2,106	1,518
Settlement accounts on securities transactions		860	
Miscellaneous receivables	152,369	3,211	4,085
- Deposits received on collateralisation transactions			
- Other deposits and guarantees	22	22	22
- Tax consolidation receivables	151,349		
- Other miscellaneous receivables	998	3,189	4,063
Special bonus account		62,815	
<b>TOTAL</b>	<b>153,427</b>	<b>68,992</b>	<b>5,603</b>

## Note 5: asset adjusting accounts

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Collection accounts			
Deferred expenses	350,018	425,956	387,728
Issue and redemption premiums on fixed-income securities	350,018	425,956	387,728
Other deferred expenses			
Prepaid expenses	1,072,329	645,727	1,125,682
Deferred cash adjustments paid on swaps	1,068,499	645,327	1,125,594
Other prepaid expenses	3,830	400	88
Accrued income	1,102,642	1,401,558	1,582,496
Accrued interest due on swaps	1,100,198	1,397,710	1,578,842
Other accrued income	2,444	3,848	3,654
Other accrued income	713,649	491,001	969,314
Cash in domiciliation to be collected	214,613	107,416	211,308
Deferred tax assets <sup>(1)</sup>	298,447	141,799	322,006
Currency adjustment accounts <sup>(2)</sup>			56,037
Other <sup>(3)</sup>	200,590	241,786	379,964
<b>TOTAL</b>	<b>3,238,638</b>	<b>2,964,241</b>	<b>4,065,221</b>

<sup>(1)</sup> Deferred tax assets are essentially made up of temporary differences, and do not suggest any uncertainty as to their use.

<sup>(2)</sup> This item restores the balance between assets and liabilities following the recognition in the income statement of gains or losses arising on the valuation of off-balance sheet transactions in foreign currency (see Note 16). A similar item can be found in Note 10.

<sup>(3)</sup> Of which borrowers (payments to be applied to loan accounts) and release of loan funds on behalf of Crédit Foncier: €44,407,000 at 30 June 2013 versus €29,317,000 at 30 June 2012 and €96,063,000 at 31 December 2012.

## Note 5a: deferred expenses

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
<b>ISSUE OR REDEMPTION PREMIUMS</b>			
Debt securities			
<i>Obligations foncières</i>			
- Subsidised sector	666	1,253	957
- Unsubsidised sector	349,353	424,703	386,771
Negotiable debt securities (BMTN)			
<b>Total issue or redemption premium</b>	<b>350,018</b>	<b>425,956</b>	<b>387,728</b>
<b>TOTAL DEFERRED EXPENSES</b>	<b>350,018</b>	<b>425,956</b>	<b>387,728</b>

## Note 6: due to credit institutions

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Due to credit institutions – repayable on demand		61,214	22,141
Demand deposits of credit institutions			125
Overnight loans from credit institutions		50,000	
Other amounts due to credit institutions		11,213	22,016
Related payables		1	
<b>Due to credit institutions – repayable at maturity</b>	<b>3,781,847</b>	<b>5,863,988</b>	<b>3,831,162</b>
Term deposits and loans <sup>(1)</sup>	3,148,624	5,233,607	3,201,507
Non-collateralised repurchase agreements			
Collateralised repurchase agreements	597,829	597,829	597,829
Related payables	35,395	32,552	31,827
<b>TOTAL</b>	<b>3,781,847</b>	<b>5,925,202</b>	<b>3,853,303</b>

Breakdown of amounts payable on demand (group/non-group)		61,214	22,141
Of which group		50,978	882
- <i>Other amounts due to credit institutions</i>		978	882
- <i>Overnight loans from credit institutions</i>		50,000	
- <i>Related payables</i>		1	
Of which non-group		10,236	21,259
- <i>Other amounts due to credit institutions</i>		10,236	21,259
Breakdown of amounts payable at maturity (group/non-group)	3,781,847	5,863,988	3,831,162
Of which group	2,726,705	4,791,120	2,763,524
- <i>Term deposits and loans</i>	2,128,265	4,191,692	2,164,938
- <i>Securities sold under repurchase agreements</i>	598,440	599,429	598,587
of which non-group	1,055,143	1,072,868	1,067,638
- <i>Banque de France refinancing (3G pool)</i>	1,000,000	1,000,000	1,000,000
- <i>Other term loans</i>	41,551	65,894	56,730
- <i>Securities sold under repurchase agreements</i>			
- <i>Related payables</i>	13,592	6,974	10,908
<b>DUE TO GROUP BANKS</b>	<b>2,726,704</b>	<b>4,842,099</b>	<b>2,764,406</b>
<b>DUE TO NON-GROUP BANKS</b>	<b>1,055,143</b>	<b>1,083,103</b>	<b>1,088,897</b>
<b>TOTAL</b>	<b>3,781,847</b>	<b>5,925,202</b>	<b>3,853,303</b>
<sup>(1)</sup> of which subsidised sector	21,355	20,526	22,128

## Note 7: due to customers

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
<b>CURRENT ACCOUNTS</b>			
Other demand accounts and term deposits	15,595	6,689	19,805
Other amounts due	15,595	6,689	19,805
Other term loans to customers			
Term deposits			
Related payables			
<b>TOTAL</b>	<b>15,595</b>	<b>6,689</b>	<b>19,805</b>

## Note 8: debt securities

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Negotiable debt securities	150,000	150,000	150,000
Related payables	1,084	1,533	3,932
Negotiable debt securities and accrued interest	151,084	151,533	153,932
Covered bonds <sup>(1)</sup>	75,716,224	87,491,226	82,456,423
Related payables	1,511,725	1,538,734	1,984,624
Covered bonds and accrued interest	77,227,949	89,029,960	84,441,047
<b>TOTAL</b>	<b>77,379,032</b>	<b>89,181,493</b>	<b>84,594,979</b>
<sup>(1)</sup> of which subsidised sector	58,329	92,960	61,267

Including an amount of GBP 50 million covered by an explicit guarantee from the French government.

All of these interest amounts come from funds that benefit from the priority defined in Article L. 515-19 of the French Monetary and Financial Code ("priority" applicable to covered bonds).

## Note 9: other liabilities

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Conditional instruments			
Miscellaneous creditors	3,083,763	4,053,992	4,545,512
Deposits received on collateralisation transactions	3,009,573	3,828,920	4,450,353
Margin calls on repurchase agreements			
Trade creditors			
Tax consolidation payables <sup>(1)</sup>		62,964	59,220
Other tax and social charge payables	173	186	18
Miscellaneous creditors	74,017	161,923	29,564
Special bonus account			6,357
Allocated public funds <sup>(2)</sup>	91,140	231,020	96,386
<b>TOTAL</b>	<b>3,174,903</b>	<b>4,285,012</b>	<b>4,641,898</b>
<sup>(1)</sup> Corporate income tax due to <i>Crédit Foncier</i> (tax consolidation)		62,964	59,220
<sup>(2)</sup> of which subsidised sector	54,966	186,737	55,823

## Note 10: liabilities adjusting accounts

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Collection accounts	1,168	552	3,433
Deferred income	1,535,643	1,301,989	1,654,933
Deferred gains on sales of receivables to securitisation funds			
PAS and former PTZ (social/interest-free loans) subsidies	161,695	254,022	181,737
Swaps termination balance received in instalments	1,223,490	893,295	1,344,035
Other deferred income	150,458	154,672	129,161
Accrued expenses	555,061	931,981	580,208
Accrued interest payable on derivatives (swaps)	544,997	916,832	567,208
Other accrued expenses	10,064	15,149	13,000
<b>Liabilities adjusting accounts</b>	<b>318,823</b>	<b>199,421</b>	<b>103,852</b>
External withdrawals			
Currency adjustment accounts <sup>(1)</sup>	87,803	88,600	19,678
Miscellaneous	231,020	110,821	84,174
<b>TOTAL</b>	<b>2,410,695</b>	<b>2,433,943</b>	<b>2,342,426</b>

<sup>(1)</sup> This item restores the balance between assets and liabilities following the recognition in the income statement of gains or losses arising on the valuation of off-balance sheet transactions in foreign currency (see Note 16). A similar item appears in Note 5.

## Note 11: provisions

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Provisions for counterparty risks	14,948	9,432	14,181
Provisions for potential risks on performing loans	14,948	9,432	14,181
Sectorial provisions			
Provisions for litigation	1,203	1,203	1,203
Disputes relating to individual customers	1,203	1,203	1,203
Tax disputes			
Other disputes			
Other provisions			
Other provisions			
<b>TOTAL</b>	<b>16,151</b>	<b>10,636</b>	<b>15,384</b>

	12/31/12	Allocations	Movements in 2013		Other movements	06/30/13
			Used	Unused		
<b>Movements during the year</b>						
Provisions for counterparty risks	14,181	1,766		-1,000		14,948
Provisions for potential risks on performing loans	14,181	1,766		-1,000		14,948
Sectorial provisions						
Provisions for litigation	1,203					1,203
Disputes relating to individual customers	1,203					1,203
Tax disputes						
Other disputes						
Other provisions						
Other provisions						
<b>TOTAL</b>	<b>15,384</b>	<b>1,766</b>		<b>-1,000</b>		<b>16,151</b>



## Note 12: subordinated debt

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Redeemable subordinated bonds <sup>(1)</sup>	2,100,000	2,100,000	2,100,000
Perpetual super-subordinated notes <sup>(2)</sup>	1,350,000	1,350,000	1,350,000
Related payables	17,478	19,535	137
<b>TOTAL</b>	<b>3,467,478</b>	<b>3,469,535</b>	<b>3,450,137</b>

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

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

### a) Supplementary information

(in thousands of euros)

	Issue currency	Issue date	Maturity date	Interest rate	Amount N (nominal)
<b>SUBORDINATED DEBT</b>					
Variable-rate subordinated debt					
- Redeemable subordinated bonds (TSRs) <sup>(1)</sup>	EUR	12/30/03	12/30/43	Euribor 3M + 0.5%	2,100,000
- Perpetual super-subordinated notes	EUR	12/30/11		EONIA + 2.5%	1,350,000
<b>TOTAL</b>					<b>3,450,000</b>

<sup>(1)</sup> Including €2 billion issues on December 28, 2007, on the same terms as those issued on December 30, 2003.

### b) Early repayment terms

#### • Redeemable subordinated bonds (TSRs)

The redeemable subordinated bonds were the subject of a private placement with Crédit Foncier and are, therefore, not considered as part of the Crédit Foncier Group's equity for prudential reasons. They qualify for inclusion in the Tier-2 capital of Compagnie de Financement Foncier. Compagnie de Financement Foncier does not allow early redemption of redeemable subordinated bonds before maturity. However, it reserves the right to carry out early redemption of these bonds through purchases, with such transactions having no impact on the usual schedule for redemption of outstanding securities. The redeemable subordinated bonds purchased in this way are cancelled. Nonetheless, and in the event that Crédit Foncier were to sell these securities outside its Group, they would qualify for inclusion in equity and their purchase would require the prior approval of the ACP (*Autorité de contrôle prudentiel* - French Prudential supervisory authority).

#### • Perpetual super-subordinated notes (PSSN)

Compagnie de Financement Foncier may carry out early redemption, after receiving approval from the ACP, either under an option for early redemption exercisable after 5 years from the issue of the securities and on each subsequent interest payment date or in the event of changes in tax or regulatory provisions, or through the purchase of the securities issued. The securities qualify for inclusion in the Compagnie de Financement Foncier Tier-1 solvency ratio. The securities purchased in this way are cancelled.

## c) Conditions relating to the interest rate paid

- Redeemable subordinated bonds (TSRs)

Unpaid interest, if applicable, is reported as unsecured debt.

- Perpetual super-subordinated notes (PSSN)

To ensure the company's profitability and to comply with the prudential ratios, interest due is only considered to fall due when the net income for the year in which the interest accrues, after payment of this interest, reaches a minimum of €10 million. Therefore, if the net income before payment of interest is lower than €10 million, the interest will not fall due, and will not be postponed to a later year. If the net income, before payment of interest, is higher than €10 million but lower than €10 million after payment of the interest, then the interest due will be reduced proportionately and the amount of interest that exceeds the reduced interest amount will not be postponed to a later year.

Such a reduction would also be necessary to comply with prudential ratios, without the option to postpone the unpaid interest to a payment date in a later year.

## Note 13: changes in equity

(in thousands of euros)

	Opening balance at 01/01/12	Allocation	Changes in capital and reserves		Amount at 12/31/12	Allocation	Changes in capital and reserves		Balance at 06/30/13
			Dividends paid in shares	Other changes			Dividends paid in shares	Other changes	
Capital stock <sup>(1)</sup>	1,187,460				1,187,460				1,187,460
Share premiums <sup>(1)</sup>	343,002				343,002				343,002
Reserves									
Legal reserve	34,446	5,404			39,849	6,630			46,479
General reserve	55,517				55,517				55,517
Regulated reserves of which									
-Regulated revaluation reserve									
-Special reserve for long-term capital gains									
Retained earnings	85,704	242			85,946	86,472			86,472
Equity before net income for the year	1,706,129				1,711,775				1,718,931
Net income for the year before dividend payout	108,064	-108,064			132,581	-132,581			61,622
Equity after net income for the year	1,814,193				1,844,356				1,780,552
Dividends paid		102,418				125,425			

	Opening balance at 01/01/12	Allocation	Changes in provisions		Amount at 12/31/12	Allocation	Changes in provisions		Balance at 06/30/13
			Additions	Reversals			Additions	Reversals	
Special revaluation provision									
Other regulated provisions									
Regulated provisions									
Equity before dividend payout	1,814,193				1,844,356				1,780,552

	Opening balance at 01/01/12	Allocation	Changes in the reserve for general banking risks (RGBR)		Amount at 12/31/12	Allocation	Changes in the reserve for general banking risks (RGBR)		Balance at 06/30/13
			Additions	Reversals			Additions	Reversals	
Reserve for general banking risks	20,000				20,000				20,000
<b>TOTAL</b>	<b>1,834,193</b>				<b>1,864,356</b>				<b>1,800,552</b>

<sup>(1)</sup> The share capital comprises 74,216,246 ordinary shares with a face value of €16, which confer identical rights on all shareholders. To date, no revaluation has been carried out.

## Note 14: commitments given

(in thousands of euros)

	06/30/13		06/30/12		12/31/12	
	Net authorisations	Amounts not drawn down	Net authorisations	Amounts not drawn down	Net authorisations	Amounts not drawn down
<b>Financing commitments</b>	<b>205,579</b>	<b>2,260,637</b>	<b>3,166,423</b>	<b>2,790,539</b>	<b>155,329</b>	<b>1,652,829</b>
Subsidised sector						
- Non-group commitments						
- Credit institutions						
- Customers						
Unsubsidised sector	205,579	2,260,637	3,166,423	2,790,539	155,329	1,652,829
Non-group commitments	205,579	2,260,637	166,423	2,790,539	155,329	1,652,829
- Customers <sup>(2)</sup>	205,579	2,260,637	166,423	2,790,539	155,329	1,652,829
Group commitments			3,000,000			
- Credit institutions			3,000,000			
<b>Guarantee commitments</b>	<b>1,522,474</b>		<b>4,954,439</b>		<b>1,585,009</b>	
Non-group commitments	1,522,474		4,954,439		1,585,009	
- Other values used as collateral <sup>(1)</sup>	1,522,474		4,954,439		1,585,009	
<b>Commitments on securities</b>			<b>130,000</b>			
- Other commitments given			130,000			
<b>TOTAL <sup>(3)</sup></b>	<b>3,988,690</b>		<b>11,041,401</b>		<b>3,393,167</b>	

Amounts not drawn down represent the fractions that remain to be drawn on loans already partially put in place. Net authorisations represent the amount of loans authorised but which have not yet been put in place.

<sup>(1)</sup> This line represents assets and securities given as collateral to the Banque de France, in the framework of the pool of the Overall collateral management pool or *Gestion Globale des Garanties* (3G) of which:

(in thousands of euros)	06/30/13	06/30/12	12/31/12
- Securities	966	1,220	1,022
- Receivables	556	3,734	563

<sup>(2)</sup> With regard to financing commitments given to customers, the main changes are as follows:

(in thousands of euros)	06/30/13	06/30/12	12/31/12
- Interactive treasury lines			
- Local authorities			
- Revolving credit lines opened outstandings taken over from Ixis CIB	1,260	1,790	698
- State housing savings accounts (" <i>primes d'épargne logement</i> ")	1,000	1,000	954

<sup>(3)</sup> Of which doubtful commitments:  
(in thousands of euros)

	06/30/13	06/30/12	12/31/12
	1	1	1

## Note 15: commitments received

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
<b>FINANCING COMMITMENTS</b>			
<b>NON-GROUP COMMITMENTS</b>			
Credit institutions <sup>(1)</sup>	330,028	3,924,377	1,106,460
Sub-total	330,028	3,924,377	1,106,460
<b>GROUP COMMITMENTS</b>			
Purchase guarantee			
Credit institutions <sup>(2)</sup>	3,000,000	3,000,000	3,000,000
Other values received as collateral from group <sup>(3)</sup>	21,781,590	24,941,691	23,126,518
Sub-total	24,781,590	27,941,691	26,126,518
<b>TOTAL</b>	<b>25,111,618</b>	<b>31,866,068</b>	<b>27,232,978</b>
<b>GUARANTEE COMMITMENTS</b>			
<b>NON-GROUP COMMITMENTS</b>			
Credit institutions and similar organisations <sup>(4)</sup>	2,591,439	3,296,896	2,732,217
Customers <sup>(5)</sup>	34,003,240	33,727,526	34,322,018
Sub-total	36,594,679	37,024,421	37,054,235
<b>GROUP COMMITMENTS <sup>(6)</sup></b>	<b>4,353,048</b>	<b>6,759,794</b>	<b>4,484,366</b>
<b>TOTAL</b>	<b>40,947,727</b>	<b>43,784,215</b>	<b>41,538,601</b>
<b>COMMITMENTS ON SECURITIES</b>			
Other securities to be received	35,257		
<b>TOTAL</b>	<b>35,257</b>		
<b>TOTAL COMMITMENTS RECEIVED</b>	<b>66,094,602</b>	<b>75,650,283</b>	<b>68,771,580</b>

<sup>(1)</sup> Non-group financing commitments refer to the commitment received from the Banque de France in relation to the collateral management mechanism, including an amount of €330 million at 30 June 2013, compared with €3,197.3 million at 30 June 2012 and €412.1 million at 31 December 2012. At 31 December 2012, this item also included a commitment to purchase units in a securitisation fund for €694.4 million; these securities were sold in April 2013.

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

<sup>(3)</sup> Guarantees relating to receivables and securities held and used in the context of loans granted to it in relation to, in particular, Article L. 211-38.

(in thousands of euros)	06/30/13	06/30/12	12/31/12
- Guarantees received from Crédit Foncier in relation to local authority loans (L. 211-38)	4,561,048	3,344,264	3,235,946
- Guarantees received from BPCE SA as replacement values (L. 211-38 – short-term guaranteed notes)	8,242,813	11,777,733	10,515,859
- Guarantees received from Caisses d'Épargne in relation to local authority loans (L. 211-38)	111,736	118,713	109,898
- Guarantees received from Crédit Foncier in relation to mortgage notes	8,865,994	9,700,981	9,264,814
	173,052	301,160	191,717
<sup>(4)</sup> Mainly includes guarantees received from Crédit Logement rated AA3/A+			
- Guarantees received from Créserfi	368,759	326,311	361,946
- Security enhancement guarantees received from insurance companies	2,049,629	2,669,425	2,178,554

<sup>(5)</sup> 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.

(in thousands of euros)	06/30/13	06/30/12	12/31/12
These guarantees break down as follows:			
- Government guarantees on loans, mainly to the subsidised sector	578,734	799,441	727,074
- Guarantees from the SGFGAS on FGAS-eligible loans and covered by the government	11,764,523	10,258,843	11,300,637
- Mortgage guarantees for mortgage loans that are only covered by this guarantee	16,204,185	16,785,025	16,599,502
- Guarantees given by local authorities and other organisations	2,301,513	2,380,074	2,319,053
- Security enhancement guarantees given by governments	3,154,284	3,504,142	3,375,752

<sup>(6)</sup> At 30 June 2013, the guarantee commitments received from the group included a guarantee received from BPCE in relation to local authority loans taken over from Ixis CIB for €2,638 million, compared with €3,049 million at 30 June 2012 and €2,794 million at 31 December 2012, and a guarantee received from Crédit Foncier on a portion of the RMBS portfolio recorded under the assets of Compagnie de Financement Foncier, in undertaking to offset the drop in weighting of securities in the event of a rating agency downgrade below A-/A3/A-. This guarantee totalled €1,171 million at 30 June 2013, compared with €3,535 million at 30 June 2012 and €1,170 million at 31 December 2012.

## Note 16: foreign currency denominated transactions

(in thousands of euros)

	06/30/13		06/30/12		12/31/12	
	Currencies receivable	Currencies for delivery	Currencies receivable	Currencies for delivery	Currencies receivable	Currencies for delivery
Forward transactions (nominal amounts) <sup>(1)</sup>	17,491,849	17,579,651	23,216,331	23,304,931	20,357,558	20,321,200
Over-the-counter markets						
Hedging transactions	17,491,849	17,579,651	23,216,331	23,304,931	20,357,558	20,321,200
Financial swaps						
Micro-hedging transactions						
- Subsidised sector	58,329	80,945	92,960	121,418	61,267	80,945
- Unsubsidised sector	17,433,519	17,498,706	23,123,371	23,183,512	20,296,291	20,240,254
Macro-hedging transactions						
- Subsidised sector						
- Unsubsidised sector						
Other forward transactions						
Forward transactions (fair value) <sup>(2)</sup>	-499,938		-949,478		-618,410	
Spot transactions						
<b>TOTAL FOREIGN CURRENCY TRANSACTIONS</b>	<b>17,491,849</b>	<b>17,579,651</b>	<b>23,216,331</b>	<b>23,304,931</b>	<b>20,357,558</b>	<b>20,321,200</b>
<b>TOTAL</b>	<b>35,071,500</b>		<b>46,521,261</b>		<b>40,678,758</b>	

<sup>(1)</sup> Compagnie de Financement Foncier does not carry out any forward currency transactions on organised markets.

<sup>(2)</sup> Data disclosed in accordance with CRC Regulation 2004-16 of 23 November 2004 relating to the information to be provided in connection with the transposition of the European "Fair Value" and "Modernisation" directives.

## Note 17: forward financial instruments

(in thousands of euros)

	06/30/13		06/30/12		12/31/12	
	Euros <sup>(1)</sup>	Currencies <sup>(2)</sup>	Euros <sup>(1)</sup>	Currencies <sup>(2)</sup>	Euros <sup>(1)</sup>	Currencies <sup>(2)</sup>
<b>OVER-THE-COUNTER MARKETS</b>						
Conditional transactions (nominal amount)	2,829,915		3,006,968		2,895,460	
<b>Micro-hedging transactions</b>						
- Purchases						
- Sales						
<b>Macro-hedging transactions</b>						
- Purchases	2,829,915		3,006,968		2,895,460	
- Sales						
<b>Other options</b>						
- Purchases						
- Sales						
Conditional transactions (fair value)	40,331		31,693		21,338	
Forward transactions (nominal amount)	83,985,980	314,368	101,686,830	331,018	89,029,125	327,904
<b>Micro-hedging transactions</b>	<b>63,031,551</b>	<b>314,368</b>	<b>78,332,092</b>	<b>331,018</b>	<b>68,491,965</b>	<b>327,904</b>
- Interest rate instruments	63,031,551	314,368	78,332,092	331,018	68,491,965	327,904
- Currency instruments						
- Other instruments						
<b>Macro-hedging transactions</b>	<b>20,954,429</b>		<b>23,354,738</b>		<b>20,537,160</b>	
- Interest rate instruments	20,954,429		23,354,738		20,537,160	
- Currency instruments						
- Other instruments						
<b>Other transactions</b>						
- Interest rate instruments						
- Currency instruments						
- Other instruments						
Forward transactions (fair value) <sup>(3)</sup>	3,113,622	65,303	3,707,316	82,301	4,420,065	103,509
Forward and conditional transactions	86,815,895	314,368	104,693,798	331,018	91,924,584	327,904
<b>TOTAL <sup>(4)</sup> (nominal amounts)</b>	<b>87 130 263</b>		<b>105,024,816</b>		<b>92,252,489</b>	
<b>TOTAL (fair value)</b>	<b>3,219,256</b>		<b>3,821,310</b>		<b>4,544,912</b>	

<sup>(1)</sup> Value in euros of IN currencies.

<sup>(2)</sup> Value in euros of OUT currencies.

<sup>(3)</sup> Data disclosed in accordance with CRC Regulation 2004-16 of 23 November 2004 relating to the information to be provided in connection with the transposition of the European "Fair Value" and "Modernisation" directives.

<sup>(4)</sup> There are no doubtful amounts outstanding on futures and options transactions.

## Note 18: interest and similar income and expense

(in thousands of euros)

	06/30/13			06/30/12		12/31/12
	INCOME	EXPENSES	NET	NET	NET	
Interbank transactions	42,623	-46,597	-3,974	62,021	41,066	
Interest on current accounts	9		9	223	266	
Interest on forward transactions	18,280	-35,424	-17,144	-29,988	-55,248	
Interest on subordinated loans						
Interest on repo securities (BCTG -short-term guaranteed notes)	24,334		24,334	120,217	151,333	
Interest on securities received/sold under repurchase agreements		-1,476	-1,476	-4,694	-7,384	
Financing and guarantee commitments					5,597	
Other interest income and expense						
Hedging transactions		-9,698	-9,698	-23,738	-53,499	
Hedged losses on receivables						
Non-hedged losses on receivables						
Net changes in provisions						
Customer transactions	706,738	-96,893	609,845	486,657	1,028,456	
Interest on demand deposits, term deposits and regulated savings accounts						
Interest on loans to customers	688,838		688,838	743,267	1,502,541	
Interest on subordinated loans						
Interest on non-performing loans	16,791		16,791	15,036	30,983	
Amortisation of ancillary loans (CRC Regulation 2009-03)	-318		-318	-272	-629	
Interest on securitisation fund guarantee deposits						
Other interest income and expense	1,270	-3,557	-2,287	-10,198	-16,642	
Income on financing and guarantee commitments	38		38	378	564	
Hedging transactions		-93,335	-93,335	-260,622	-488,301	
Hedged losses on receivables	-82		-82	-181	-952	
Non-hedged losses on receivables						
Net changes in provisions <sup>(1)</sup>	199		199	-750	891	
Finance lease transactions						
Securities transactions	1,285,872	-1,513,903	-228,030	-85,376	-191,969	
Interest on available-for-sale securities	52,175		52,175	103,539	175,807	
Spreading of discounts/premiums on available-for-sale securities				-1	-2	
Interest on held-to-maturity securities	245,905		245,905	393,778	695,402	
Amortisation of discounts/premiums on held-to-maturity securities	-1,417		-1,417	3,548	4,838	
Interest on medium-term notes (BMTN) issued		-1,959	-1,959	-2,712	-5,111	
Interest on certificates of deposit issued						
Interest on mortgage notes issued				-650	-650	
Interest and expense on bonds		-1,511,944	-1,511,944	-1,706,801	-3,493,999	
Interest on doubtful securities						
Hedging transactions	989,210		989,210	1,123,923	2,431,747	
Subordinated debt		-24,644	-24,644	-35,932	-63,603	
Payables on subordinated term securities		-24,644	-24,644	-35,932	-63,603	
Payables on subordinated debt – credit institutions						
Payables on subordinated debt – customers						
Other interest and similar income and expense	22,066	-220,002	-197,937	-141,962	-363,843	
Income on debt securities	19,923		19,923	26,934	52,294	
Fees on credit derivatives						
Commitments received/given on securities		-2,843	-2,843	-1,075	-7,738	
Other interest income and expense	2,143		2,143	4,710	7,919	
Macro-hedging transactions		-217,160	-217,160	-172,529	-416,317	
Net changes in provisions <sup>(1)</sup>						
<b>TOTAL INTEREST AND SIMILAR INCOME AND EXPENSE<sup>(2)</sup></b>	<b>2,057,299</b>	<b>-1,902,039</b>	<b>155,260</b>	<b>285,407</b>	<b>450,107</b>	
<sup>(1)</sup> Total cost of risk in the net interest margin – customers	199		199	-750	891	
<sup>(2)</sup> including subsidised sector	11,605	-9,053	2,552	3,431	7,547	



## Note 19: net fee and commission income

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Fees on interbank and cash transactions (net)	-9	-10	-17
Income			
Expenses	-9	-10	-17
Fees on transactions with customers (net)	20,534	14,759	29,417
Income	20,534	14,907	29,565
Expenses		-148	-148
Fees on securities transactions (net)	-1,422	-1,881	-3,940
Income			
Expenses	-1,422	-1,881	-3,940
Other fees and commission income (net)	-391	-144	-1,003
Income	18	1,059	16
Expenses	-409	-1,203	-1,019
<b>Total income</b>	<b>20,551</b>	<b>15,966</b>	<b>29,581</b>
<b>Total expenses</b>	<b>-1,840</b>	<b>-3,242</b>	<b>-5,124</b>
<b>TOTAL NET FEE AND COMMISSION INCOME <sup>(1)</sup></b>	<b>18,712</b>	<b>12,724</b>	<b>24,457</b>

<sup>(1)</sup> The level of net fees on transactions with customers reported at 30 June 2013 relates to an increase in early redemptions and the fees received as a result.

## Note 20: net gains/losses on trading book transactions

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Gains on currency and arbitrage transactions	-44	864	1,338
Losses on firm financial forward instruments trading			
Gains on firm financial forward instruments trading			
Losses on conditional financial forward instruments trading			
Gains on conditional financial forward instruments trading			
Losses on other financial instruments			
Gains on other financial instruments			
Addition to provisions for risks on futures and options trading			
Reversal of provisions for risks on futures and options trading			
<b>TOTAL NET GAINS/LOSSES ON TRADING BOOK TRANSACTIONS AT FAIR VALUE THROUGH PROFIT AND LOSS</b>	<b>-44</b>	<b>864</b>	<b>1,338</b>

## Note 21: net gains/losses on available-for-sale investment portfolio transactions

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Capital gains on disposals			
Capital losses on disposals <sup>(1)</sup>			-18,675
Transfers to provisions for securities and securitisation funds		-3,130	
Reversals of provisions for securities and securitisation funds <sup>(1)</sup>		231	19,762
<b>TOTAL NET GAINS/LOSSES ON AVAILABLE-FOR-SALE INVESTMENT PORTFOLIO TRANSACTIONS</b>		<b>-2,898</b>	<b>1,087</b>

<sup>(1)</sup> In 2012, capital losses related to the loss on the sale of AYT CEDULAS bonds; capital losses were offset by the reversal of provisions made previously.

## Note 22: other banking income and expense

(in thousands of euros)

	06/30/13			06/30/12	12/31/12
	INCOME	EXPENSES	NET	NET	NET
Rebilled expenses, income paid over and reallocated expenses		-313	-313	-139	-156
Rebilled expenses					
- Rebilled expenses					
- Other amounts rebilled or paid over					
Income paid over		-313	-313	-139	-156
Reallocated expenses					
Total other income and expense from banking operations	99	-176	-76	82	205
Other operating income and expense (see details)	99	-176	-76	82	205
Movements in provisions on other operating income and expense (see details)					
<b>TOTAL</b>	<b>99</b>	<b>-488</b>	<b>-389</b>	<b>-58</b>	<b>50</b>

DETAILS					
Other operating income and expense	99	-176	-76	82	205
- Exceptional payments of FGAS (government fund promoting access to home ownership) / "flat" contributions					
- Transfers to exceptional gains				200	200
- Other operating income	99		99	116	200
- Amortisation of "flat" contributions					
- Losses on deferred interest and variable rate loans		-6	-6	-4	-9
- Transfers to exceptional losses					
- Other losses covered by provisions for litigation					
- Losses not covered by provisions for litigation					
- Other operating expense		-170	-170	-230	-185

## Note 23: general operating expenses

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
<b>Total personnel costs</b>	<b>-100</b>	<b>-102</b>	<b>-191</b>
Wages and salaries	-60	-60	-120
Defined-contribution and defined-benefit plan expense	-6	-7	-14
Other tax and social security charges	-34	-35	-56
Additions to/reversals of provisions for litigation			
<b>Total other administrative costs</b>	<b>-49,385</b>	<b>-51,949</b>	<b>-104,072</b>
Taxes other than income tax	-7,856	-10,413	-19,928
CET (local business tax) and CVAE (tax on company value added)	-1,642	-5,058	-4,811
Corporate social solidarity contribution	-2,790	-2,818	-6,296
Contribution to the supervision expenses of the French Prudential supervisory authority (ACP)	-380	-470	-940
Systemic banking risk tax	-2,876	-1,866	-7,464
Other taxes	-169	-201	-416
Additions to/reversals of provisions for tax disputes			
<b>External services</b>	<b>-41,529</b>	<b>-41,572</b>	<b>-84,181</b>
Leasing			
External services provided by the group	-39,713	-39,232	-79,109
Fees for sub-contracting and services	-1,531	-2,015	-4,318
Advertising	-81	-165	-360
Remuneration of intermediaries			
Transport and travel costs	-7	-9	-26
Maintenance and repairs	-4	-4	-4
Insurance premiums			
Other external services	-193	-148	-363
Additions to/reversals of provisions for disputes relating to external services			
Additions to/reversals of provisions for external services costs			
<b>Other expenses</b>			
Rebilled expenses		36	36
<b>TOTAL OPERATING EXPENSES</b>	<b>-49,485</b>	<b>-52,051</b>	<b>-104,263</b>

N.B.: the total amount of remuneration received by management bodies for the first half of 2013 was €60,000.

## Note 24: cost of risk

(in thousands of euros)

	06/30/13			06/30/12	12/31/12
	EXPENSES	INCOME	NET	NET	NET
Net additions to/reversals of provisions relating to customer transactions	-13,524	8,268	-5,256	-5,426	-10,581
Impairment on transactions with customers	-11,757	7,268	-4,489	-2,566	-2,972
Provisions for counterparty risk	-1,766	1,000	-766	-2,860	-7,609
Sector provisions					
Amounts lost/recovered on customer transactions	-1,540	1,140	-401	2	-118
Losses on non-recoverable loans and receivables covered by provisions	-118	118			
Losses on non-recoverable loans and receivables not covered by provisions	-1,423		-1,423	-1,431	-3,783
Recovery of customer loans written off		1,022	1,022	1,433	3,665
<b>TOTAL COST OF RISK</b>	<b>-15,064</b>	<b>9,408</b>	<b>-5,657</b>	<b>-5,424</b>	<b>-10,699</b>

## Note 25: gains/losses on fixed assets

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
Capital gains or losses on disposals of held-to-maturity securities	-22,170	-118,608	-140,371
Additions to provisions for impairment on held-to-maturity securities		-25,000	
Reversal of provisions for impairment on held-to-maturity securities			
<b>TOTAL GAINS OR LOSSES ON OTHER ASSETS</b>	<b>-22,170</b>	<b>-143,608</b>	<b>-140,371</b>

## Note 26: income tax

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
<b>TAX EXPENSE COMPONENTS</b>			
Current tax expense (income) <sup>(1)</sup>	-11,046	-110,937	-340,513
Deferred tax liabilities (assets) <sup>(1)</sup>	-23,559	73,097	253,305
Provisions for deferred tax			
Provisions for risks or litigations relating to tax			
<b>TOTAL</b>	<b>-34,605</b>	<b>-37,840</b>	<b>-87,209</b>

BREAKDOWN OF DEFERRED TAX DURING THE PERIOD			
Non-deductible provisions	632	1,577	-323
Other temporary differences	-24,191	71,520	253,628
<b>TOTAL</b>	<b>-23,559</b>	<b>73,097</b>	<b>253,305</b>

<sup>(1)</sup>In 2012, the increase in current tax expense and deferred tax assets related to the tax treatment of termination payments was in connection with the dynamic management of off-balance sheet transactions.

## Note 27: transactions with related parties and other affiliates

(in thousands of euros)

At 06/30/13	Affiliates		Other associated undertakings	TOTAL
	Group <sup>(1)</sup>	Non-group		
<b>RECEIVABLES FROM CREDIT INSTITUTIONS</b>				
Demand	1,245,051			1,245,051
Term	335,498			335,498
Term deposits guaranteed by repo securities <sup>(2)</sup>	14,766,642			14,766,642
<b>PAYABLES TO CREDIT INSTITUTIONS</b>				
Demand				
Term	2,128,265			2,128,265
Securities sold under repurchase agreements	598,440			598,440
<b>COMMITMENTS GIVEN</b>				
Financing commitments				
Guarantee commitments				
<b>COMMITMENTS RECEIVED</b>				
Financing commitments	3,000,000			3,000,000
Guarantee commitments	3,934,198			3,934,198
Other securities received as collateral <sup>(3)</sup>	21,781,590			21,781,590
<b>SECURITIES TRANSACTIONS</b>				
Bonds and other fixed-income securities <sup>(4)</sup>	8,940,451			8,940,451
Debt securities				
Subordinated debt	3,467,478			3,467,478

<sup>(1)</sup> The group here refers to the scope of consolidation in which Compagnie de Financement Foncier is included.

The Company is fully consolidated in the consolidated financial statements of Crédit Foncier, which itself is consolidated by the BPCE Group. Thus, the group as defined here represents all of the entities consolidated either fully or proportionally by the BPCE Group.

<sup>(2)</sup> Includes short-term guaranteed notes (BCTG) issued by BPCE Group entities for €10,100 million, excluding related receivables, certain replacement values and loans guaranteed by local authority receivables (SPT) under L. 211-38 in the amount of €4,657.8 million.

<sup>(3)</sup> Receivables received as guarantees for mortgage notes issued by Crédit Foncier for €8,866 million or loans granted to the BPCE Group under L. 211-38, either for the financing of a local authority loan (SPT) for €4,672.8 million, or in relation to short-term guaranteed notes (BCTG) for €8,242.8 million.

<sup>(4)</sup> Includes €8,865 million of mortgage notes, excluding related receivables.

## Note 28: statement of foreign exchange positions

(in thousands of euros)

As per COB recommendation 89.01

At 06/30/13	Australian \$	Canadian \$	US \$	Pound Sterling	Swiss Franc	Yen	Hungarian Forint	New Zealand \$	Norwegian Krone	Danish Kroner	TOTAL
<b>BALANCE SHEET</b>											
Financial assets	17,139	80,202	3,174,457	129,363	1,714,957	1,936,453	11	33	11,823	7	7,064,445
Financial liabilities	722,719	391,553	3,535,537	1,020,450	4,761,562	446,689			538,172		11,416,682
<b>BALANCE SHEET DIFFERENTIAL (I)</b>	<b>-705,580</b>	<b>-311,351</b>	<b>-361,080</b>	<b>-891,087</b>	<b>-3,046,605</b>	<b>1,489,764</b>	<b>11</b>	<b>33</b>	<b>-526,349</b>	<b>7</b>	<b>-4,352,237</b>
<b>OFF-BALANCE SHEET</b>											
Commitments received	705,666	440,426	4,609,953	1,423,601	5,797,111	1,098,662			526,349		14,601,768
Commitments given		129,065	4,248,883	532,561	2,750,287	2,588,390					10,249,186
<b>Off-balance sheet differential (II)</b>	<b>705,666</b>	<b>311,361</b>	<b>361,070</b>	<b>891,040</b>	<b>3,046,824</b>	<b>-1,489,728</b>			<b>526,349</b>		<b>4,352,582</b>
<b>TOTAL DIFFERENTIAL (I) + (II)</b>	<b>86</b>	<b>10</b>	<b>-10</b>	<b>-47</b>	<b>219</b>	<b>36</b>	<b>11</b>	<b>33</b>		<b>7</b>	<b>345</b>

The financial assets consist of receivables from credit institutions and customers.

The financial liabilities comprise amounts due to credit institutions and customers, and debt securities.

Foreign currency positions: the table above shows only transactions carried out by Compagnie de Financement Foncier on its own account, and excludes transactions carried out on behalf of the government, in relation to the subsidised sector.

## Note 29: statement of liquidity positions

(in thousands of euros)

As per COB recommendation 89.01

At 06/30/13	Remaining term to maturity					TOTAL <sup>(2)</sup>
	< 3 months	3 m < T < 6 m	6 m < T < 1 y	1 y < T < 5 y	> 5 years	
<b>BALANCE SHEET</b>						
Financial assets <sup>(1)</sup>	11,633,254	1,167,399	1,584,220	22,634,929	48,489,349	85,509,151
Receivables from credit institutions	10,761,543	22,479	13,293	2,685,609	3,145,554	16,628,478
Receivables from customers	650,867	695,057	1,076,699	8,213,145	28,498,389	39,134,157
Bonds and other fixed-income securities	220,844	449,863	494,228	11,736,175	16,845,406	29,746,516
Subordinated term loans						
Financial liabilities	1,883,848	1,411,549	6,726,291	32,675,346	39,015,643	81,712,677
Due to credit institutions	541,683	660,929	42,045	1,254,685	1,247,111	3,746,453
Due to customers						
Debt securities:	1,342,165	750,620	6,684,246	31,420,661	35,668,532	75,866,224
- Retail certificates of deposit						
- Interbank market securities						
- Negotiable debt instruments					150,000	150,000
- Bonds	1,342,165	750,620	6,684,246	31,420,661	35,518,532	75,716,224
- Other debt securities						
Subordinated term loans					2,100,000	2,100,000
<b>Balance sheet differential (I)</b>	<b>9,749,406</b>	<b>-244,150</b>	<b>-5,142,071</b>	<b>-10,040,417</b>	<b>9,473,706</b>	<b>3,796,474</b>
<b>OFF-BALANCE SHEET</b>						
Commitments given			2,465,359			2,465,359
Commitments received	330,028			3,000,000		3,330,028
<b>Off-balance sheet differential (II)</b>	<b>330,028</b>		<b>-2,465,359</b>	<b>3,000,000</b>		<b>864,669</b>
<b>TOTAL DIFFERENTIAL (I) + (II)</b>	<b>10,079,434</b>	<b>-244,150</b>	<b>-7,607,430</b>	<b>-7,040,417</b>	<b>9,473,706</b>	<b>4,661,143</b>
Outstanding conditional instruments	51,525	1,500	44,500	49,900	2,682,490	2,829,915

<sup>(1)</sup> The financial assets of Compagnie de Financement Foncier include €16.5 billion in securities and receivables that meet the ECB's refinancing eligibility criteria; in addition to €26.2 billion in receivables that meet the criteria defined by the Banque de France, under its provisional measure approved by the ECB on 9 February 2012.

<sup>(2)</sup> The difference between this column and amounts appearing on the balance sheet is due to unpaid loans, doubtful items and accrued interest.

## Note 30: cash flow statement

### I – Principles

The cash flow statement shows a breakdown of changes in cash flow from operating, investing and financing activities between two financial years.

The cash flow tables of Compagnie de Financement Foncier are presented in accordance with recommendation 2004-R-03 of the French National accounting board on the formats of corporate summary documents as approved by the French Banking and financial services regulatory committee.

It is presented in accordance with the indirect method: the net income for the year is restated to exclude non-monetary items: provisions for depreciation and amortisation of property, plant and equipment and intangible assets, net impairment provisions, reserves and other movements not involving the disbursement of cash, such as accrued income and expenses. Cash flows relating to operating, investing and financing activities are determined by calculating the difference between the items in the year under review and the previous year.

Transactions involving the capital that have no impact on cash flow or net income, are neutral: dividend payments in shares, allocation of a provision by charging it to retained earnings.

The breakdown of Compagnie de Financement Foncier's activities into operating, investing and financing activities reflects its business as a *société de crédit foncier* (property financing company).

The operating activities include:

- the acquisition of eligible loans;
- the acquisition of units in securitisation funds and the securities of public entities;
- the issue of covered bonds and other long-term, unsubordinated instruments.

The financing activities include:

- dividends paid in cash;
- the issue and redemption of subordinated loans.

Cash flow is defined according to the rules of the French National Accounting Board. It includes cash on hand and demand deposits at the Banque de France, post office banks (CCP) and credit institutions.

## II – Cash flow statement

(in thousands of euros)

	06/30/13	06/30/12	12/31/12
<b>OPERATING ACTIVITIES</b>			
Net income for the period	61,622	57,116	132,581
Restatement of net income in relation to operating activities			
Depreciation of property, plant and equipment and amortisation of intangible assets			
Net additions to impairment – customers and credit institutions	4,173	3,130	1,104
Net additions to impairment – available-for-sale securities		2,899	-19,762
Net additions to provisions – loans	766	2,861	7,609
Net gains on the sale of fixed assets			
Other movements not involving the disbursement of cash	-43,256	-669,987	-397,909
Cash flows from (used in) loans to credit institutions and customers	2,299,875	-1,558,501	446,850
Cash flows from (used in) available-for-sale securities	398,121	-823,399	25,443
Cash flows from (used in) held-to-maturity securities	3,188,537	2,114,031	7,693,011
Cash flows from (used in) other assets	107,841	153,997	-261,788
Cash flows from (used in) debt – credit institutions and customers	-79,234	1,017,903	-1,040,155
Bond issues – net	-6,740,199	-274,571	-5,309,374
Cash flows from (used in) other liabilities	-1,321,996	887,144	1,323,186
<b>Net cash used in operating activities</b>	<b>-2,123,750</b>	<b>912,623</b>	<b>2,600,796</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			
Cash flows from other investing activities			
<b>Net cash used in investing activities</b>			
<b>FINANCING ACTIVITIES</b>			
Cash flows from the issue of shares			
Dividends paid			
Subordinated debt issued – net			
Other			
<b>Net cash from financing activities</b>			
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-2,123,750</b>	<b>912,623</b>	<b>2,600,796</b>
- Opening cash balance	3,922,453	1,424,075	1,424,075
- Closing cash balance	1,673,278	2,336,698	3,922,453
<b>Net</b>	<b>-2,249,175</b>	<b>912,623</b>	<b>2,498,378</b>
- Cash on hand: deposits at the Banque de France	18,672	19,333	3,705,503
- Demand deposits at credit institutions <sup>(1)</sup>	1,654,606	2,317,365	216,950
<b>TOTAL</b>	<b>1,673,278</b>	<b>2,336,698</b>	<b>3,922,453</b>
<sup>(1)</sup> of which: BPCE	1,245,046	51,268	213,248
Banque de France short-term loan		2,247,000	



# Statutory Auditors' Review Report on the interim financial statements

For the six-month period ended 30 June 2013

*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.*

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 June 30th, 2013,
- 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 do not give a true and fair view of the assets and liabilities and of the financial position of the company as at June 30th 2013, and of the results of its operations for the six-month period then ended, in accordance with the accounting rules and principles applicable in France.

## II. Specific verification

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

Paris La Défense, on the August 29th, 2013

**KPMG Audit**

**Département de KPMG S.A.**

Jean-François DANDE

Partner

Neuilly-sur-Seine, on the August 29th, 2013

**PricewaterhouseCoppers Audit**

Jean-Baptiste DESCHRYVER

Partner

# Financial report

Statement from the person who assumes responsibility



## 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 (pages 3 to 5) is an accurate representation of the important events that occurred in the first six months of the financial year, of their impact on the financial statements as well as a description of the primary risks and uncertainties in the remaining six months of the year.

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

Signed in Charenton-le-Pont, on August 29, 2013

Deputy Chief Executive Officer of Compagnie de Financement Foncier  
Sandrine GUÉRIN

# Risk management report



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## 1. Foreword

In the interests of financial transparency and in addition to its regulatory obligations, Compagnie de Financement Foncier includes a detailed risk management report in its registration document, taking inspiration from IFRS (not applicable to Compagnie de Financement Foncier) and Basel II. The report is produced based on information used to populate the risk management system; Crédit Foncier's Risk Department verifies that the data contained in this system is consistent with the data contained in the accounting system.

## 2. General structure: information on risk management

The economic model of Compagnie de Financement Foncier is designed to be ultra-secure. By law it is specifically prohibited from running a trading book, which shields it from any market risk linked to proprietary trading. It is also prohibited from holding equity investments, which protects it from any difficulties not related to its own assets.

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

- credit risk;
- financial risk (ALM).

Operational risk is essentially covered by Crédit Foncier (see section 8).

The risk policy of the Crédit Foncier Group represents the frame of reference for the selection, monitoring, supervision and management of risks. It also shapes the development of Compagnie de Financement Foncier's operations, with a model designed to protect profits, capital and creditors, not least of all the holders of its covered bonds.

### 2.1. Transposition of the prudential system applicable to *sociétés de crédit foncier*

As a credit institution licensed to operate as a financial company and *société de crédit foncier*, Compagnie de Financement Foncier performs specialist transactions with a single aim: to grant or acquire assets secured on first-rank mortgages, or those belonging to or guaranteed by public entities. Apart from the statutory guarantees, Compagnie de Financement Foncier has strict management rules that allow it to optimise the quality of its assets and further enhance its risk profile (AAA/Aaa/AAA)<sup>(1)</sup>.

*For more information, see the 2012 Registration Document (Vol. 2, p. 91).*

### 2.2. Organisation of the Risk, Compliance and Coordination of Permanent Control Departments

The Risk and Compliance Division of Crédit Foncier, which is responsible for providing internal control and compliance services for Compagnie de Financement Foncier, is composed of the Risk Department, Compliance Department and Coordination of Permanent Control Department, which has absorbed Information Systems Security (ISS) and the Business Continuity Plan (BCP). This division is headed by a Deputy Chief Executive Officer at Crédit Foncier. The Compliance Officer is also the Investment Services Compliance Officer, and is declared as such to the French financial markets authority (AMF).

The Compliance Department is responsible for financial security and is in charge of preventing and tackling the risks of money laundering, terrorism financing and fraud, both internal and external.

<sup>(1)</sup> On 18 July 2013, Compagnie de Financement Foncier was placed on negative credit watch following the downgrading of France by Fitch Ratings.

Crédit Foncier's Risk and Compliance Division is part of Groupe BPCE's Risk Management structure. Compagnie de Financement Foncier relies on the structure and organisation of functions at Crédit Foncier.

### 2.2.1 Structure of the Crédit Foncier Group's risk function

*For more information, see the 2012 Registration Document (Vol. 2, p. 92).*

### 2.2.2 Structure of the Crédit Foncier Group's compliance function

*For more information, see the 2012 Registration Document (Vol. 2, p. 94).*

### 2.2.3 Organisation of Crédit Foncier Group's coordination of permanent controls function

*For more information, see the 2012 Registration Document (Vol. 2, p. 94).*

### 2.2.4 Organisation of the business continuity plan function

*For more information, see the 2012 Registration Document (Vol. 2, p. 94).*

### 2.2.5 Organisation of the information systems security function

*For more information, see the 2012 Registration Document (Vol. 2, p. 95).*

## 2.3. Information system and data consistency

In the context of the implementation of Basel II reforms, the Risk Department is responsible for the consistency of data used to populate the risk management system. The exposures of Compagnie de Financement Foncier are an integral part of this consistency process. Groupe BPCE entities must therefore ensure that all data sent to the Group's regulatory information systems have undergone a consistency check at least once a quarter. A new system has been rolled out for commercial transactions and financial transactions since 2012.

## 2.4. Risk selection, measurement and supervision procedure

The Compagnie de Financement Foncier loan selection process takes place in two stages:

- selection by Crédit Foncier during its lending process;
- acquisition, through the purchasing filter applied by Compagnie de Financement Foncier, of loans from Crédit Foncier.

### 2.4.1 Crédit Foncier loan selection process

#### 2.4.1.1. Crédit Foncier general commitment selection and monitoring process

*For more information, see the 2012 Registration Document (Vol. 2, p. 96).*

### **2.4.1.2. Credit risk assessment**

*For more information, see the 2012 Registration Document (Vol. 2, p. 96).*

#### *2.4.1.2.1. Counter-analysis system*

*For more information, see the 2012 Registration Document (Vol. 2, p. 96).*

#### *2.4.1.2.2. Ratings system*

Each counterparty must be rated on the basis of an internal or external rating methodology applied by asset class.

##### *2.4.1.2.2.1. Individuals*

*For more information, see the 2012 Registration Document (Vol. 2, p. 96).*

##### *2.4.1.2.2.2. Public sector and international*

*For more information, see the 2012 Registration Document (Vol. 2, p. 97).*

### **2.4.2 Eligibility criteria as a *société de crédit foncier* and purchasing or mobilisation filter**

The process of asset acquisition by Compagnie de Financement Foncier has remained extremely prudent and supplements an approval process that already ensured quality assets.

#### **2.4.2.1. Individuals**

Compagnie de Financement Foncier may acquire loans:

- with a view to gaining access to property and, to a lesser extent, rental accommodation; it is prohibited from financing commercial property;
- with a first-rank mortgage security or equivalent.

Loan origination is handled almost entirely by Crédit Foncier. Compagnie de Financement Foncier does however have the option of acquiring loans from other credit institutions. The loan selection procedure described below in the case of Crédit Foncier is then adapted accordingly.

Following origination by Crédit Foncier, according to the applicable risk policy and eligibility criteria, Compagnie de Financement Foncier chooses the eligible loans based on predefined criteria (if necessary after an observation period, depending on the type of transaction, location, etc.) and with a default risk below a certain threshold, and then proceeds with the acquisition.

In the context of the Basel reforms in conjunction with Groupe BPCE, the scoring system for lending and for outstanding loans to individuals has been upgraded to improve the relevance of the risk categories. The rating scales have been refined and range from 0 to 10 for performing loans, compared with 0 to 9 previously. Consequently, the purchasing filter has been adjusted while maintaining the same level of quality of loans acquired by Compagnie de Financement Foncier.

*For more details, see section 4.1.3.1.1.3 (page 74), which contains pro forma information.*



## On property ownership

### Eligibility criteria for Compagnie de Financement Foncier and purchasing filter

Monthly outstanding rating				Not rated
3 to 7		8, 9, 10, CX, DX, RX <sup>(1)</sup>		
Lending rating				Non-transferable
0 to 5	6 to 9			
Age				Non-transferable
Transferable	Outstanding rating	≤ 4 years	> 4 years	
		3, 4, 5	Transferable	
	Other than 3, 4, 5	Non-transferable	Transferable	

<sup>(1)</sup> Monthly outstanding rating DX for doubtful commitments, CX for pre-foreclosure commitments and RX for overleveraged commitments.

## On rental property

### Eligibility criteria for Compagnie de Financement Foncier and purchasing filter

Monthly outstanding rating				Not rated
5 to 7		8, 9, 10, CX, DX, RX <sup>(1)</sup>		
Lending rating				Non-transferable
0 to 5	6 to 9			
Age				Non-transferable
Transferable	Outstanding rating	≤ 4 years	> 4 years	
		5	Transferable	
	Other than 5	Non-transferable	Transferable	

<sup>(1)</sup> Monthly outstanding rating DX for doubtful commitments, CX for pre-foreclosure commitments and RX for overleveraged commitments.

## On Belgian branch operations

Loans originated by Crédit Foncier's Belgian branch are mobilised in the form of mortgage notes.

### Eligibility criteria for Compagnie de Financement Foncier and mobilisation filter

Monthly outstanding rating				Not rated
0 to 8		9, CX, DX, RX <sup>(1)</sup>		
Loan ageing				Non-mobilisable
≤ 1 year		> 1 year		
Lending rating				Non-mobilisable
0 to 2	3 to 9			
Mobilisable	Non mobilisable			Mobilisable

<sup>(1)</sup> Monthly outstanding rating DX for doubtful commitments, CX for pre-foreclosure commitments and RX for overleveraged commitments.

In addition to the rating filter, the eligible collateral consists of:

- first-ranked mortgages or similar;
- a State guarantee from *Société de Gestion du Fonds de Garantie à l'Accession Sociale à la propriété*, or SGFGAS (a company managing social home-ownership collateral funds, with oversight from the State);
- to a lesser extent, a guarantee from Crédit Logement, a financial company with an A+ rating from the rating agencies.

The loan-to-value applied to the mortgage value to determine the outstanding loan that can be financed using privileged resources:

- 100% for SGFGAS guarantees;
- 80% for housing loans granted to individuals and benefiting from a first-rank mortgage or equivalent security;
- 60% for all others (mainly social housing).

#### **2.4.2.2. Public sector in France**

The criteria for the acquisition by Compagnie de Financement Foncier of the local authorities loans in France are based on the BPCE internal scoring system (E-Local).

This rating system factors in the intrinsic characteristics of the borrower (budget, existing borrowing, credit rating, etc.).

Low ratings (8 and 9) are automatically excluded from the selection.

#### **2.4.2.3. International public financing**

Compagnie de Financement Foncier has exposure to international counterparties satisfying the eligibility requirements laid down by the French Monetary and Financial Code. Before origination was stopped in 2011 (the portfolio is currently in run-off), lending had concentrated on counterparties with higher ratings, mainly Step 1 (> AA-).

### **2.4.3 Setting credit limits**

The credit limit system at Compagnie de Financement Foncier is the same as the one Groupe BPCE applies to Crédit Foncier, particularly in terms of individual limits.

Groupe BPCE entities must observe each transaction limits determining portfolio risk diversification rules and in compliance with regulatory limits governing large exposures.

These individual limits are proposed, examined, updated, controlled and monitored by the Risk Department, which also prepares reports, before being approved by the Risk Committee. These are monitored at Crédit Foncier Group level. In addition, Compagnie de Financement Foncier has a limit of 20% of its balance sheet total for its parent company, Crédit Foncier. The calculation of this limit is applied across all exposures for Crédit Foncier generated directly and without additional guarantees (e.g. pledging of loan book).

### **2.4.4 Managing limit overruns and notification procedure**

*For more information, see the 2012 Registration Document (Vol. 2, p. 99).*

### **2.4.5 Risk supervision**

Risk supervision involves two main procedures:

- quarterly review of portfolios to ensure the overall quality of exposures and to check the cost of risk calculation;
- monitoring of "sensitive operations" at least once a month for private and public-sector customers and at least once a quarter for retail customers.

Specific procedures apply to securitisation and structured products for the French public sector.

### **Review of portfolios**

Regular reviews are conducted to assess the quality of exposures. This involves a detailed analysis of the quality of commitments between the businesses and the Risk Department. This analysis applies to all significant exposures of Compagnie de Financement Foncier.

## Monitoring of sensitive operations

This monitoring concerns accounts considered as being at risk or showing the potential to become so in the future, and determines the classification of the loans concerned (performing, doubtful, pre-foreclosure) and how they should be managed.

- Individuals

Monitoring is performed at least once a quarter by the National Sensitive Operations Committee, which reviews sensitive loans and if necessary recommends individual provisioning.

- Private sector

Monitoring is carried out based on the Crédit Foncier Group's Watch List. The Watch List is reviewed each quarter. It comprises all counterparties requiring close attention due to the potentially high risk they represent. The Watch List pertains to performing and doubtful loans alike, but not disputed loans. Placement on the Watch List does not automatically suspend lines of credit or classify the counterparty as doubtful.

In addition, counterparties in difficulty are reviewed more frequently *via* the Sensitive Operations Committees.

Loans in litigation are also examined each quarter as part of a special review.

- French public sector

In conjunction with Groupe BPCE, which has signed the GISSLER Charter, the Crédit Foncier Group closely monitors public sector structured products in order to anticipate market changes affecting these transactions with the relevant customers.

The National Commitments Committee presented a number of restructuring initiatives in the first half of 2013.

- Securitisation

RMBS units held are monitored in real time by the Risk Department and give rise to the quarterly publication of a detailed portfolio review. Within the Crédit Foncier Group, the most sensitive operations are divided into two categories: "Migration List" (transactions rated below A- or for which there is a risk of downgrading) and "Watch List" (transactions rated as Non Investment Grade or where the credit rating has significantly deteriorated, either giving rise to a risk of irreversible loss or a significant increase in capital requirements). No securitisation position carried on the balance sheet of Compagnie de Financement Foncier was on the Watch List at 30 June 2013.

### 2.4.6 Risk monitoring

Risk monitoring is carried out at four levels:

- oversight of exposures, based on which internal and external reports are prepared and analysed. This is based on the clear separation of outstanding loans of Compagnie de Financement Foncier when the transactions are entered in the system. This oversight is formally carried out by the Risk Committee of Compagnie de Financement Foncier;
- risk mapping and forward-looking analysis of loan books (stress tests, etc.). Feedback on the analysis is sent to the Compagnie de Financement Foncier Risk Committee;
- preparation of the cost of risk for the year and verification of the adequacy of risk hedging for the institution. The provisions are then validated by the Provisions Committee. Meeting at least once a quarter, this is chaired by a member of Crédit Foncier Executive Management and validates individual and collective provisions. It also approves the calculation methods for individual and collective provisions. The Committee's scope extends to subsidiaries, and thus includes Compagnie de Financement Foncier;
- monitoring of capital and ratios (see section 3) by the Compagnie de Financement Foncier Risk Committee, presented before the Crédit Foncier Executive Management Committee every six months.

## 3. Internal capital adequacy and regulatory capital requirements

### 3.1. Capital management and regulatory ratios

The capital management of Compagnie de Financement Foncier is supervised directly by its Executive Management. Monitoring this ensures permanent compliance with the regulatory ratios with a view to optimised capital allocation and protection of its overcollateralisation ratio; it thus makes a direct contribution to its triple rating AAA/Aaa/AAA.

The solvency ratio is calculated for Compagnie de Financement Foncier as a whole. Since June 2011, this has been sent to the ACP (French Prudential Supervisory Authority) for information.

#### Composition of capital

Capital is determined in accordance with Regulation No. 90-02 of the French Banking and Financial Regulation Committee (CRBF), as subsequently amended, and is composed of the following three types:

- core capital (Tier-1): core capital is calculated based on book equity;
- supplementary capital (Tier-2): a distinction should be made between upper Tier-2 supplementary capital and lower Tier-2 supplementary capital. Upper tier supplementary capital includes the amount of capped core capital exceeding the regulatory limits. Lower tier supplementary capital is composed of redeemable subordinated debt satisfying the conditions of Article 4d of the aforementioned regulation. Lower tier supplementary capital may only be taken into account for up to 50% of core capital;
- deductions: since Compagnie de Financement Foncier has no legal right to hold equity investments unless an exemption is granted<sup>(1)</sup>, it is not subject to any capital deduction.

The amount of capital of Compagnie de Financement Foncier stood at €4.4 billion at 30 June 2013, of which €2.7 billion was core capital.

This includes deeply subordinated notes classified as capital (where the agreement concerned has been authorised by the ACP), subject to a maximum of 35% of core capital. Henceforth, the excess amount of deeply subordinated notes which may not be included in core capital is included in upper Tier-2 capital.

#### Capital requirement

Capital requirements are calculated using the standard Basel II method. Mortgage notes and local public sector loans (L. 211-38) are treated transparently – in other words, by calculating the requirements on the underlying loans posted as collateral.

Loans to affiliates of Groupe BPCE have a 0% weighting.

In addition, in the event of the partial transfer to Compagnie de Financement Foncier of loans originated by Crédit Foncier, and under the transfer and recovery agreements, the amounts recovered are predominantly allocated entirely to Compagnie de Financement Foncier. With the standard approach, this allows the level of weighting to be adjusted to reflect the priority allocation of recovered amounts to Compagnie de Financement Foncier and the lower loss rate that results from this.

<sup>(1)</sup> In addition as a *société de crédit foncier*, Compagnie de Financement Foncier may not hold equity securities. It holds only one equity of €15.24 in SGFGAS, which allows it to acquire loans guaranteed by the State under SGFGAS. This holding has been specifically authorised by the regulator.

(in millions of euros)

	06/30/13	12/31/12
<b>REGULATORY CAPITAL REQUIREMENTS</b>	<b>1,415</b>	<b>1,488</b>
<b>STANDARD CREDIT RISK APPROACH</b>	<b>1,365</b>	<b>1,439</b>
<b>Categories of exposure excluding securitisation</b>	<b>1,158</b>	<b>1,189</b>
Public administrations and central banks	11	12
Institutions	310	302
Companies	34	34
Retail customers	794	816
Equities	7	7
Other non-credit-obligation assets	2	19
<b>Securitisation positions with standard approach</b>	<b>207</b>	<b>249</b>
MARKET RISK WITH STANDARD APPROACH		
<b>OPERATIONAL RISK STANDARD APPROACH</b>	<b>50</b>	<b>50</b>

## Solvency ratios

Note that the solvency ratio of Compagnie de Financement Foncier is determined according to the standard method.

	06/30/13	12/31/12
Solvency ratio	25.0%	23.8%
Tier-1 ratio	15.1%	14.4%

Source: COREP 06/30/13.

At 30 June 2013, the solvency ratio stood at 25%, up 120 basis points compared with 31 December 2012. The Tier-1 ratio stood at 15.1%, an improvement of 70 basis points from 31 December 2012.

## 3.2. Management of specific ratios

In addition to their obligations as a credit institution, *sociétés de crédit foncier* are required to comply with specific ratios and limits as described in Articles L. 515-13 et seq. of the French Monetary and Financial Code. The French Prudential Supervisory Authority instruction 2008-05 defines the methods of calculating specific ratios.

The Specific Controller of Compagnie de Financement Foncier reviews the calculations of these various ratios and certifies them every six months.

Crédit Foncier's Risk Department performs second-level control every six months on these various specific indicators.

### Overcollateralisation ratio

By law (Article L. 515-20), any *société de crédit foncier* must maintain a volume of weighted assets which is greater than its privileged debt. The overcollateralisation ratio of Compagnie de Financement Foncier stood at 113.4% at 30 June 2013, the level is considerably higher than the new regulatory threshold of 102%. At the end of 2012, this ratio was 113.7%.

This ratio has remained above 108% since Compagnie de Financement Foncier was first established in 1999, and is always significantly higher than the regulatory threshold.

## Asset composition ratio

The replacement value ratio is established by dividing the replacement values by the nominal value of outstanding privileged liabilities. In accordance with the regulations (Article L. 515-17 of the French Monetary and Financial Code), these replacement values consist of values that are “sufficiently safe and liquid instruments” and are part of the Compagnie de Financement Foncier cash position.

Due to the strict management rules of Compagnie de Financement Foncier, it complies at all times with the regulatory threshold of 15% for this ratio.

Other assets such as promissory notes and guaranteed loans are also subject to regulatory limits.

Asset composition	Limit	06/30/13	12/31/12
Replacement values (R. 515-7)	15.0% <sup>(1)</sup>	12.33%	10.85%
Promissory notes (L. 515-16-1)	10.0% <sup>(2)</sup>	9.64%	9.21%
Guaranteed loans (R. 515-6)	35.0% <sup>(2) (3)</sup>	1.92%	1.88%

<sup>(1)</sup> Of the nominal amount of privileged resources, after taking foreign currency hedging into account.

<sup>(2)</sup> Of the total assets of *sociétés de crédit foncier*.

<sup>(3)</sup> Including guaranteed loans posted as collateral for mortgage notes.

## Overrun loan-to-value (LTV) ratio

In accordance with the ACP instruction, the overrun LTV calculation is based on mortgage and guaranteed loans, transferred and/or mobilised by Compagnie de Financement Foncier (excluding loans resulting from the original transfer), and on securitisation units.

The factors used to discount the excess LTV ratio are based on the values of the loans at the reporting date, in addition to the collateral value, revalued at each year-end.

At 30 June 2013, the excess LTV ratio on loans purchased and mobilised amounted to €217 million (€198 million for transferred loans and €19 million for mobilised loans), in addition to €11 million for the excess on units and debt securities issued by securitisation funds. In total, the excess LTV amount was €228 million at 30 June 2013, compared with €348 million at 31 December 2012.

The total exceeded amount remains largely below the threshold of non-privileged resources, which stood at €13,989 million at the same date. A stress test on LTV ratios, carried out by assuming an immediate fall of 10% in the value of all property posted as collateral, for all loans purchased and mobilised (€35,980 million at 30 June 2013), resulted in an excess LTV amount of €1,259 million. This amount rises to €2,193 million assuming a hypothesis of a 15% fall in collateral values. These levels are significantly lower than the threshold of non-privileged resources. Thus, these tests confirm the quality and robustness of the Compagnie de Financement Foncier asset portfolio.

## 4. Management of credit and counterparty risk

The credit risk of customer loans mainly corresponds to the risk of a deterioration of the borrower’s financial situation or the associated risk of default, which can lead to non-repayment of a portion of the principal or interest.

The credit risk profile of Compagnie de Financement Foncier is particularly low risk due to:

- the intrinsic quality of the counterparties concerned: the French and international public sector and retail banking (individuals) in France for first-rank mortgage loans;
- the robustness of the initial lending process, based on expert systems and rating and loan selection procedures;
- nature of financings and the size and diversity of the guarantee process, accompanied by a careful selection process when the assets are acquired (see section 5).

Compagnie de Financement Foncier also finances the origination by Cr dit Foncier of mortgage loans for individuals by underwriting mortgage notes issued by the latter. These promissory notes have been classified as secured loans since April 2007. The eligibility criteria of this mobilisation are identical to those applied to the loans held directly by a *soci t  de cr dit foncier*.

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

### 4.1.1 Credit risk exposures

The following table gives a breakdown of assets excluding off-balance sheet commitments and financial guarantee given (representing a total of €92 billion at 30 June 2013), as well as the actual doubtful rate, which is 1% (0.9% excluding subsidised loans).

(in millions of euros)

Risk exposures <sup>(1)</sup>	Exposures at 06/30/13			Exposures at 12/31/12		
	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidised sector)	Balance sheet	Doubtful loan rate	Doubtful loan rate (excl. subsidised sector)
Individuals	41,060	2.1%	2.0%	42,234	1.8%	1.7%
French mortgage loans <sup>(2)</sup>	27,794	3.0%	3.0%	27,711	2.7%	2.6%
French and Belgian mortgage notes <sup>(3)</sup>	8,876			9,275		
Mortgage total	36,670	2.3%	2.2%	36,986	2.0%	2.0%
Mortgage-backed securities France (internal securitisation)						
Residential mortgage-backed securities (RMBS) in Europe	4,390			5,248		
Total mortgage-backed securities	4,390			5,248		
Public-sector borrowers	32,721	< 0.5%	< 0.5%	38,443	< 0.5%	0%
Social housing	2,437	< 0.5%	< 0.5%	2,567	< 0.5%	< 0.5%
Local authorities	8,342	< 0.5%	< 0.5%	9,409	< 0.5%	
Local authorities (L. 211-38) <sup>(4)</sup>	4,666			3,323		
French sovereign <sup>(7)</sup>	605			4,355		
French public sector	16,050	< 0.5%	< 0.5%	19,655	< 0.5%	
Public-private partnerships (PPP)	660			664		
International public sector	7,770			8,381		
International sovereign	2,671			2,798		
Securities backed by loans benefiting from government guarantees	4,746			6,119		
Public-sector large corporations	824			827		
International public-sector borrowers	16,011			18,124		
Private-sector mortgage run-off (resulting from the legal transfer in October 1999)	121	71.5%	16.0%	124	70.0%	12.0%
Banking sector exposures	14,773			16,109		
Of which other banks with sovereign or semi-sovereign guarantees	2,439			2,673		
Of which other banks	2,234			436		
Of which short-term guaranteed notes <sup>(5)</sup>	10,100			13,000		
Total risk exposure	88,675	1.1%	0.9%	96,911	0.9%	0.8%
Miscellaneous adjustments and other assets <sup>(6)</sup>	3,371			3,872		
<b>TOTAL</b>	<b>92,046</b>	<b>1.0%</b>	<b>0.9%</b>	<b>100,782</b>	<b>0.8%</b>	<b>0.7%</b>

<sup>(1)</sup> Balance-sheet commitments (excluding endorsements and financial guarantees given) relating to overall exposure to credit risk, contribution on a gross individual basis (performing and doubtful) under French accounting standards based on management data.

<sup>(2)</sup> The line "French mortgage loans" effectively includes a limited outstanding amount (€75 million at 31 December 2012 and €73 million at 6 June 2013) of Netherlands loans.

<sup>(3)</sup> of which loans to retail customers residing in Belgium for €310 million.

<sup>(4)</sup> of which €110 million of L. 211.38 with Caisses d' pargne.

<sup>(5)</sup> Short-term guaranteed notes issued by Groupe BPCE entities, at least 80% secured on assets and included in the replacement values of Compagnie de Financement Foncier.

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

<sup>(7)</sup> Deposits at Banque de France are reclassified as "French sovereign" in 2012.

As part of the medium-term plan of the Crédit Foncier Group, which includes its subsidiary, Compagnie de Financement Foncier, the winding up of international operations and the reduction in the size of the balance sheet are a strategic priority. Therefore, exposure to the international public sector and RMBS lines after disposals fell sharply by 11% in the first half of 2013.

In addition, the most significant changes for the first half are:

- a reduction in exposure on the French sovereign line of €3.7 billion on Banque de France; indeed, at the end of 2012, a short-term cash investment of €3.7 billion had been placed with Banque de France in anticipation of significant redemptions of covered bonds, which took place in the first half of 2013;
- a reduction in bank exposure of €2.9 billion, particularly on the short-term guaranteed notes line.

As a consequence, overall credit risk exposure effectively fell by 8.7% during the first half of 2013 to stand at €92 billion. Please note the slight rise in the doubtful rate on French mortgage debt due to the uncertain macroeconomic environment. Nevertheless, our outstandings are covered by quality guarantees. 100% of outstandings are covered either by personal guarantees eligible under Basel II for a reduction in regulatory capital requirements (mutual guarantee organisations, bank guarantees, etc.), or by first-rank mortgages or equivalent (see section 5.2).

## 4.1.2 Analysis of credit risk exposures

### 4.1.2.1. Geographic breakdown of exposures

At 30 June 2013, the portfolio was mainly concentrated on the European Union (91%), with France representing 75% compared with 74% at 31 December 2012.

It should be noted that commitments in the United States consist only of loans to States or highly-rated local authorities, or loan securitisation units guaranteed by the Federal government, and do not include any direct or indirect real estate exposures; commitments in Japan consist of government agencies, prefectures and municipalities.

#### Breakdown of exposure by geographic region <sup>(1)</sup>

	06/30/13		12/31/12	
	Balance sheet (€m)	%		%
France	68,826	75		74
Other European Economic Area countries	14,612	16		17
Other European countries	1,547	1		1
North America (USA and Canada)	5,445	6		6
Africa/Middle East				
Latin and Central America (incl. Mexico)				
Asia (excl. Japan)				
Japan	1,616	2		2
Oceania				
Other				
<b>TOTAL</b>	<b>92,046</b>	<b>100</b>		<b>100</b>
				<b>100,782</b>

<sup>(1)</sup> Accounting management data: balance-sheet commitments (excluding off-balance sheet commitments and financial guarantees given) relating to overall credit risk exposure, contribution on a gross individual basis (performing and doubtful) in compliance with French accounting standards.



#### 4.1.2.2. Breakdown of exposures by product family

Since by law Compagnie de Financement Foncier does not have the option of holding equity investments or trading books, the breakdown by product family of balance-sheet commitments (loans, securities and financial transactions) at 30 June 2013 shows consequently a concentration of loans (75%) and securities (10% for external securitisations and 13% for fixed income securities).

##### Breakdown of exposure by product family

Product families <sup>(1)</sup> – Breakdown as a %	06/30/13	12/31/12
Shares/funds		
Other balance sheet products		
Short-term credit facilities <sup>(2)</sup>	2%	4%
Loans <sup>(3)</sup>	75%	72%
Bonds (“banking” <sup>(4)</sup> )	13%	13%
Bonds (“trading” <sup>(5)</sup> )		
Securitisation (external)	10%	11%
<b>BALANCE SHEET TOTAL</b>	<b>100%</b>	<b>100%</b>
Balance sheet assets <sup>(1)</sup> (€m)	92,046	100,782

<sup>(1)</sup> Accounting management data: balance-sheet commitments (excluding off-balance sheet commitments and financial guarantees given) relating to overall credit risk exposure, contribution on a gross individual basis (performing and doubtful) in compliance with French accounting standards.

<sup>(2)</sup> The “Short-term credit facilities” line mainly includes accruals and financial futures.

<sup>(3)</sup> Customer loans excluding short-term credit facilities include mortgage notes and short-term guaranteed notes included in replacement values.

<sup>(4)</sup> Fixed income securities are held to maturity for credit transactions.

<sup>(5)</sup> By law Compagnie de Financement Foncier cannot hold securities for trading purposes.

#### 4.1.2.3. Analysis of exposures on securitisation transactions

##### 4.1.2.3.1. Objectives and activity

In 2013, Compagnie de Financement Foncier has no exposure to internal securitisation transactions but only to external securitisation transactions.

Compagnie de Financement Foncier’s primary objective in terms of securitisation is to compile a diversified residential portfolio of high-quality senior tranches backed mainly by mortgage loans located outside France. No new investments have been carried out since the second half of 2011 and the portfolio has been in run-off since then.

In accordance with the regulatory requirements applicable to *sociétés de crédit foncier*, Compagnie de Financement Foncier has invested in transactions with a limited risk profile:

- senior securities, publicly rated by one or more agencies (AAA on acquisition), and issued by entities with strong investor protection mechanisms: subordination of junior tranches, reserve funds, interest rate differential, hedging of foreign exchange and interest rate risks;
- underlying of prime mortgage loans, residential loans, and, on a very marginally scale, commercial loans;
- underlying of debts backed by a sovereign state (FFELP student loans in the United States, NHG receivables in the Netherlands).

The securitisation portfolio is intended to be held to maturity and this portfolio is recognised at amortised cost.

#### 4.1.2.3.2. Risk management

In the first half of 2013, no securitisation held by Compagnie de Financement Foncier needed to be provisioned or entered on the Watch List <sup>(1)</sup>. To date, no default has been recorded on tranches of the securitisation portfolio held by Compagnie de Financement Foncier.

For more information, see the 2012 Registration Document (Vol. 2 p. 108).

#### 4.1.2.3.3. Stress tests

The entire portfolio of residential mortgage-backed securities (RMBS, including RMBS NHG) is regularly stress-tested to assess the resilience of the assets held in extreme scenarios. These stress-tests were realised by the Risk Division of Crédit Foncier in relation with Risk Division of Groupe BPCE.

These simulations assume a combination of events on a magnitude that seems unlikely at this stage:

- a significant increase in new default rates until maturity of transactions (up to 3% per annum for Spanish and Portuguese transactions);
- a sudden and lasting crash in property prices, varying in magnitude by country (the amounts recovered are limited to between 35 and 40% for Spanish and Portuguese debt);
- a reduction in known early repayment rates (2% per annum for Spain, Italy and Portugal).

The default models used in stress tests correspond to foreclosures, using a conservative hypothesis because, in reality, loans that have reached the default stage do not automatically lead to foreclosure.

In the event of such a “catastrophic” scenario, a final cash flow deficit could be recorded on distressed transactions, representing 0.09% at maturity of the outstanding principal. The previous analysis at 31 December 2012 had recorded a final cash flow deficit of 0.03% of outstanding principal. This slight increase over the semester is linked to more conservative recovery rate hypothesis, notably in Spain.

#### 4.1.2.3.4. Exposure to securitisation transactions

At end-June 2013, Compagnie de Financement Foncier had a €9.1 billion securitisation portfolio, which represented a reduction of almost 20% during the semester, compared with €11.4 billion at the end of December 2012.

In addition to the natural amortisation of Compagnie de Financement Foncier's portfolio, several factors explain this significant reduction:

- firstly, on-going disposal of positions as part of the running off of the portfolio, which began in 2011: disposals amounting to €1.7 billion took place in the first half of 2013, mainly consisting of NHG RMBS tranches (€1.1 billion), RMBS (€451 million) and FFELP student loans (€173 million), leading to the recognition of a capital loss of €30 million, which was partly offset by the purchase followed by the cancellation of *obligations foncières*;
- several positions were sold to Crédit Foncier under its agreement with Compagnie de Financement Foncier, which foresees the purchase by Crédit Foncier of RMBS subject to rating downgrades to below A-at their carrying amounts. Following the rating downgrades implemented by the rating agencies, several positions were sold to Crédit Foncier, for the nominal amount of €217 million.

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<sup>(1)</sup> Inventory of transactions for which a potential risk has been determined.

(in millions of euros)

At 06/30/13 Category of ABS		External securitisation positions -Breakdown by country and asset class						
		Germany	Spain	USA	Italy	Netherlands	Portugal	TOTAL
Residential mortgage	MIXED RMBS				7			7
	RMBS	288	808		1,957	596	735	4,383
Total – Residential mortgage		288	808		1,964	596	735	4,390
Public Sector	ABS Students loans FFELP			2,522				2,522
	NHG RMBS					2,224		2,224
Total – Public Sector				2,522		2,224		4,746
<b>TOTAL</b>		<b>288</b>	<b>808</b>	<b>2,522</b>	<b>1,964</b>	<b>2,820</b>	<b>735</b>	<b>9,136</b>
		3.1%	8.8%	27.6%	21.5%	30.9%	8.0%	

MIXED RMBS: mortgage-backed securities (more than 80% private individuals).

RMBS: residential mortgage-backed securities.

ABS collateralised by FFELP student loans: senior tranches of securitisations of US student loans backed by a guarantee from the Federal government up to least 98% of the capital.

NHG RMBS: residential mortgage-backed securities with the NHG guarantee in the Netherlands.

At June 30, 2013, the portfolio comprised two main types of transaction:

- residential mortgage-backed securities (mixed and plain vanilla RMBS) – €4.4 billion at the end of the period;
- “public sector” type securitisation (€4.7 billion) – this category includes both NHG RMBS (residential mortgage-backed securities with the NHG guarantee in the Netherlands) and FFELP student loan securitisations (the underlying comprises student loans backed by a US federal government guarantee covering 98% of the principal).

Following the reclassification of the Italian healthcare transactions as mutual funds in 2012 for prudential reasons, there are no longer any outstandings in this category.

The outstandings mainly concern the Netherlands (31% of the portfolio), the United States (28%) and Italy (22%).

#### 4.1.2.3.5. Breakdown of the portfolio by weighting

The securitisation positions acquired by Compagnie de Financement Foncier are broken down in the table below by weighting and rating category. The weighting of securitisation positions was determined based on the tranches' external ratings by the three rating agencies: Moody's, Standard & Poor's and Fitch. At 30 June 2013, all the tranches held by Compagnie de Financement Foncier were rated by at least one agency (had any tranches not been rated by an external agency, a weighting of 1,250% would have been applied). If the tranche has different ratings by the three agencies, the Basel II criterion is applied: the lower of the two highest ratings issued is used.

The amounts of the weighted exposures of securitisation positions were determined using the standard method for all Groupe BPCE entities (excluding Natixis), and therefore for Compagnie de Financement Foncier.

Basel II weighting using the standard approach	Basel II rating	06/30/13		12/31/12	
		Outstanding loans (€ million)	% of portfolio	Outstanding loans (€ million)	% of portfolio
20%	AA-to AAA	6,618	72%	8,564	75%
50%	A-to A+	2,518	28%	2,804	25%
100%	BBB-to BBB+		0%	0.2	0%
<b>TOTAL</b>		<b>9,136</b>	<b>100%</b>	<b>11,367</b>	<b>100%</b>

At end-June 2013, the portfolio mainly comprised transactions rated in the Step 1 category ( $\geq$  AA-); the outstanding loans with these ratings fell slightly over the period to 72% (*versus* 75% at end-2012). Compagnie de Financement Foncier had no outstanding loans weighted at 100% at 30 June 2013.

### 4.1.3. Quality of the portfolio exposed to credit risk

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

Replacement values are analysed according to counterparty: the loans granted to BPCE (€10.1 billion), in the form of short-term guaranteed notes (BCTG), and for the large part, collateralised (€8.2 billion) are considered as an exposure to BPCE.

#### 4.1.3.1. Portfolio of loans to individuals

Outstanding direct mortgage loans and mortgage note underlyings in relation to individual customers remained flat in the first half of 2013.

##### 4.1.3.1.1. Portfolio of loans to individuals excluding securitisation

###### 4.1.3.1.1.1 Acquisition and disposal of loans to individuals by Compagnie de Financement Foncier in 2013

Compagnie de Financement Foncier continued its purchases of mortgage loans from Crédit Foncier for a total amount, at 30 June 2013, of €1.5 billion. These include €406 million in loans to first-time homebuyers, €236 million in loans to the rental sector and €900 million in subsidised and interest-free loans, the demand for which was boosted by government measures implemented since 2008 to encourage first-time homebuying (doubling of interest-free loans, the PASS Foncier scheme, local interest-free loans and subsidies from local authorities), which also secure these transactions.

###### 4.1.3.1.1.2 Losses

At 30 June 2013, the “doubtful loans/outstandings” ratio (excluding subsidised sector) for direct mortgage loans and underlyings of mortgage notes stood at 2.2%, versus 2% at end-December 2012.

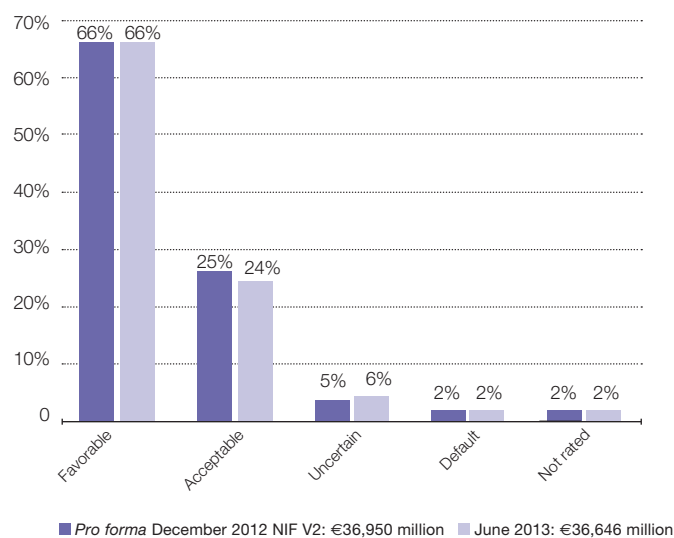
The entire portfolio of assets selected is covered by first-rank mortgage guarantees with additional protection (42% of mortgage loans to individual customers are guaranteed by FGAS), thereby limiting the ultimate risk of loss as far as possible.

###### 4.1.3.1.1.3 Rating

In preparation for the standardisation of internal credit risk rating models, the rating models scale (NIF) was adjusted in the first half of 2013. A *pro forma* analysis was carried out in order to facilitate comparison of the results.

The chart below shows the quality of the outstandings of Compagnie de Financement Foncier’s mortgage loans to individual customers. In general, the ratings remained stable in the first half of 2013.

Moreover, as 90% of loans are rated as “favourable” or “acceptable”. The proportion of non-performing loans remains low, at 2%.

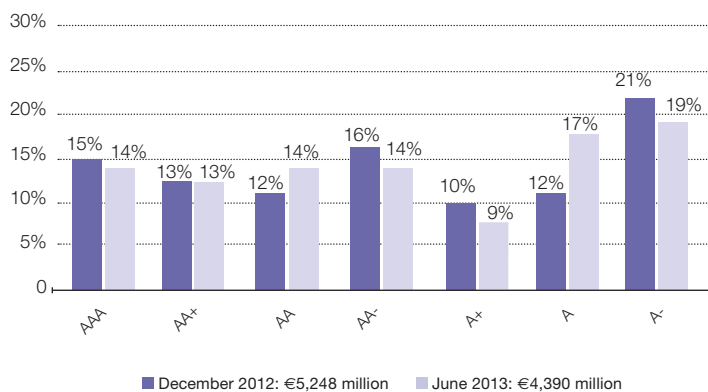
Internal ratings of outstanding mortgage loans to individuals <sup>(1)</sup>

<sup>(1)</sup> Excluding professionals and associations

## 4.1.3.1.2. Residential mortgage-backed securities (RMBS)

The outstandings in Compagnie de Financement Foncier's RMBS portfolio fell significantly during the first half of 2013, mainly due to the transfer of positions to Crédit Foncier and the sale of positions carried out as part of the run-off of the portfolio (see section 4.2.2.3.4): at end-June 2013, they stood at €4,390 million, versus €5,248 million at end-2012 – a reduction of 16%.

## Breakdown by internal rating of exposures to securities backed by residential mortgage loans (RMBS) excluding France



The portfolio's ratings profile was stable overall in the first half of 2013, with step 1 outstandings ( $\geq$  AA-) accounting for 55% of the total of RMBS outstandings held by Compagnie de Financement Foncier (versus 57% at end-2012).

Compagnie de Financement Foncier's RMBS portfolio continues to hold up well to the extreme situations described in the stress tests carried out on a regular basis by Crédit Foncier's Risk Department (see section 4.2.2.3.3).

#### 4.1.3.2. French public sector portfolio

The Crédit Foncier Group supports the development of the regional public sector: regions, departments, local authorities and institutions in France, including healthcare and social housing organisations (public housing offices – *Offices publics de l’habitat* -and social housing agencies – *Entreprises sociales pour l’habitat*).

The exposure acquired by Compagnie de Financement Foncier to French public sector lenders was originated by the Groupe BPCE entities Caisses d’Épargne and Crédit Foncier. In the social housing sector, Compagnie de Financement Foncier is protected by direct guarantees from local authorities and/or mortgage guarantees.

##### 4.1.3.2.1. Changes in outstandings

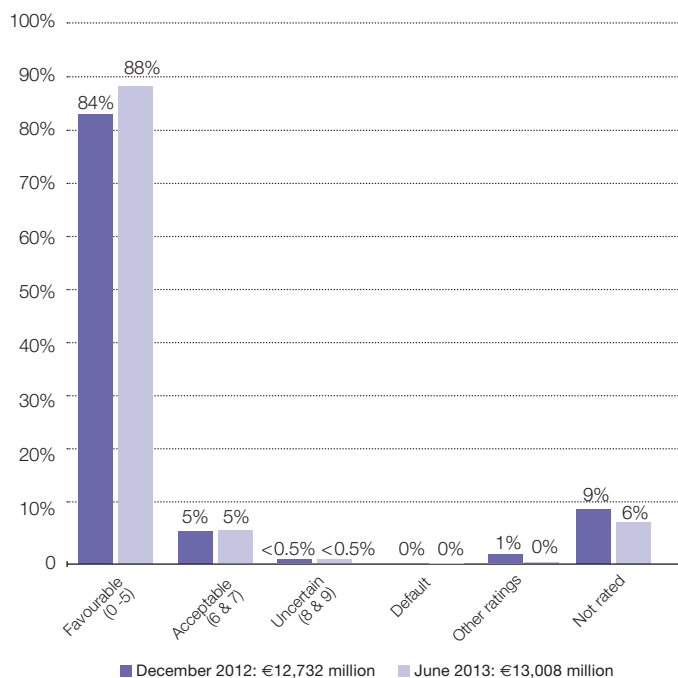
Outstandings in relation to the French public sector fell significantly in the first half of 2013 (by -18.3% versus end-2012), mainly due to the reduction in exposure to the Banque de France.

##### 4.1.3.2.2. Losses

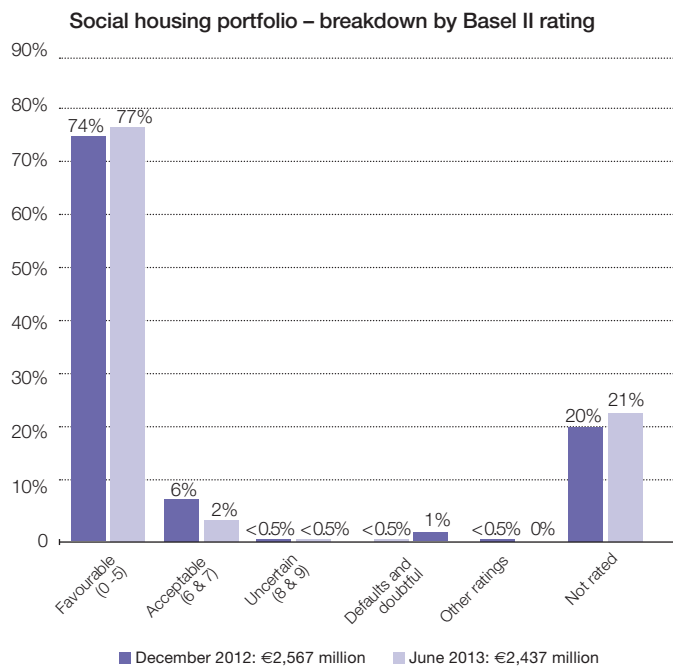
The public sector portfolio has a very low rate of doubtful loans (accounted for by long-standing transactions), which attests to its good quality.

##### 4.1.3.2.3. Rating

Domestic public sector portfolio – breakdown by Basel II rating



With regard to Compagnie de Financement Foncier’s local authority outstandings, 88% have a “favourable” rating (0 to 5), up from 84% at end-2012.



NB: Non-rated outstandings (21%) mainly comprise loans to organisations that receive the Employers' Contribution to the Construction Effort (PEEC<sup>(1)</sup>) and their subsidiaries, which are not covered by BPCE's rating systems. When the commitment decision is taken, these counterparties are subject to an individual analysis (the PEEC sector is closely managed and controlled by the French government).

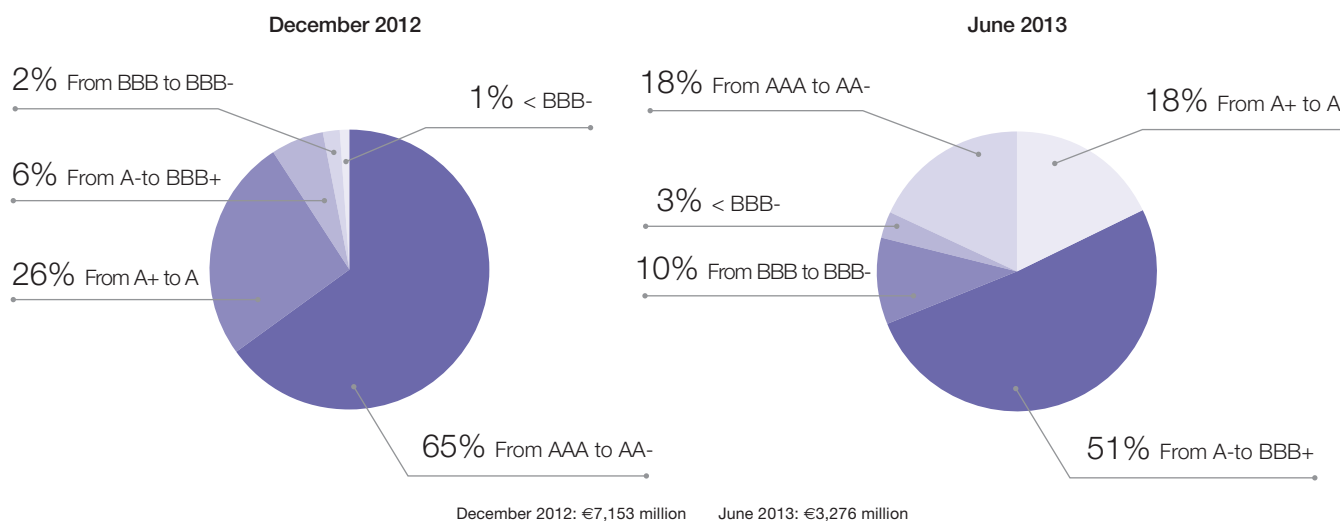
With regard to Compagnie de Financement Foncier's social housing outstandings, 77% have a "favourable" rating (0 to 5), up from 74% at end-2012, thereby demonstrating that the quality of the portfolio has improved.

The proportion of counterparties rated in the "uncertain" category and in default remains negligible.

**4.1.3.3. International public sector portfolio**

**4.1.3.3.1. Sovereign**

Compagnie de Financement Foncier's sovereign portfolio includes its exposure to foreign and French sovereigns. As is the case for the international portfolio as a whole, outstandings in foreign sovereigns have been in run-off since 2011, with the positions being sold on the markets whenever opportunities arise (see below).



<sup>(1)</sup>The Employers' Contribution to the Construction Effort (PEEC) is a mechanism in which private, non-agricultural companies employing 20 employees or more (10 employees or more prior to 2006) contribute to the construction of new homes. This government measure was implemented by the law of July 11, 1953, and was previously known as the "1% logement" law.

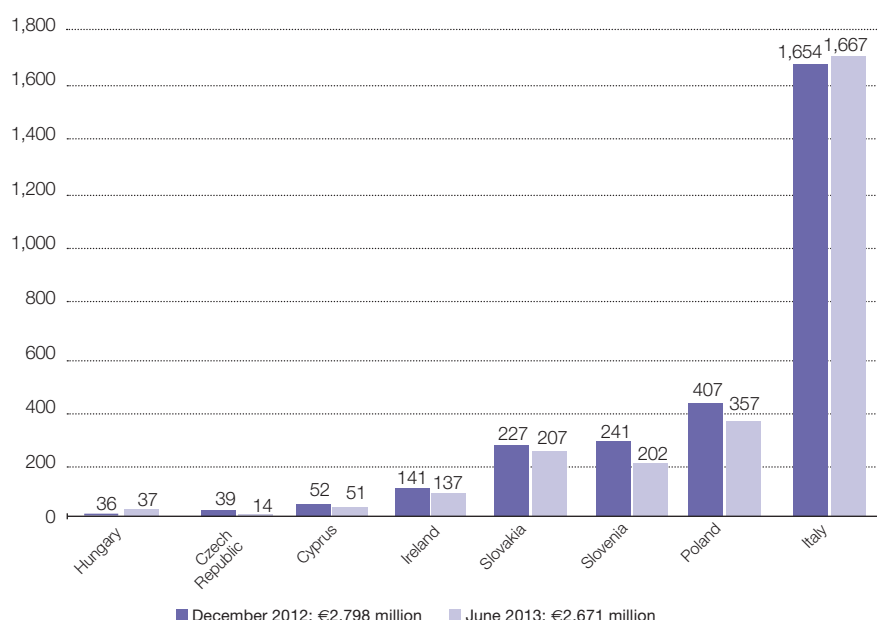
At 30 June 2013, sovereign outstandings totalled €3.3 billion, compared with €7.1 billion at end-2012, a decrease of (55%) over the period. This change is attributable to a number of factors:

- Compagnie de Financement Foncier has significantly reduced its cash investments with the Banque de France. At the end of 2012, a cash investment of €3.7 billion was made with the Banque de France ahead of a major redemption of covered bonds, which was to take place in the first half of 2013;
- the disposal of positions implemented during the year as part of the run-off of the sovereign portfolio excluding France: Compagnie de Financement Foncier reduced its exposure to sovereigns excluding France as part of the run-off of the portfolio. This mainly concerned Slovenia (nominal amount of €33 million), the Czech Republic (€24 million) and Slovakia (€20 million).

Due to the reduction in cash investments with the Banque de France, outstandings with ratings in the Step 1 category ( $\geq$  AA-) fell significantly from 65% of total outstandings to 18%. In addition, the proportion of outstandings rated [A-; BBB+] increased substantially, from 6% to 51% of the total, due to the drop in the internal rating of Italian sovereigns to A-(outstandings of €1.7 billion).

#### Breakdown of direct exposure to Sovereigns excluding France

(in millions of euros)

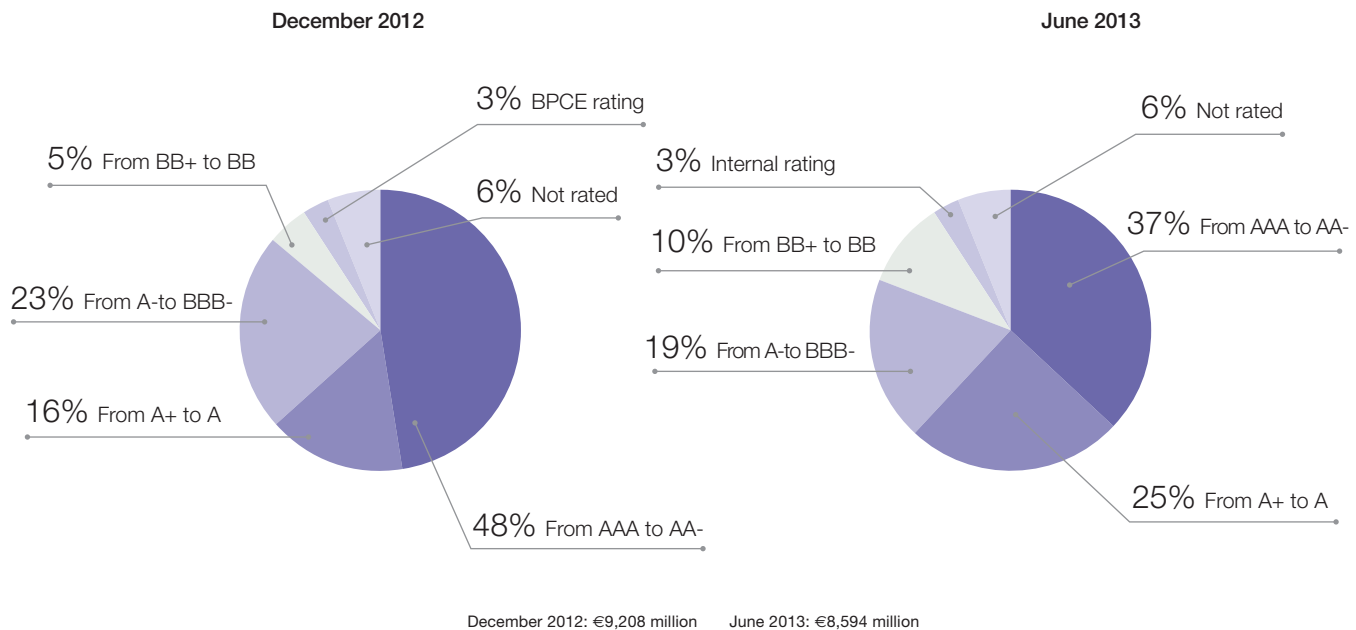


#### 4.1.3.3.2. Local and international authorities

International public sector outstandings are concentrated in the euro zone, Switzerland, Japan, Canada and the United States. This portfolio has also been in run-off since 2011. In the first half of 2013, disposals of positions in this portfolio continued, mainly in relation to North American and European counterparties.

Outstandings in the first half of 2013 totalled €8.6 billion, versus €9.2 billion at end-2012, i.e. a drop of more than €600 million (-6.7%). The reduction in exposure over the first half of the year was the result of disposals (US and European public sector counterparties, for a nominal amount of €297 million) and the natural amortisation of the portfolio; international public sector exposure was also impacted by fluctuations in the rate of the hedged components and in exchange rates for securities denominated in foreign currencies (mainly USD, JPY and CHF).





Outstandings in the step 1 category (rated  $\geq$  AA-) fell during the period, from 48% to 37% of the total; this was mainly due to downgrades in the ratings of several Japanese public sector counterparties. In the absence of an internal rating, “non-rated” outstandings (6%) relating to certain counterparties whose risk is assessed as equivalent to category A or higher (on the basis of external ratings).

Internal ratings on the IPF sector are generally in line with the ratings published by the rating agencies (internal ratings are on average 0.2 of a notch lower than external ratings).

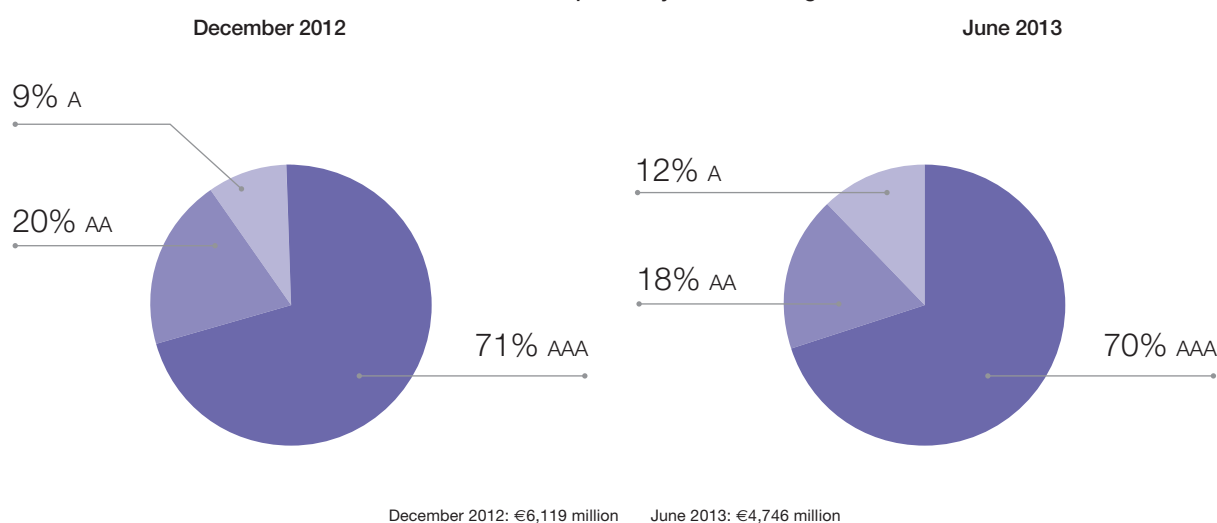
#### 4.1.3.3.3. International public sector securitisation

Compagnie de Financement Foncier’s public sector securitisation outstandings stood at €4.7 billion at 30 June 2013, i.e. a fall of 22% over the period, mainly due to the disposals referred to in section 4.2.2.3.4.

Two types of transaction are included in this category:

- €2.2 billion in Dutch mortgage loan securitisations backed by an NHG guarantee (a Dutch public entity similar to SGFGAS in France). These transactions therefore generate a final risk on the Dutch government. 80% of the portfolio’s outstandings have a Step 1 category rating ( $\geq$  AA-);
- €2.5 billion in US FFELP student loan securitisations, backed by a Federal guarantee covering at least 98% of the amount outstanding of each underlying loan. 96% of the outstandings had a Basel II rating of AAA at 30 June 2013 (see table below).

### Breakdown of exposure by external rating



### Public sector securitisation positions

(in millions of euros)

At 06/30/13 Sec. fund category	Type of sec. fund	Breakdown by rating				TOTAL
		AAA	AA	AA-	A+	
Public sector	NHG RMBS	936	370	478	441	2,224
	ABS Students loans FFELP	2,412			110	2,522
Total – Public sector		3,348	370	478	551	4,746
<b>TOTAL</b>		<b>3,348</b>	<b>370</b>	<b>478</b>	<b>551</b>	<b>4,746</b>
		70.5%	7.8%	10.1%	11.6%	

A large proportion (88%) of the public sector securitisation outstandings have a Step 1 category rating ( $\geq$  AA-). The rating profile of this portfolio is stable overall compared with the end of 2012.

#### 4.1.3.4. Cost of risk

(in millions of euros)

	06/30/13	12/31/12
INDIVIDUAL COST OF RISK (a)	-4.89	-3.09
COLLECTIVE PROVISIONS (b)	-0.77	-7.61
COST OF RISK (a+b)	-5.66	-10.70
COST OF RISK – NET BANKING INCOME (c)	0.12	0.08
<b>NET (a+b+c)</b>	<b>-5.54</b>	<b>-10.62</b>

At 30 June 2013, Compagnie de Financement Foncier's cost of risk stood at €5.54 million, in line with the figure for 2012.

On an individual basis, the cost of risk for the first half of 2013 was €4.89 million. The reasons for this change were an increase in the rate of doubtful loans and a drop in the value of guarantees. Net allocations to collective provisions fell significantly. In 2012, this item was impacted by a change in the methodology for calculating collective provisions following the harmonisation of rules in Groupe BPCE.

## 4.2. Diversification of risks and concentration risk

### Concentration summary by Compagnie de Financement Foncier counterparty group

(in millions of euros)

	Top 10	Top 20	Top 50	Top 100	TOTAL
Specialised financing			n.s.		
Large companies			n.s.		
Sovereigns	4,246	4,260	4,260	4,260	<b>4,260</b>
	100%	100%	100%	100%	
External securitisation	5,356	7,557	9,136	9,136	<b>9,136</b>
	59%	83%	100%	100%	
French local authorities and social housing	2,611	3,618	5,525	7,124	<b>12,194</b>
	21%	30%	45%	58%	
International public financing	4,292	5,876	7,966	8,594	<b>8,594</b>
	50%	68%	93%	100%	

This table shows the weight of the leading counterparties in a specific category, respectively the 10, 20, 50 or 100 largest counterparties, excluding Groupe BPCE entities. Exposure to BPCE, for all types of assets (replacement values, mortgage notes, L. 211-38) stands at €1.9 billion net of collateral received as a guarantee. The long-term ratings for BPCE are A (neg.)/A2 (stable)/A+ (neg.).

This ranking was established on groups of counterparties and balance sheet and off-balance sheet exposures.

For securitisations, which account for a significant proportion of the portfolio of large counterparties, all of the risks (100%) are concentrated in the top 50 exposures. This concentration can be attributed to Compagnie de Financement Foncier's strategy of acquiring, after carrying out a detailed analysis, large-scale deals on the primary market. In terms of credit risk, this concentration is only apparent since the underlying assets are mainly housing loans to individuals and therefore have a high degree of granularity.

The French local authorities and social housing sectors and large companies have a much lower concentration, which contributes to the risk diversification policy.

Direct exposure to sovereign risk is relatively concentrated (less than ten counterparties) as it involves only a few European states.

## 5. Risk mitigation techniques

Compagnie de Financement Foncier's portfolio is highly secure, because it is mainly exposed to mortgage risk and public sector risk. These two risks are further reduced by additional guarantees. For example, 42% of outstandings relating to individual customer mortgages are covered by an FGAS guarantee.

The main provider of personal guarantees for individual customers 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 state for home ownership loans governed by regulated loan agreements and guaranteed by first-rank collateral (mortgage or lender's lien). Accordingly, it receives the French's government's external ratings and allows a 0% weighting of loans for which FGAS coverage was signed prior to 1 January 2007. Due to a change in FGAS coverage methods, guarantees granted thereafter have a Basel II credit risk weighting of 15% for the loans in question.

Moreover, some individual customer loans are covered by a guarantee related to a credit institution risk: Crédit Logement is a financial institution, a subsidiary of most large French banking networks, whose long-term ratings are Aa3 (Moody's) and A+ (Standard & Poor's). Loans covered by Crédit Logement have a Basel II weighting of 20%. This weighting corresponds to the regulatory weighting applicable to French credit institutions.

As regards mortgage guarantees, in accordance with the regulations, Compagnie de Financement Foncier regularly carries out a detailed re-evaluation of guarantees attached to mortgages. Compagnie de Financement Foncier's Specific controller gives his opinion on the validity of the methods used to value properties, and the results, and on the procedures for the periodic review of property values.

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

For more information, see the 2012 Registration Document (Vol. 2, page 118).

## 5.2. Effect of credit risk mitigation techniques

With regard to direct loans to individuals, in accordance with the regulations governing *sociétés de crédit foncier*, 100% of outstandings of covered either by personal guarantees eligible under Basel II for reducing capital requirements (mortgage insurance companies, banks guarantees, etc.), or by first-ranked mortgages or an equivalent.

Of the €28 billion in direct loans to individuals covered by first-rank mortgages or an equivalent (lender's lien<sup>(1)</sup>), €12.9 billion is also covered by a personal guarantee.

### Further information on the individual customer segment

The table below shows the breakdown of the various guarantees associated with the individual customer portfolio:

(in millions of euros)

Mechanism	Individuals		
	06/30/13	12/31/12	
Regulated mechanisms	FGAS (100% – government guarantee)	11,763	11,293
	Subsidised sector (government guarantee)	485	549
Mortgage guarantee companies	Crédit Logement <sup>(1)</sup>	172	191
	CRESERFI <sup>(2)</sup>	369	362
International financial organisations	Indirect European public guarantee <sup>(3)</sup>	73	75
A - Loans guaranteed by personal guarantees in addition to the mortgage guarantee or equivalent		12,862	12,470
B - Loans guaranteed by first-rank mortgages or equivalent (lender's lien)		15,105	15,337
(A + B) guarantees + first-rank mortgages		27,967	27,808
C - French mortgage loans outstanding		27,967	27,808
<b>Proportion of loan outstandings with (Basel II-eligible) guarantees as a percentage of total outstandings [(A+B)/C]</b>		<b>100%</b>	<b>100%</b>

Source: COREP - period ended 30 June 2013, exposure including off-balance sheet commitments (excluding mortgage bonds)

(1) Crédit Logement: rated Aa3 by Moody's and A+ by Standard & Poor's. Loans guaranteed by Crédit Logement are also covered by a charge on the mortgaged property.

(2) CRESERFI: mortgage guarantee company for civil servants. Loans guaranteed by CRESERFI are also covered by a first-rank mortgage.

(3) Indirect European public guarantee: €73 million NHG guarantee (Dutch government) on the GMAC portfolio as of 30 June 2013.

## 5.3. Balance sheet and off-balance sheet netting

For more information, see the 2012 Registration Document (Vol. 2, page 128).

<sup>(1)</sup> Lien: the nature of this type of loan grants a lender a preferential claim out-ranking other creditors.

## 6. G7 reporting

In its report of 7 April 2008, the Financial Stability Forum (FSF) -G7 issued a series of recommendations in response to the financial crisis, particularly in terms of financial transparency, valuation, risk management and ratings agencies. Moreover, the FSF called for improved financial disclosure by financial institutions.

Compagnie de Financement Foncier therefore disclosed that on 30 June 2013 it had no exposure to the following asset classes:

- CDOs (Collateralised Debt Obligations) or direct exposure to monolines;
- CMBS (Commercial Mortgage-Backed Securities);
- other subprime and Alt-A exposure and exposure to US mortgages more generally;
- special purpose entities;
- leveraged buyouts (LBOs).

Compagnie de Financement Foncier has no direct exposure to monolines, although it has received secondary guarantees from such entities in relation to certain assets in its portfolio. In all cases, Compagnie de Financement Foncier holds an initial claim against a primary counterparty other than the monoline. All of these guarantees cover public sector financing transactions (loans or securities) extended directly to a sovereign state or to a local authority (including healthcare securitisations) or public institution. At 30 June 2013, the overall breakdown of the portfolio enhanced in terms of the rating of the underlying assets was as follows (nominal amount, in millions of euros):

(in millions of euros)

At 06/30/13							
Monoline	Monoline rating	AA	A	BBB	Non-investment grade	Not available	TOTAL
AMBAC	Not available		11		380		392 19%
CIFG	Not available			139			139 7%
FGIC	Not available					103	103 5%
AGMC <sup>(1)</sup>	A	257	807	145			1,209 59%
MBIA <sup>(2)</sup>	BBB+		82			125	207 10%
<b>TOTAL</b>		<b>257</b>	<b>900</b>	<b>284</b>	<b>380</b>	<b>228</b>	<b>2,050</b>
<b>%</b>		<b>12%</b>	<b>44%</b>	<b>14%</b>	<b>19%</b>	<b>11%</b>	<b>100%</b>

<sup>(1)</sup> Rating of Assured Guaranty (for FSA).

<sup>(2)</sup> Rating of National Public Finance Guarantee Corp. (for MBIA).

These financing commitments are legally structured as financial guarantees (and not CDS) and constitute an additional security for the underlying security. These guarantees are neither valued nor recognised on Compagnie de Financement Foncier's balance sheet (only the enhancement premium is recognised as an expense). The intrinsic rating of the underlying asset is consistent with its pre-enhancement Basel II rating at the same date.

56% of the enhanced outstandings are rated AA and A. The outstandings which are not rated (11%) have no inherent Basel II rating, but are considered by Compagnie de Financement Foncier to belong in the investment-grade category (i.e.  $\geq$  BBB-).

In light of the restructuring of the monoline sector, the rating now used for securities initially enhanced by FSA is that of Assured Guaranty Municipal Corp. This monoline was rated A2 by Moody's and AA-by S&P at 30 June 2013. Similarly, those enhanced by MBIA are now allocated the rating of the National Public Finance Guarantee Corporation (rated Baa1 by Moody's and A by S&P at 30 June 2013), which now guarantees North American local authorities.

## 7. Market risks and asset and liability management risks

For more information, see the 2012 Registration Document (Vol. 2, page 130).

### 7.1. Organisation of ALM risk monitoring, a methodology used to assess liquidity, interest rate and exchange rate risks

#### 7.1.1. Organisation of ALM risk monitoring

For more information, see the 2012 Registration Document (Vol. 2, page 130).

#### 7.1.2. Methodology used to assess liquidity, interest rate and foreign exchange risks

For more information, see the 2012 Registration Document (Vol. 2, page 130).

### 7.2. Liquidity risk monitoring

#### 7.2.1. Organisation of the refinancing of Compagnie de Financement Foncier

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

It also has a portfolio of assets amounting to €42.7 billion (nominal amount, before haircut if used) that can potentially be used with the ECB, including €26.2 billion of residential mortgage loans under the temporary mechanism of February 2012, which it may use up to a net amount estimated at €17.7 billion (or €16.1 billion taking into account amounts already used) post-haircut and based on the ECB's current rules, in compliance with the regulatory constraints applicable to it on an estimated overcollateralisation basis as of 30 June 2013.

At 30 June 2013, Compagnie de Financement Foncier had used €1.6 billion (in nominal value before haircut) of these assets, including €1 billion with the ECB (refinancing received, net of the haircut on the assets used).

#### 7.2.2. Liquidity risk monitoring

Liquidity risk is the risk that Compagnie de Financement Foncier may not be able to meet its short-term financial liabilities.

As explained in point 7.1.2 of the 2012 Registration Document (Vol. 2, page 130), liquidity requirements are analysed using a combination of static and dynamic approaches. With the static approach, liquidity risk monitoring ensures that medium-term liquidity management does not concentrate liquidity requirements excessively in a particular period. The main indicator used is the static liquidity gap, which takes into account Compagnie de Financement Foncier's capacity to raise liquidity over the next 20 years.

Over and above regulatory constraints, the asset and liability management rules adopted by Compagnie de Financement Foncier ensure that its exposure to liquidity risk remains very low. The rules encompass an internal limit mechanism and monitoring by the ALM Committee and the Risk Committee.

In particular, Compagnie de Financement Foncier is committed to maintaining sufficient short-term liquidity to meet the contractual deadlines of its privileged debt for a period of one year.

In addition, some of its assets, known as replacement values, consist of safe and liquid investments, as required by the law governing *sociétés de crédit foncier*. At 30 June 2013, Compagnie de Financement Foncier held €12.3 billion in replacement values, including €10.1 billion of exposure to BPCE, of which €8.2 billion is collateralised.

### 7.2.3. Compliance with limits

#### **Liquidity ratio**

Compagnie de Financement Foncier's liquidity ratio was 1,468% at 30 June 2013.

#### **Limit associated with the asset/liability ratio**

In the first half of 2013, in line with BPCE standards, a limit associated with the asset/liability ratio was introduced for Compagnie de Financement Foncier.

The static liquidity gap limits are as follows:

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

Furthermore, in order to anticipate liquidity management requirements, a benchmark level approved by the Risk Committee has been established based on the observed static liquidity ratio, as follows:

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

At 30 June 2013, Compagnie de Financement Foncier was in compliance with this limit and the reference level.

#### **Asset/liability duration**

Compagnie de Financement Foncier also determines the duration of its assets and liabilities, to ensure that their maturities are well-matched, and is committed to respecting a maximum gap of two years. The probable rates of early repayment are taken into account in relation to assets. For liabilities, equity capital is taken into account for a duration equal to the longest maturity of debt issued.

In the first half of 2013, this rule was respected, with an average duration of 6.7 years for assets and 7.3 years for liabilities, with the assets comprising:

- financed assets;
- replacement values, held for their contractual term;
- mortgage notes and public sector loans used under L. 211-38 and handled in a transparent manner.

#### **180-day cash forecast**

Compagnie de Financement Foncier ensures that its cash requirements are covered at all times over a period of 180 days, in accordance with the ratio established by the Decree of 23 February 2011 (Article R. 515-7-1).

## 7.3. Monitoring of overall interest rate risk

### 7.3.1. Management procedures

For more information, see the 2012 Registration Document (Vol. 2, page 132).

### 7.3.2. Interest rate risk monitoring

For more information, see the 2012 Registration Document (Vol. 2, page 133).

### 7.3.3. Compliance with limits

Compagnie de Financement Foncier has undertaken to maintain the level of its interest rate gap within limits defined by observation periods. These gaps measure the difference between fixed rate assets and liabilities over time, with no acquisition of new assets or any new issues.

The limits currently in effect for interest rate gapping are:

Horizon	Limits as a percentage of the draft
Less than 2 years	2%
2 to 5 years	3%
5 to 10 years	5%
More than 10 years	10%

All of these indicators are subject to quarterly review by the ALM Committee and the Risk Committee.

All limits included in interest rate risk monitoring were respected throughout the first half of 2013.

## 7.4. Foreign exchange risk monitoring

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

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

They are monitored by Crédit Foncier's financial operations middle office, which centralises month-end foreign exchange positions, by currency and by total amount of foreign currencies.

In terms of foreign-exchange risk, the BPCE standards require that the spot foreign position by currency is limited to 5% of total balance sheet assets in the currency. This limit only applies if the outstandings in the foreign currency are above the threshold of the equivalent of €1 million.

In 2012, Compagnie de Financement Foncier set a more restrictive internal limit for these exposures, at the equivalent of €5 million for all currencies combined, and €3 million for each currency.

Compliance with these limits is monitored by the ALM Committee and the Risk Committee of Compagnie de Financement Foncier. These limits were respected by Compagnie de Financement Foncier throughout the first half of 2013.



## 8. Operational risks

Groupe BPCE defines operational risk as the risk of loss resulting from an unsuitability, inadequate or faulty procedures, personnel, information systems or external events. It also includes internal and external fraud and reputation risk.

Compagnie de Financement Foncier's operational risks are managed by Crédit Foncier as part of the service agreement between the two entities. The greater part of operational risk is linked to the services outsourced to the parent company. Moreover, the consequences of an operational incident detected during activities carried out by Crédit Foncier in relation to a Compagnie de Financement Foncier balance sheet item are borne by Crédit Foncier.

These risks include, in particular, accounting, legal, regulatory and tax risks, as well as risks related to the safety of persons, property and information systems.

Compagnie de Financement Foncier's operational risk management is based on Crédit Foncier procedures, according to the rules of Groupe BPCE. Only operational risks related to the activity of Compagnie de Financement Foncier's General Secretariat are subject to specific risk mapping. It should be noted that no incident was detected in the first half of 2013 in relation to the specific risk mapping of Compagnie de Financement Foncier.

The changes in Crédit Foncier's procedures in the first half of 2013 related to corporate governance and the management environment:

- separation of the Operational Risk Committee of Crédit Foncier and the Internal Control Committee. The Operational Risk Committee meets in the presence of the General Secretary of Compagnie de Financement Foncier and a representative of BPCE;
- roll-out at Crédit Foncier of the operational risk management application used throughout Groupe BPCE known as PARO (which stands for "Pilotage et analyse des risques opérationnels", or monitoring and analysis of operational risks).

### 8.1. General framework

*For more information, see the 2012 Registration Document (Vol. 2, page 135).*

### 8.2. Governance

*For more information, see the 2012 Registration Document (Vol. 2, page 135).*

### 8.3. Management environment

*For more information, see the 2012 Registration Document (Vol. 2, page 135).*

### 8.4. Organisation of business continuity

*For more information, see the 2012 Registration Document (Vol. 2, page 135).*

## 8.5. IT Risks

Excluding recurrent information system security management and supervision initiatives, the primary activities carried out for the Crédit Foncier Group and benefiting Compagnie de Financement Foncier in the first half of 2013 were:

- finalising the analysis of Crédit Foncier's information systems compliance with the Groupe BPCE information systems "N2" security policy;
- intrusion testing on business line infrastructures;
- overhaul of authorisations linked to internal restructuring;
- contributing to the improvement of the IT network's robustness and reporting.

*For more information, see the 2012 Registration Document (Vol. 2, page 136).*

## 8.6. Insurance

As Compagnie de Financement Foncier's servicer, Crédit Foncier takes out insurance to cover the risks attached to its activity. Under service agreements with Compagnie de Financement Foncier, it provides insurance-related services on the latter's behalf. As a result, Compagnie de Financement Foncier benefits from the insurance policies taken out by BPCE for the entire group, which provide cover for the following risks:

- IT fraud and malicious acts;
- professional civil liability;
- Directors' and Corporate Officers' civil liability;
- losses arising from banking operations.

## 8.7. Legal risks

At 31 December 2012, three local authorities with structured loans took the Crédit Foncier Group to court, which may impact on Compagnie de Financement Foncier. Compagnie de Financement Foncier is only directly involved in one of these cases.

In the first half of 2013, the summons citing Compagnie de Financement Foncier was abandoned.

With regard to the other two cases that involve Crédit Foncier directly, only one was still outstanding at 30 June 2013 (see Crédit Foncier Group report).

*For more information, see the 2012 Registration Document (Vol. 2, page 136).*

## 9. Settlement risk

*For more information, see the 2012 Registration Document (Vol. 2, page 137).*



## 10. Non-compliance risk

*For more information, see the 2012 Registration Document (Vol. 2, page 137).*

### 10.1. Risk monitoring and measurement

*For more information, see the 2012 Registration Document (Vol. 2, page 137).*

### 10.2. Risk identification and monitoring

*For more information, see the 2012 Registration Document (Vol. 2, page 138).*

### 10.3. Risk control

*For more information, see the 2012 Registration Document (Vol. 2, page 138).*

### 10.4. Malfunction monitoring

*For more information, see the 2012 Registration Document (Vol. 2, page 138).*

### 10.5. Approval of new products or services

*For more information, see the 2012 Registration Document (Vol. 2, page 138).*

### 10.6. Ethics -Market abuse -Conflicts of interest

*For more information, see the 2012 Registration Document (Vol. 2, page 138).*

### 10.7. Prevention of money laundering and terrorist financing

*For more information, see the 2012 Registration Document (Vol. 2, page 139).*

### 10.8. Outsourced operations

*For more information, see the 2012 Registration Document (Vol. 2, page 139).*

# Legal information



Material changes to legal information in the first half of 2013 are outlined below. The other legal information contained in the Registration Document at 31 December 2012 (filed under registration number D. 13-0299) is unchanged.

## Administrative bodies

Members of the Board of Directors at 30 June 2013 and professional addresses of its members.

### **Thierry DUFOUR**

Director since 18 December 1998

Chairman from 18 December 1998 to 25 June 1999

Chief Executive Officer from 25 June 1999 to 16 May 2001

Deputy Chief Executive Officer from 16 May 2001 (following the enactment of the New Economic Regulations Act) to 17 May 2002

Chief Executive Officer since 17 May 2002 (following the separation of the roles of Chairman and Chief Executive Officer)

Resignation from office as Chief Executive Officer on 4 September 2006

Chairman of the Board of Directors since 31 July 2007

Chairman and Chief Executive Officer since 14 December 2007

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

### **Sandrine GUÉRIN**

Deputy Chief Executive Officer (non-director) since 15 October 2001

Director since 25 March 2002

Deputy Chief Executive Officer since 17 May 2002 (following the separation of the roles of Chairman and Chief Executive Officer)

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

### **BPCE represented by Roland CHARBONNEL**

Director since 28 March 2011

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

### **Éric FILLIAT**

Director since 28 March 2012 (replacing Nicolas DARBO, who resigned)

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

### **Crédit Foncier de France represented by Bruno DELETRÉ**

Director since 25 June 1999

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

### **Christine JACGLIN**

Director since 29 September 2011 (replacing Alain DENIZOT, who resigned)

Banque Populaire d'Alsace

Immeuble Le Concorde – 4, quai Kléber – 67000 Strasbourg

### **Pascale PARQUET**

Director since 29 September 2011 (replacing Philippe DRUART, who resigned)

Caisse d'Épargne et de Prévoyance Île-de-France

26/28, rue Neuve-Tolbiac – 75013 Paris

### Changes within the Board of Directors

The Board of Directors has formally acknowledged Didier PATAULT's decision to resign from office as a member of the Board of Directors of Compagnie de Financement Foncier, effective 31 May 2013.

## Resolutions put to the Annual General Shareholders' Meeting

Ordinary General Shareholders' Meeting of 27 May 2013

All resolutions put to the meeting were passed.

## General information

### Outlook for Compagnie de Financement Foncier

#### Recent events

The company did not record any recent events that significantly impact the evaluation of its solvency. Compagnie de Financement Foncier has issued €3 billion since the beginning of the year 2013, in line with its' annual funding program.

#### Trends

No significant deterioration has affected the outlook of the company since its last financial report was audited and published.

On 28 November 2012, the Eurosystem modified the ECB eligibility rules to refinance certain types of assets. By 31 March 2013, covered bonds whose asset cover pools still contain securitisations – other than those consisting of mortgages originated by the affiliation group of the issuer, will no longer be accepted as collateral for transactions with the ECB.

A « Grandfather » clause was introduced to enable the issuers concerned by these restrictions to adapt: all the taps and all the bonds issued before 28 November 2012 will remain eligible to the ECB until 28 November 2014.

By 28 November 2014, should there be any securitisation other than the ones complying with the new Eurosystem rules still in the asset cover pool, the ECB eligible assets would no longer be eligible.

At the end of 2010, Compagnie de Financement Foncier stopped buying securitisations and started, in accordance with the new strategic plan of Crédit Foncier aimed at adjusting to the new Basel III rules, and more especially to the new leverage ratio, to sell a large part of its international portfolio, a large portion of which is composed of securitisations. Consequently, Compagnie de Financement Foncier, which still holds securitisations not originated by Groupe BPCE for €9.1 billion as of 30 June 2013, is concerned by the evolution of the Eurosystem rules. During the first half of 2013, €2.0 billion of securitisations have been sold. These sales will go on in 2013 and 2014. No known other than the above, uncertainty, claim, commitment or event is reasonably liable to influence the company's outlook.

## Control

To the Company's knowledge, there is no agreement in existence which, if implemented, could later give rise to a change in control of the Company.

## Material change

There has been no material change in the financial or trading position of Compagnie de Financement Foncier since 28 August 2013, the date on which the financial statements were approved by the Board of Directors and this update to the Registration Document was filed.

## Additional Information

- There is no potential conflict of interest between the duties of members of the Board of Directors towards Compagnie de Financement Foncier and their private interests and/or other duties.
- At 30 June 2012, no special circumstances or dispute (governmental, judicial or arbitral proceedings) existed that could have (or have had) a material impact on the financial position, operations, results or capital of Compagnie de Financement Foncier.
- Compagnie de Financement Foncier operates and is administered in accordance with corporate governance practices as recognised in France.

# AMF Registration document cross-reference index





## AMF Registration document cross-reference index

### References from the diagram in annex IV of European Commission Regulation (EC) N°. 809/2004

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14.2.1.	- Register and corporate purpose		Volume 2	156-159; 164-171
<b>15.</b>	<b>Material contracts</b>			
15.1.	Regulated agreements		Volume 2	156-157
<b>16.</b>	<b>Third party information and statement by experts and declarations of any interest</b>			
16.1.	Report attributed to a person as an expert		Volume 2	120-123
16.2.	Certification		Volume 2	118-119
<b>17.</b>	<b>Documents on public display</b>			
17.1.	Place where the documents on display may be inspected, by physical or electronic means		Second cover	Volume 2 159; 180

The sections of Registration document no. D.13-0299 not referred to above are either of no consequence to investors or covered by another section of this Registration document.

Information required for annual financial statements

Information provided in the present document on page: Information provided in Compagnie de Financement Foncier's Registration document 2012 filed with the AMF on 5 April 2013 under the number D.13-0299 on page:

		Volumes	Pages
Statement from the person responsible for the document	57	Volume 2	177
Management report	7-19	Volume 2	5-31
Financial statements		Volume 2	32-83
Statutory auditors report	55	Volume 2	84-85











**COMPAGNIE DE  
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